Paris Political Economics of AI Reading Group

Overview and Foundations
Co-organised by Karan, Lorenz and Stan

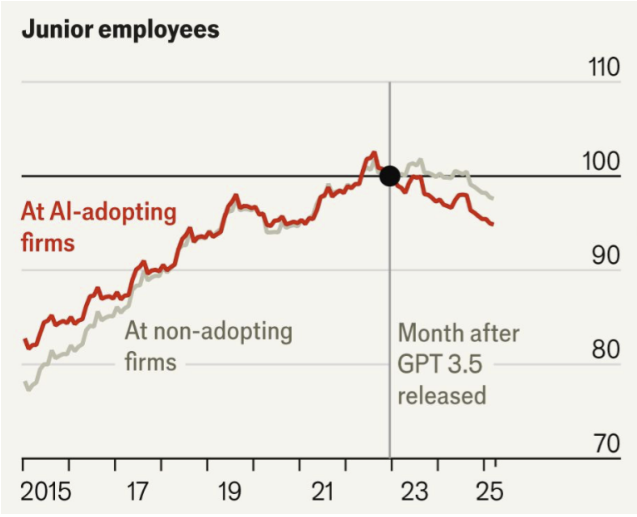
October 16th, 2025

Structure and Motivation

Motivation

- Artificial Intelligence is everywhere; actual research on its effects is lagging behind
- Political Economy aspects are massively understudied and underestimated
  - Generative AI Videos/Audio in Elections
  - Power further shifting from Labour to Capital
  - Cost for mass surveillance dropped quickly
  - Massive Lay-offs could come
- Paris is ideally positioned to be a hub for research on the impacts of AI
- Goal: Shed light on the effects to help policy makers meet the moment

Some Inspirations



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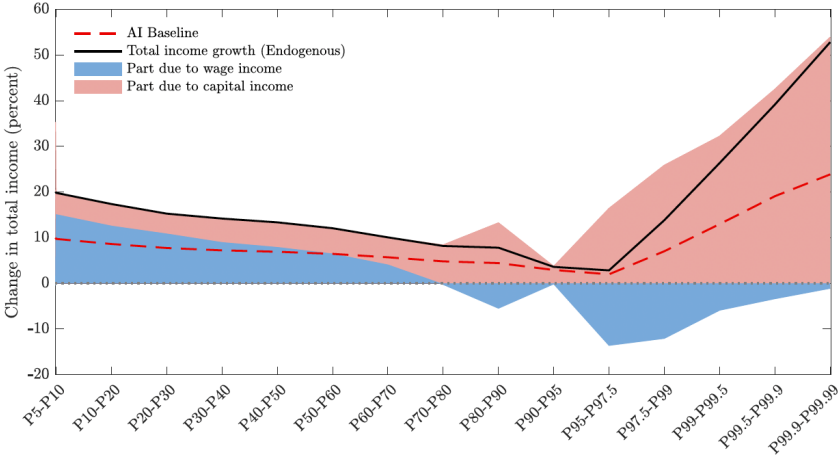

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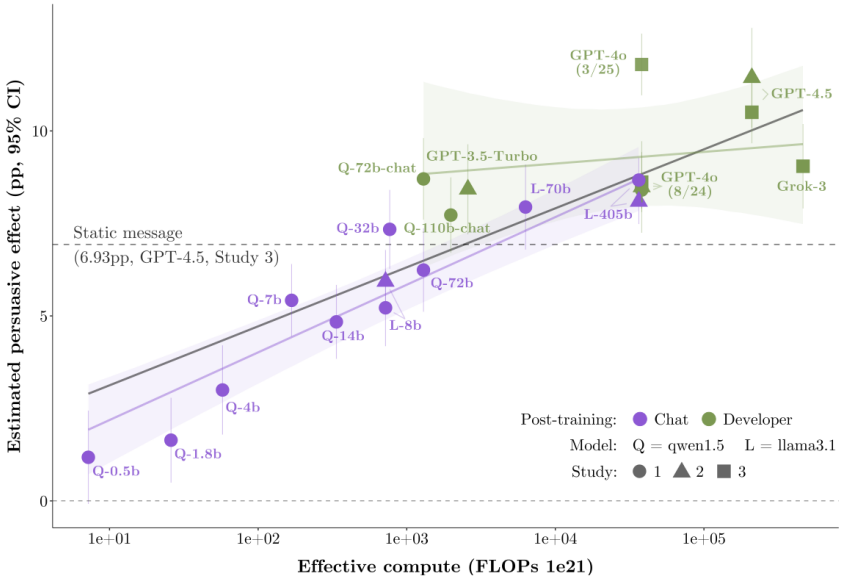

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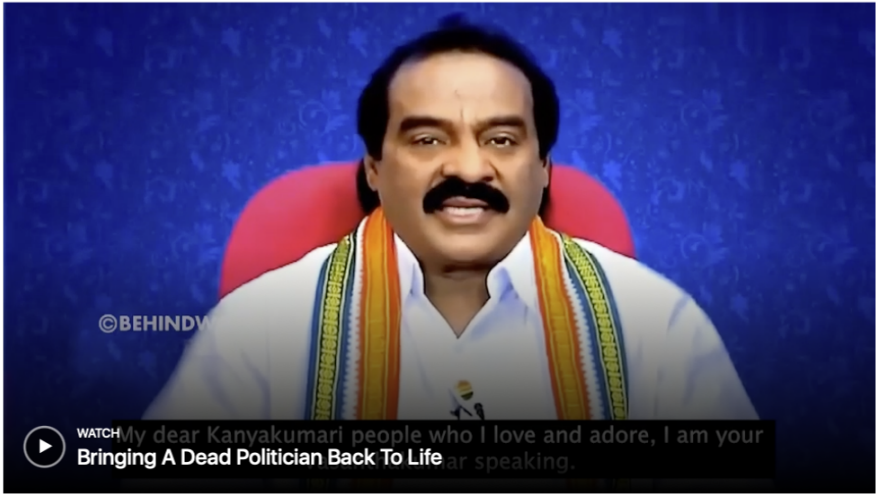


Congress Party politician Vijay Vasanth used AI to resurrect his dead father—a former member of parliament—to endorse him in a local election. "While serving the people during the disaster, I contracted the coronavirus and lost my life," says the deepfake of H. Vasanthakumar in this AI-generated clip. "Even if I am physically away from you, I believe that I am with you in spirit." *Video: behindwoods via Instagram*

Some Inspirations

"to analyse all of the 68,000 images in his personal photo library using the Google Gemini model would cost $1.68." in 2024

Overview of the Reading Group

- **Purpose:** Build an interdisciplinary community exploring and working on the issue of the Political Economy of AI
- **Format:** Biweekly 90-minute meetings (with optional 30-minute informal discussion)
- **Structure:**
  - 15–20 min update on latest AI developments (industry, policy, research)
  - Thematic discussion around one of four pillars:
    1. Inequality and the Future of Work
    2. Power, Concentration, and Control
    3. Geoeconomics
    4. Information and Persuasion
- **Goals:**
  - Develop concrete research questions and collaborations.
  - Bridge technical AI knowledge with political economy.
  - Help policy makers meet the moment
  - Host guest speakers and connect with faculty, policy makers, and industry.

First: Let's get to know each-other

Core Terms in AI and Economics

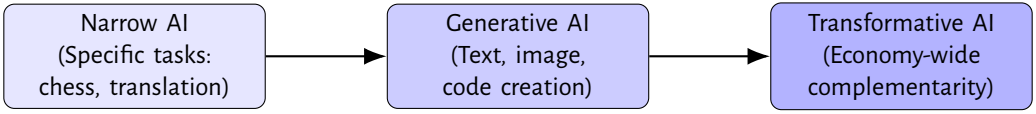
- **Artificial Intelligence (AI):** Systems that perform tasks requiring cognition, perception, or reasoning.
- **Machine Learning (ML):** Algorithms that improve with data — a new *means of prediction* (Agrawal et al., 2018).
- **Large Language Models (LLMs):** Foundation models trained on web-scale data; general-purpose but opaque.
- **General-Purpose Technology (GPT):** Technology with broad complementarities across sectors (e.g., steam, electricity, AI).
- **Automation vs. Augmentation:** Does AI replace or enhance human labor?
- **Diffusion and Complementarity:** Adoption depends on data, skills, institutions, and regulation.

AI as an Economic Phenomenon

- **Agrawal, Gans & Goldfarb (2018):** AI reduces the cost of prediction.
- Prediction complements human *judgment*, data collection, and decision-making.
- Like any technology that makes a core input cheaper, it transforms:
  - Firm boundaries and organization
  - Labor demand and skill composition
  - Market structure and information asymmetries
- AI therefore affects *both production and governance.*

Economic question: How does cheap prediction reshape the allocation of tasks, rents, and control?

From Prediction to Transformation



Transformative AI: A general-purpose technology with the potential to alter growth paths, labor demand, and institutional design (Brynjolfsson, Korinek, Agrawal, 2025).

AI as a General-Purpose Technology (GPT)

- **Historical analogy:** Steam → Electricity → ICT → AI.
- **Distinct features:**
  - Rapid diffusion and near-zero marginal cost of replication
  - Embedded opacity and dependence on data compute
  - Capacity to automate cognitive and creative tasks
- **Economic implications:**
  - How do productivity gains translate into wages and rents? (Acemoglu & Restrepo, 2019)
  - Who controls access to compute, data, and models? (Lehdonvirta et al., 2024)
  - How fast do complementarities diffuse across sectors?

Breakout Discussion Questions

15 minutes in small groups — 3 prompts:

1. Where do you see the largest gaps between AI capabilities and economic understanding?
2. Which mechanisms or models from economics seem most useful to study AI?
3. How can we as Economists contribute to the current debate?
4. What are the most promising (or worrying) areas where AI meets political economy?

Then: regroup to collect ideas and link them to research directions.

Pillar I: Inequality and the Future of Work

Key Findings

- **Acemoglu & Restrepo (2019):** Automation displaces labor but new task creation reinstates demand; balance determines wage share.
- **Noy & Zhang (2023); Brynjolfsson, Li & Raymond (2023):** LLMs raise productivity, especially for lower-skilled tasks, but heterogeneously.
- **Brynjolfsson & Korinek (2024):** Productivity gains diffuse slowly due to complementary capital, data, and managerial adaptation.

Open Questions

- How will AI impact the labour and capital shares?
- Which institutional settings (tax, training, labor law) mediate outcomes?
- How should welfare states adapt to cognitive automation?

Pillar II: Power, Concentration, and Control

Key Findings

- **Gans (2024):** Data feedback loops create potential for increasing returns, but diminishing marginal gains limit full monopoly.
- **Lehdonvirta, Wu & Hawkins (2024):** Compute capacity geographically concentrated—"Compute North vs. South."
- **Beraja, Yang & Yuchtman (2023):** Government data access can simultaneously boost innovation and surveillance ("AI-tocracy").

Open Questions

- How can the impact of AI on Surveillance be mitigated?
- How should antitrust and IP adapt to data-driven returns?
- What new forms of political capture emerge from AI-industrial complexes?

Pillar III: Geoeconomics of AI

Key Findings

- **Lehdonvirta et al. (2024):** Global GPU and cloud compute are unevenly distributed—US and China dominate training infrastructure.
- **Acemoglu & Lensman (2024):** Optimal adoption of transformative tech should start slow and accelerate with learning about safety.
- **Recent IMF/World Bank reports:** Countries diverge in AI readiness—skills and data regimes explain large gaps.

Open Questions

- Will AI deepen global inequality or allow technological leapfrogging?
- What role can the EU play as a regulatory "third pole"?
- How do export controls, data localization, and industrial policy shape diffusion?

Pillar IV: Information and Persuasion

Key Findings

- **Xu, Kostka & Cao (2022):** Information control shapes public support for surveillance (Social Credit System experiment).
- **Gauthier, Hodler, Widmer & Zhuravskaya (2025):** Algorithmic feeds can shift users' political attitudes through exposure effects.
- **Stammbach et al. (2024):** LLMs' responses embed latent political biases from training data.

Open Questions

- How does algorithmic curation affect belief formation and polarization?
- Can transparency or labeling policies counteract persuasive bias?
- What happens when the "means of prediction" also becomes a "means of persuasion"?

Breakout Discussion: Shaping the Reading Group

Goal: Collect ideas to design the group's focus, rhythm, and outputs. Discuss in four groups for 15 minutes, then we'll summarize together.

Each group takes one question:

1. **Purpose and Direction:** What should this group uniquely contribute — new research ideas, policy insights, or both? How can we make it valuable for your own work?
2. **Format and Interaction:** What meeting structure keeps discussions productive and inclusive? How often should we meet and how formal should the presentations be?
3. **Outputs and Collaboration:** What concrete outputs should we aim for — joint papers, short policy briefs, a shared dataset or tool library? How can we share progress efficiently between meetings?
4. **Engagement:** What makes you personally excited to contribute, and what barriers might stop you? How can we lower those barriers for everyone?

Take notes! We'll discuss it all together afterwards.

Get Involved: Collaboration Opportunities

- **AI Research Hub:** volunteers to help collect, test, and document research tools (LLMs, APIs, datasets, compute resources).
- **Next session prep team:** 2–3 people to select papers, prepare short notes and discussion slides.

We will create a WhatsApp group chat. Please join us!

Next Session: Foundational Readings

Next Session: 30th of October 5pm at Sciences Po, discussion of foundational papers:

- Acemoglu, D., & Restrepo, P. (2019). *Automation and new tasks: How technology displaces and reinstates labor. Journal of Economic Perspectives, 33*(2), 3–30.
- Beraja, M., Kao, A., Yang, D. Y., & Yuchtman, N. (2023). *AI-tocracy. Quarterly Journal of Economics, 138*(3), 1349–1402.