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Artificial Intelligence & Its Impact on the Economy

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ABSTRACT

This article aims to bring a relevant interconnection between artificial intelligence and the economy in this era of dynamism circumnavigated by constant technological advancement to enhance the quality and quantity of output. It also draws a distinction to some major economies that have taken steps in recognising the impact of AI in the economy. It further establishes the various steps and evaluation in determining the legality of artificial intelligence at the national level and the various steps taken to ensure that its interpretation is sector specific. Possible suggestions have been enumerated for the enhancement of adoption of technology with less harm to the natural intelligence in the modern society and friendly ways of its adoption for the benefit of each sector of the economy. The distinction aims to create a harmony between the dynamism of technology and the benefit of it to the economy through the positive or ethical practise of the advance in technology (AI)

Keywords: *Artificial Intelligence (AI), Gross Domestic Product (GDP), Ministry of Electronics and Information Technology (MeitY), Machine Learning (ML), Proof of Concept (POC).*

I. INTRODUCTION

With human evolution humans were not different from animals and had to hunt or gather food and seek shelter in the wild. A major shift happened due to the changes in the social situation and people were no longer dependant on hunting of animals and gathering of food, different types of system were adopted such as the family and division of work, community or society towns and states, religion, a system of government and law were created for managing the individual and collective existence.

In the recent past there has been a major transition in technological efficiencies and scientific innovations, accompanied by a landslide camouflage in the economy and lifestyle. What was once an Agrarian Economy changed to an industrial economy characterised by mechanisation and mass production. The present era is known as the knowledge economy where the production of goods and services depends on the knowledge-intense activities.

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The world biggest economies and technological advanced countries have gone further and intensified the knowledge based economy to develop human equivalence through computer based systems in order run efficiently. Since many aim for quality and cheaper labour in order to maximise their returns they are opting this form of input along with other factors.

Intelligence although contemporary definitions of intelligence vary considerably, experts generally agree that intelligence involves mental abilities such as logic, reasoning, problem-solving, and planning.

Artificial intelligence the term artificial intelligence may be used for any computer that has characteristics similar to the human brain, including the ability to think critically, make decisions, and increase productivity. The foundation of AI is human insights that may be determined in such a manner that machines can easily realize the jobs, from the most simple to the most complicated. Insights that are synthesized are the result of intellectual activity, including study, analysis, logic, and observation. Tasks, including robotics, control mechanisms, computer vision, scheduling, and data mining, fall under the umbrella of artificial intelligence.[3]

II. EFFORTS OF WORLD ECONOMIES TO INTEGRATE AI

(A) Canada

- Increase the number of outstanding artificial intelligence researchers and skilled graduates in Canada
- Establish interconnected nodes of scientific excellence in Canada's three major centres for artificial intelligence in Edmonton, Montreal, and Toronto
- Support a national research community on artificial intelligence

(B) China

- Integrated plan that supports promote AI start-ups, academic research, and moon shot projects. Plan includes incentives for overseas Chinese and global talents to conduct research and found start-up companies in China, promote international exchange and collaboration in research, technology, standards, development, intellectual property rights, and testing certifications; Encourage Chinese companies to expand abroad; Encourage industry associations to set up platforms for international exchange and collaboration

[3] Artificial Intelligence vs. Human Intelligence, available at https://www.simplilearn.com/artificial-intelligence-vs-human-intelligence-article last visited on 14/04/2023 20.30 IST

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(C) Germany

- German Research Centre for Artificial Intelligence -Based on application oriented basic research; the centre develops product functions, prototypes and patentable solutions. Funding is received from government agencies and industry partners

(D) Japan

- Priority areas for R&D that include productivity, mobility, and health, medical care, and mobility. Collaboration between industry, government, and academia to advance AI research[4]

(E) Singapore

- AI Singapore brings together all Singapore-based research institutions and the vibrant ecosystem of AI start-ups and companies developing AI products and driven by a government-wide partnership. AI Singapore nurtures a local community of doers and thinkers in AI through a 'makerspace' environment with shared resources and facilities designed to maximise community interaction, collaboration, and encourage adoption of intellectual property generated by AI Singapore.

(F) UK

- UK Digital Strategy includes £17.3 million (US $22.3 million) in funding for UK universities to develop AI technologies

(G) USA

- National Artificial Intelligence Research and Development Strategic Plan to help guide AI R&D efforts, including - develop effective methods for human-AI collaboration, - develop shared public datasets and environments for AI training and testing - Better understand the national AI R&D workforce needs

III. MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY REPORT

Artificial Intelligence (AI) is expected to change the way we work and live. In view of its positive impact the economy, the technology is being embraced by the countries across the world. Its proliferation is being regarded as the fourth industrial revolution. From time to time, Govt of India has also expressed the intention to support research and adoption of the

[4]Artificial Intelligence Committees Reports: Ministry of Electronics and Information Technology, Government of India/https://www.meity.gov.in/artificial-intelligence-committees-reports/Artificial Intelligence Committees Reports | Ministry of Electronics and Information Technology, Government of India/ last visited 24/03/23 18:26 IST

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Technology. In view of the possible impact of AI on the economy and society and to come out with policy framework on AI, MeitY constituted the following four committees on AI.[5]

1. ***Report of committee A on platform and data of AI;*** This report recommends the development of an enriched National Artificial Intelligence (AI) Resource Platform (NAIRP) of India: a platform that will bring together all publicly shareable data, information, tools, literature, solutions, best-practices to enable a large number of people to individually and in collaboration take up AI tasks to fuel all aspects from capacity building to building solutions in different domains that will benefit the society, enrich national prosperity and enable international cooperation. The platform will also have scope for sharing and driving standards, policy guidelines, entrepreneurship and developing a creative economy.

2. ***Report on committee B on leveraging AI in different sectors*** AI as a technology holds a lot of promise. It uses data platforms, AI algorithms and AI applications. It can be applied in many sectors, particularly where a large amount of data is available or likely to be available. About 20 sectors are identified and national missions are worked out in each sectors vary from agriculture and food to water resources, environment, education, transportation, legal, finance, governance etc. Finally, a set of grand challenges are proposed. Grand challenges have the power to catch the imagination of the young. A major new method proposed to involve tens of thousands of students is to hold national contests in each sector. The students will get inspired to work on problems of the country. Out of these contests will emerge technical advances which can then be put to use in service of society through incubated companies or tech transfers to existing companies or open source models.

3. ***Report of committee – C on mapping technological capabilities, key policy enablers required across sectors, skilling and re-skilling, r&d*** The overall approach to Policy, Regulation and collaborative frameworks at this stage should be to i. Make public data available for AI with clear and transparent controls ii. Enable, rather than constrain, usage through supportive policies and regulations iii. Remove bottlenecks arising from legacy regulations that curb adoption of AI. This will need to be systematically examined sector-wise, particularly in the context of the proposed National Missions iv. Enable collaboration

[5] Artificial Intelligence Committees Reports: Ministry of Electronics and Information Technology, Government of India/https://www.meity.gov.in/artificial-intelligence-committees-reports/Artificial Intelligence Committees Reports | Ministry of Electronics and Information Technology, Government of India/ last visited 24/03/23 18:26 IST

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by encouraging POCs implemented with voluntary contribution by large technology companies and support them with Government counterpart funding especially in social sectors, agriculture, financial inclusion etc. The need is to fast track such collaborative experimentation and then enables scaling of successful POCs via market forces or bid process as appropriate.

4. ***Report of committee – D on cyber security, safety, legal and ethical issues*** AI and more specifically, Machine Learning promises to address some of cyber security challenges. AI is composed of different disciplines and Machine Learning is one of them. Machine data is produced by digital interactions within an Enterprise. By making this machine data centrally available and applying machine learning to it, we can radically transform an organisation's Cyber team. AI and Machine Learning models for cyber security are being applied in two phases. The first phase involves developing an understanding of the normal historical landscape of network data traffic, extracting actionable insights about threats, and learning to identify anomalies in network traffic. The second phase consists of applying an understanding of "normal" to identify anomalous situations requiring human interaction and action against known threat profiles.[6]

IV. ECONOMIC IMPACT OF ARTIFICIAL INTELLIGENCE

Artificial intelligence (AI) is poised to have a significant impact on the economy, both in terms of jobs and economic growth. AI technologies are already transforming many industries, from finance and healthcare to manufacturing and logistics. Here are some ways that AI is likely to affect the economy:

1. **Job displacement**: One of the most significant impacts of AI on the economy is likely to be job displacement. AI-powered automation is already replacing human workers in certain industries, such as manufacturing and retail. As AI becomes more advanced and affordable, it is likely to displace even more jobs, particularly in fields that involve routine and repetitive tasks.
2. **Increased productivity**: While AI may lead to job displacement in some areas, it can also increase productivity and efficiency in others. By automating certain tasks, AI can free up human workers to focus on more complex and creative activities. This can lead to increased output and economic growth.
3. **New industries and business models**: AI is enabling the creation of entirely new

[6] Supra 3.

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industries and business models. For example, the development of autonomous vehicles is creating new opportunities in transportation and logistics. Likewise, AI-powered healthcare systems could revolutionize the way medical care is delivered and managed.

4. **Improved decision-making**: AI technologies can help businesses make better decisions by providing them with more accurate and timely data. By analyzing data from multiple sources, AI systems can identify patterns and trends that humans might miss. This can lead to better-informed decisions and more effective strategies for growth.
5. **Increased demand for skilled workers**: While AI may displace some workers; it is also creating new demand for highly skilled workers in areas like data science, software engineering, and machine learning. As the adoption of AI technologies increases, the demand for these skills is likely to grow.
6. **Automated stock trading**: Designed to optimize stock portfolios, AI-driven high-frequency trading platforms make thousands or even millions of trades per day without human intervention. This has broken the intermediary intervention in the securities market ,so they optimise the output at the cost of human unemployment.

Overall, the impact of AI on the economy is likely to be significant and far-reaching. While there are risks and challenges associated with the adoption of AI technologies, there are also significant opportunities for innovation and growth. Ultimately, the key to harnessing the full potential of AI will be to ensure that its benefits are shared broadly across society.

By 2030, the average simulation shows that some 70 percent of companies might have adopted at least one type of AI technology but that less than half will have fully absorbed it. Nevertheless, at the global average level of adoption and absorption implied by ***McKinsey Global Institute*** simulation, AI has the potential to deliver additional global economic activity of around $13 trillion by 2030, or about 16 percent higher cumulative GDP compared with today. This amounts to 1.2 percent additional GDP growth per year. If delivered, this impact would compare well with that of other general-purpose technologies through history.[7]

The exclusive use of artificial intelligence is not practical and human intelligence is required behind the commissioning of these intellectual beings, the proportionate upon which companies can adopt this technology is not fully but can be sector specific such as production units among

[7] Notes from the AI frontier: Modelling the impact of AI on the world economy/ https://www.mckinsey.com/featured-insights/artificial-intelligence/notes-from-the-AI-frontier-modeling-the-impact-of-ai-on-the-world-economy/ McKinsey & Company/ Date published/ September 04, 2018/ last visited 27/03/2023 17.46 P.M IST

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others.

Overall negative impacts:

- Job Loss: One of the major negative effects of AI is job displacement or loss, as machines Bias: AI systems can develop bias based on the data they are trained on, which can lead to unfair decision-making and perpetuate systemic discrimination. and software can replace human workers in certain tasks.
- Privacy Concerns: AI systems can collect and use vast amounts of personal information, raising concerns about privacy and security of individuals' personal data.
- Dependence: As reliance on AI grows, humans may become overly dependent on machines and lose their own problem-solving and critical thinking abilities.
- Cyber security Risks: AI systems can be vulnerable to cyber attacks, which can lead to exploitation of sensitive data and disruption of critical infrastructure.
- Lack of Creativity: AI systems are designed for specific tasks and lack the human capacity for creativity and imagination.
- Social Isolation: As AI technology advances, people may increasingly rely on virtual assistants or machines for communication, leading to social isolation and a decline in face-to-face interactions.
- Ethical Concerns: AI raises ethical questions around issues such as responsibility and accountability for decisions made by machines, as well as questions about the appropriate use of AI in domains such as warfare and security.

V. LEGISLATIVE VOID OF AI

There is a global gap for law and regulation of development and implementation of Artificial Intelligence (AI) and Machine Learning (ML) Technologies. As some prominent jurisdictions have formulated advisory councils and centers on the Ethical Use of AI and Data thereby steering the 'Ethics for AI' debate at a central level, India has also set the stage for similar initiatives. Although the Government of India has not issued any national policy document on AI describing a regulatory framework for AI, however, few guiding documents recently issued by the planning commission (the NITI Aayog) constituted under the Government of India hints some specifics for Ethics in AI and its regulation and lays a clearer picture of the regulatory future ahead. These guiding documents include the "National Strategy for Artificial Intelligence #AiForAll" (issued June 2018)[4], "Working Document: Towards Responsible #AIforAll – Part

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I" (issued August 2020), and the latest one being the "Working Document: Towards Responsible #AIforAll – Part I" (issued November 2020) (collectively Policy Documentation).[8]

(A) Artificial Intelligence and Intellectual Property Law: Intellectual property (IP) law is the legal framework that deals with the rights and protections of an individual or organization's creative and innovative work. AI can be used to create and develop software, algorithms, machines, and other technological innovations that are eligible for IP protection. Indian laws protect AI-related innovations under the Patents Act, 1970, the Copyright Act, 1957, and the Trade Marks Act, 1999

a. Patents

AI has made major breakthroughs like treating skin cancer by using Google-algorithms and in 2016; Google developed its own Neural Machine Transmission to interpret different languages by developing their own technology. This calls for patents so that the real owner's invention does not get recognized falsely and some other individual claims over this invention. This is where IP comes into play where a patent would be granted to the human inventor of this technology and not the AI system as the inventor. WIPO's definition of "inventing mind" has been an arguable topic, to decide upon whether the word "mind" is human or AI. Moreover, patents and AI are beneficial for the professionals and must be patented in order to protect it from future infringements. Therefore, AI in patents is somewhat an asset to the industry but there should be certainty.

b. Copyrights

The domain of copyright and AI faces several struggles over the right of ownership and infringement so AI would be more of a bane than a boon in this domain. AI has been able to create art but not establish it's ownership because again an inventor must be human, a machine cannot obtain copyright over their literary work. AI-artists won't be able to rely on the principle of fair use if their work is substantially similar to the work of another AI-artist who sells and displays it.

c. Trade Secrets

Trade secrets are secrets that are protected by the investors so that they do not get leaked. It contained sensitive business information regarding a brand or design, or logos that provided for competitive advantage as it wasn't known to others. A trade secret is often protected by law and

[8]Self-Regulation In Artificial Intelligence: An Indian Perspective - Privacy Protection – India/https://www.mondaq.com/india/privacy-protection/1015476/self-regulation-in-artificial-intelligence-an-indian-perspective/Self-Regulation In Artificial Intelligence: An Indian Perspective - Privacy Protection – India/Date published December 11, 2020/last visited 30/03/2023 18.47 P.M IST

monitored closely so as to maintain secrecy but AI developers thrive only when this information is shared because AI cannot shape its fundamental process of algorithms only form one aspect available to them, they need to be provided with this information where they can make large discoveries and develop software which can be assisted in R&D technologies. AI can be an asset in trade secrets only if relevant secrets and information is shared with the developers which help them to innovate and invent. [9]

(B) Artificial intelligence and Data Protection and Privacy Laws: AI technologies use vast amounts of data to learn and improve their performance. Indian data protection and privacy laws such as the Personal Data Protection Bill, 2019 and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 regulate the collection, storage, processing, and sharing of personal data. These laws are meant to protect the privacy and confidentiality of personal data and prevent its misuse or unauthorized access.

Passing privacy legislations that protects individuals against any adverse effects from the use of personal information without unduly restricting AI development is of complex solubility as feeding of algorithms within the AI will be limited not to extend to personal information. Addressing algorithmic discrimination presents basic questions about the scope of privacy legislation. First, to what extent can or should legislation address issues of algorithmic bias.[10]

(C) Artificial intelligence and the employment laws Digital technology has already changed working methods. With the advent of Artificial Intelligence ("AI"), we are just at the beginning of a unparallel transformation that will affect not only the labour and employment market but also working relationships. What does exactly mean AI's impact on working relationships? When we say working relationships, it implies labour law.

Labour and employment law should be used as a legal tool to steer the obvious changes brought by AI in the workplace. The challenge is thus to identify avenues for adapting our labour and employment legislation in order to anticipate and smooth the transition to the new world.

AI systems may replace human workers in certain jobs, leading to displacement and job insecurity. Indian labour laws such as the Industrial Disputes Act, 1947 and the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Act,

[9] Artificial Intelligence and Intellectual Property Rights/https://blog.ipleaders.in/artificial-intelligence-and-intellectual-property-rights/iPleaders/Date published January 15, 2021/last visited on 1/04/2023 18.29 P.M IST

[10] Protecting privacy in an AI-driven world/https://www.brookings.edu/research/protecting-privacy-in-an-ai-driven-world/Brookings/Date published March 09, 2022/last visited on 02/04/2023 19:39 P.M IST

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1988 protect the rights of workers and provide for their welfare.[11]

(D) Artificial intelligence and cyber laws Despite AI's highly extraordinary capabilities, the possibility of attackers arming and using it to improve and extend their threats is a major threat. One of its main issues is that cybercriminals will use AI to automate cyber attacks on a large scale. Currently, our intruders depend on human capital to craft and organise their attacks. Cybercrime and cybersecurity are going to change – not for the better – if and when they learn to use AI and machine learning to do the job adequately.

One such important problem is that just as developers can deploy AI and machine learning to balance human resource shortages and reduce cybersecurity costs, the intruders could also use it for the same reason. The funds and resources needed to conduct and manage such threats would go down significantly – a greater vulnerability to cybersecurity and significantly low funding for the cybercriminal.[12]

Importance of transparency, testing, and accountability for algorithms and their developers In the United States, the National Security Commission on Artificial Intelligence (NSCAI) has highlighted the importance of building trustworthy AI systems that can be audited through a rigorous, standardized system of documentation.

Rigorous documentation of how models are developed and tested and what results they produce will enable experts to identify vulnerabilities in the technology, potential manipulations of input data or training data, and unexpected outputs. Thus this will have to find a new space in the existing laws through integration on the existing authority's duties and expertise[13]

As AIs continue to evolve, there is a growing debate over who should be held accountable for the actions or decisions made by AI systems. Indian courts have not yet fully explored this issue, but it is not clear whether legal responsibility for any harm caused by an AI system will likely fall on the creator or owner of the system.

VI. WORLD GUIDELINES ON ARTIFICIAL INTELLIGENCE

(A) The OECD AI Principles can guide future regulation

As the development and use of AI continue to grow, countries must continue to monitor policy developments in this field. The existing policies function as a starting point, but regulators

[11] Labor law and the challenges of Artificial Intelligence:// https://www.soulier-avocats.com/en/labor-law-and-the-challenges-of-artificial-intelligence-3rd-part-of-a-trilogy/?pdf=33740/last visited on 14/04/2023 19.04 IST

[12] Artificial Intelligence and Intellectual Property Rights/https://blog.ipleaders.in/artificial-intelligence-and-intellectual-property-rights/iPleaders/Date published January 15, 2021/last visited on 1/04/2023 18.29 P.M IST

[13] How to improve cybersecurity for artificial intelligence/https://www.brookings.edu/research/how-to-improve-cybersecurity-for-artificial-intelligence/Brookings/Date published March 09, 2022/ last visited on 14/04/2023 22:17 P.M IST

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should monitor these policies to evaluate their effectiveness in the long term. Here, we have provided some assessments on current regulations in the employment context, not a comprehensive report on all 38 member states' laws.

OECD member states have committed to ensuring that the use of AI adheres to the OECD AI Principles, which promote using AI in ways that are innovative and trustworthy, and that respect human rights. These principles are critical in the employment context, The values can guide regulators as they address the risks of discrimination, opacity, and data security issues in the employment context. Future regulations will determine whether companies stand to benefit from emerging technologies while honouring employees' rights. Will policy makers get it right, or will they continue to chase technological advancements with the law of yesteryear?[14]

(B) Sixth Session of the WIPO Conversation "Frontier technologies – AI Inventions"

AI inventions present the current patent system with a number of challenges. In order to provide better protection and embrace the full value of patents it is necessary to have timely, transparent and accessible standards for patent granting that market players can fully rely on. To harness the economic potential of AI it is important to understand the uncertainties faced by innovators and for IP Offices to consider how to best support AI innovation.

What are the market trends and how do these translate in terms of patent applications? How autonomous is AI actually, what role does it play either as part of the inventive process or as part of an invention? What questions does this raise for the IP system? And how are IP Offices supporting AI inventors?

The Sixth Session of the WIPO Conversation took place on September 21-22, 2022 and connected the views and stories from innovators and IP professionals to what is happening in the IP Offices around the world and aimed at sharing information and building awareness around patent examination practices, tools and guidelines for AI inventions.[15]

VII. CONTEMPORARY SOCIAL PROBLEMS SOLVED BY ARTIFICIAL INTELLIGENCE

Artificial intelligence has the potential to solve a range of contemporary social economic problems, including:

1. Unemployment: AI can help in automating repetitive tasks, which can free up human workers from mundane tasks allowing them to focus on more creative and strategic tasks. This can also lead to new job opportunities in the field of AI development,

[14] https://www.oecd.org/digital/artificial-intelligence/OECD/Last visited on 14/04/2023 23:01 P.M IST
[15] IP and Frontier Technologies, https://www.wipo.int/about-ip/en/frontier_technologies/ai_and_ip.html/WIPO/ last visited on 17/04/2023 23:16 P.M IST

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maintenance, and supervision.

2. Healthcare: AI can be used to accurately diagnose diseases and suggest treatment plans based on the patient's medical history, genetics, and symptoms. It can also help doctors in identifying high-risk patients, and automate administrative tasks such as patient data entry, appointment scheduling, and billing.
3. Education: AI can be used to personalize learning experiences for students, allowing them to learn at their own pace and in their own style. AI can also help to identify students who are struggling and provide targeted interventions to help them catch up.
4. Environment: AI can be used to monitor and mitigate climate change, by analyzing large amounts of data from satellites, sensors, and automated data collection systems. It can also help in reducing waste, optimize energy consumption in buildings and factories, and promote sustainable agriculture practices.
5. Crime prevention: AI can help law enforcement agencies in identifying patterns and predicting crimes before they occur. It can also be used in criminal investigations, to analyze large amounts of data and identify suspects.

AI has the potential to tackle many social economic problems, but it is important to recognize that it is a tool that requires human guidance and oversight to ensure that it serves the common good.

VIII. SUGGESTIONS

- Develop a Strategy: The first step towards integrating AI into an economy should be the development of a comprehensive strategy. This will help the government and businesses to understand the potential impact of AI and determine the opportunities and challenges that come with its adoption.
- Invest in Infrastructure: The adoption of AI requires a robust infrastructure to support its implementation. This includes investing in high-speed internet, advanced hardware and software, data storage and security capabilities, and the creation of an enabling environment for innovation and entrepreneurship.
- Build a Skilled Workforce: AI requires a highly skilled workforce, including engineers, data scientists, and machine learning experts. Governments and businesses should invest in education, training, and reskilling programs to equip workers with the necessary skills to succeed in an AI-driven economy.
- Foster Collaboration: AI is a cross-cutting technology that requires collaboration

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between the public and private sectors, academia, and civil society. Governments should engage with these stakeholders to build trust, foster innovation, and establish ethical guidelines for AI development and deployment.

- Focus on Emerging Industries: Governments can promote the adoption of AI by focusing on emerging industries such as healthcare, transportation, and manufacturing, which are projected to experience significant growth in the coming years. This could be achieved through tax incentives, grants, and other forms of support for AI-based companies.
- Ensure Ethical Use of AI: The ethical implications of AI are complex and require careful consideration. Governments and businesses should establish guidelines and regulations to ensure the ethical use of AI, including protecting privacy, promoting transparency, and ensuring fairness and non-discrimination in its use.
- Promote International Cooperation: Adopting AI requires global cooperation and collaboration to ensure its safe and responsible deployment. Governments should work together to establish international standards and norms for AI development and deployment.

IX. CONCLUSION

Artificial intelligence (AI) can transform the productivity and GDP potential of the global economy. Strategic investment in different types of AI technology is needed to make that happen. Labour productivity improvements will drive initial GDP gains as firms seek to augment the productivity of their labour force with AI technologies and to automate some tasks and roles.45% of total economic gains by 2030 will come from product enhancements, stimulating consumer demand. This is because AI will drive greater product variety, with increased personalisation, attractiveness and affordability over time.

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