



# Spatial Inequality in AI Industry Growth

**Julian Jacobs**

Senior Economist, Official Monetary and Financial Institutions Forum

Doctoral Candidate, University of Oxford

15 September 2023

# Geographical clustering of AI

- Majority of AI innovation in the US remains on the west coast
- In the UK, AI activity is concentrated in London (DeepMind, Anthropic)
- In Poland, 45% of companies using AI are in Warsaw

# Disequalising technology is nothing new...

- 1. Industrial revolution:** Growing returns on capital and productivity growth, rising faster than wages (Allen, 2009)
- 2. Early 20th-century technological shock:** rising 'Gilded Age' inequity ahead of World War II (Plotnick et al. 1998)
- 3. Computerisation shock:** skill-biased technological change (Autor 2005; Dorn and DiNardo, 2002; Goldin and Katz 2008)

# And AI appears to be following similar trends

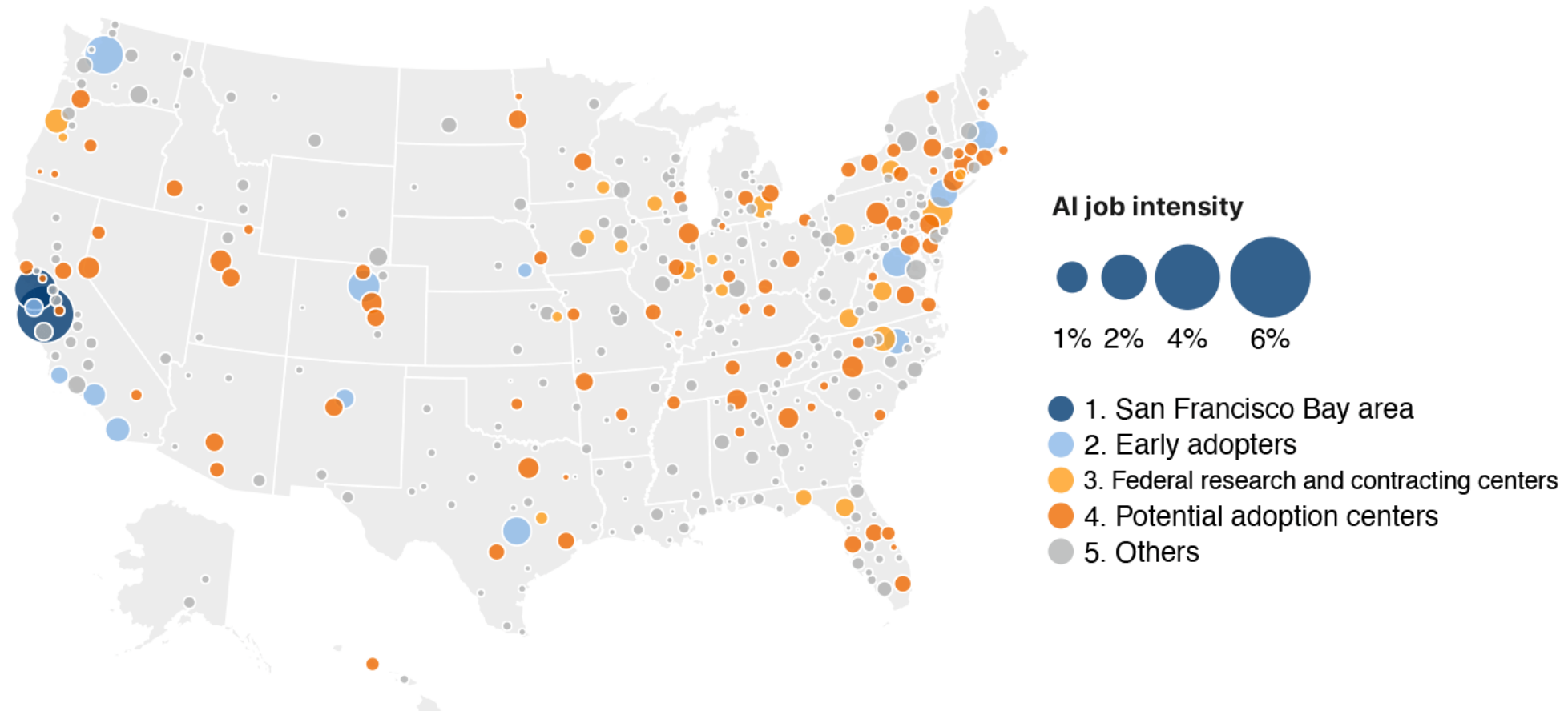
1. AI is **boosting productivity** and is likely to be **labour-saving** (Brynjolfsson, 2023)
2. AI may be kindling further **skill-biased** dynamics (Grennan and Michaely, 2021)
3. AI is on a trajectory to **increase inequality** and **push real wages down** (Acemoglu, 2021)

# AI's Geography Problem

MAP 1

## AI employment concentration by U.S. metropolitan area

Share of job postings with AI skills by five types of AI metro clusters



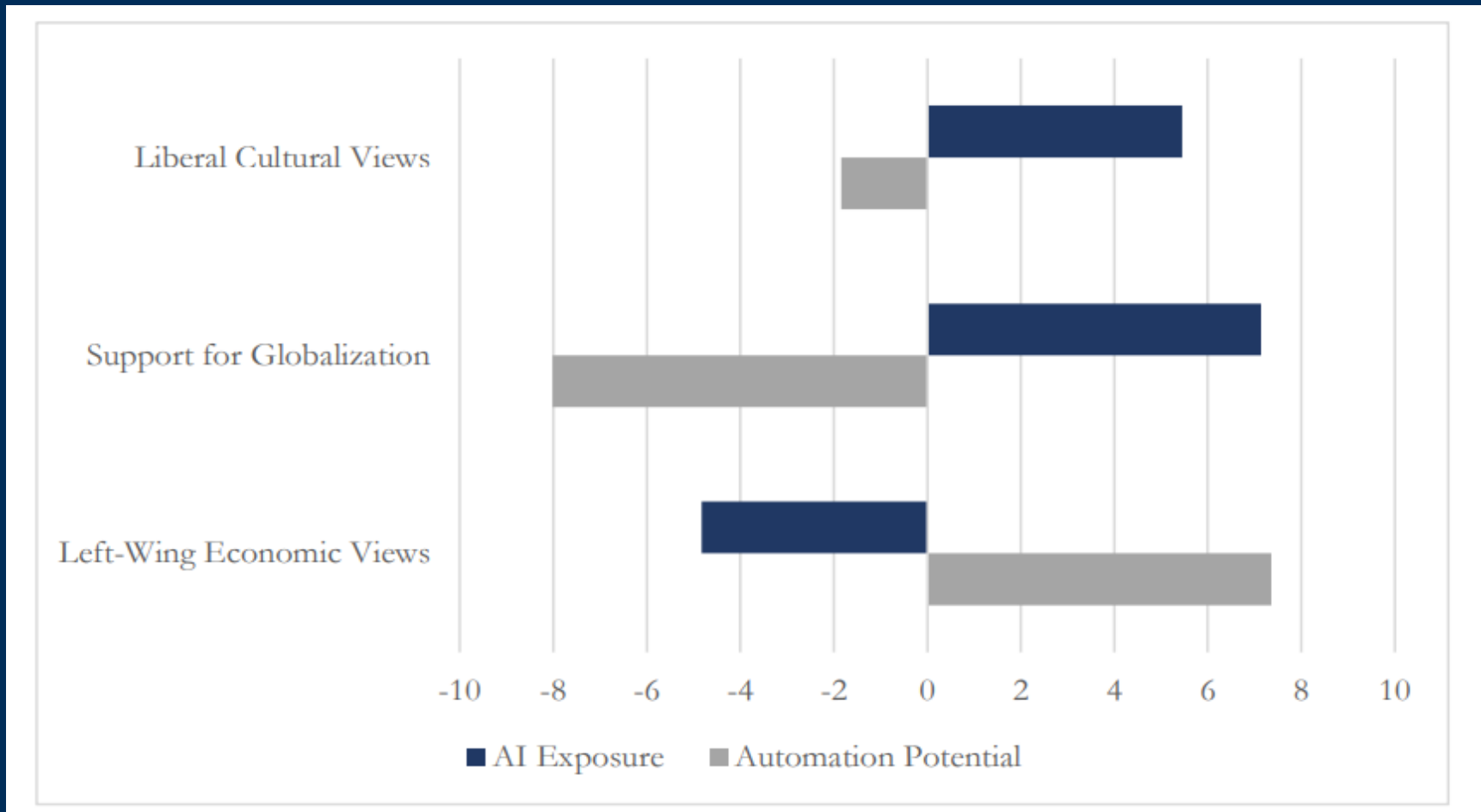
# The Problem of Geographic Concentration

1. Missed innovation opportunities
2. Siloed thinking and exclusion of diverse ideas
3. Economic risk and socio-political costs



# Social and Cultural Costs: Polarisation

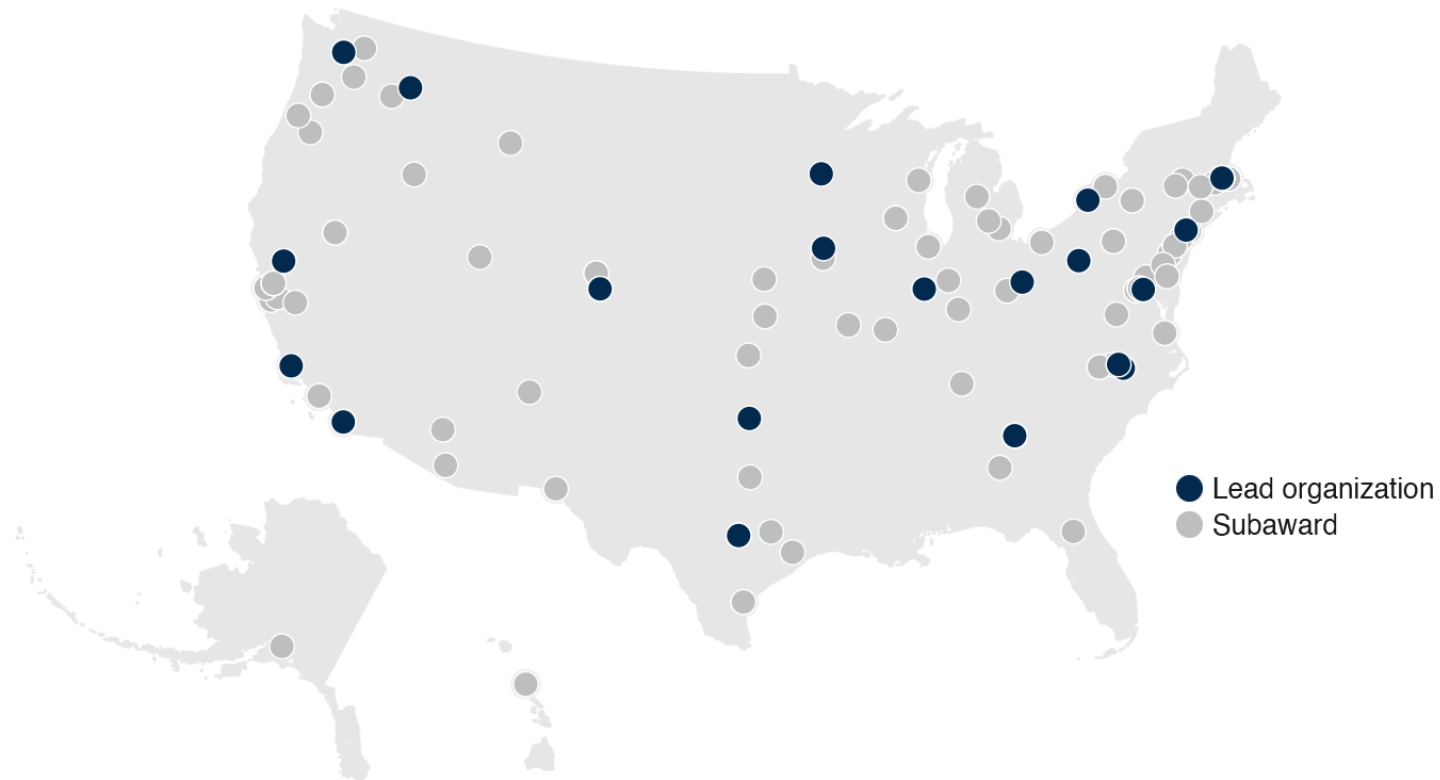
Difference in mean between high and low thirds of AI-exposure and 'automation potential' groups, percentage points (N= 26,311)



# Policy Case Study: NSF AI Institutes

MAP 2

## National AI research institutes list



**Source:** Brookings analysis of NSF data

**Note:** Institutions with shared locations or featuring multiple programs are denoted by a shared dot on the map.

**B** | Brookings Metro



# Policy Case Study: BBB Regional Challenge



# A final note on 'AI' risk

1. Need for redistribution and worker training programs, in addition to regional investment
2. Inequality—particularly geographic inequality—is often left out of AI safety discussions
3. Disparities of innovation and labor market access should be treated as significant risks