Economics of AI: Problems

1. Using the AS/AD model from class, as well as the labor market, explain the outlook of "the excited" regarding AI.

2. Using the AS/AD model from class, as well as the labor market, explain the outlook of "the alarmed" regarding AI.

3. True or False? If AI is a substitute for human labor, we should expect to see a major rise in frictional unemployment over the next ten years.

4. What is a "bubble" in the context of stocks?

5. Explain how a major and sustained decline in AI related stock prices could affect the output gap, inflation, and unemployment. Use the AS/AD model from class.

6. Suppose that an AI named "Skynet" becomes self aware and seeks to wipe out humanity. As it is narrowly defeated by a ragtag group of human resisters led by John Connor, it sends a "Terminator" back in time to murder John Connor's mother before she gives birth to him. How would this affect output and inflation in the AS/AD model.