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The Transformational Role of Artificial Intelligence in the Pursuit of Good Economic Governance

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Abstract
This paper explores the ascent of Artificial Intelligence (AI) in the context of the new global economy of the 21st century and the cataclysmic superfecta of the first three decades of the new millennium. Humanity is on the cusp of a transformational innovation that can transform the mission and mandate of economic governance. It examines how AI can align economic governance with the challenges and opportunities of today's rapidly evolving economy. It highlights the integration of AI to enhance the effectiveness of economic policies and proposes strategies to harness its immense potential for redesigning economic governance with the overarching objective of optimizing efficiency while mitigating associated risks. Central to this proposal is the redesign of economic governance based on six guiding principles: efficiency, equity, effectiveness, endurance, empathy, and empowerment. This paper explores the intersection of AI and economic governance, addressing contemporary opportunities and threats, and introduces a framework for economic policy enhanced by the capabilities of AI.

Keywords: Artificial Intelligence (AI), internetization, economic governance, economic policy.

Introduction

Artificial Intelligence (AI) represents a monumental scientific and technological innovation. In effect, AI is an extension and the contemporary face of spectacular innovations for humanity's journey on the spectrum of historical continuity. It is clearly a game changer for the scope and substance of economic governance and may turn out to be the most revolutionary tool for the construct of economic policy. AI has the capacity to push conventional boundaries, integrate leading edge technology, explore new frontiers for economic governance, and contribute new ideas and new paradigms. In effect, we are on the cusp of a transformational innovation and a new public policy paradigm that has profound and impactful consequences on the economic landscape. AI can redefine the architecture of economic governance and create a new template for economic policy.

There is no denying that AI is redefining the economic, social, and political landscape in a profound and indelible manner. AI is reconstructing the production function, pivoting human capital, replacing human tasks, creating new social parameters, reshaping economic governance, empowering educational capacity, and enhancing the speed of communication. AI is increasingly shaping the world around us, changing how industries operate and deliver products and services, creating new jobs,

contributing to work obsolescence, revolutionizing public services in healthcare and education, and influencing public opinion. The past decade has witnessed an exponential rise in the sophistication of AI methods, including the widespread popularity of Large Language Models (LLMs) and their use by business, governments, and individuals.

In effect, AI is creating a new technological orbit by facilitating new scientific and technological innovations, advancing the frontiers of medicine and healthcare, reorganizing the economic landscape and using social media to influence public opinion. The foremost beneficiary of the contemporary wave of AI is Large Language Models (LLMs) and their deployment by individuals, social networks, advocacy groups, non-governmental organizations, business and governments. In short, AI is at the forefront of scientific discoveries, medical advances, product innovation, social change, public policy evolution, systems improvement, and technology incubators. It has promoted new ideas, new paradigms, social transformation, and breathtaking inventions.

However, AI's sweeping impact, also requires policy and governance frameworks that can provide societal security and safety with respect to AI's development and deployment. The pace of AI regulation in Canada has lagged international mileposts such as the European Union AI Act (European Union, 2024). Calls to accelerate the pace of AI regulation in Canada have come from civil society, academia, government and the information and communication sector. There is an urgency to fill the existing gaps in public policy, regulatory frameworks, and governance mechanisms regarding AI safety in Canada. All this for the purpose of introducing policy guardrails to confront the technical risks related to AI. This includes short-term and long-term risks of AI through the formulation of governance regulations on AI safety. The range of AI's systemic risks include AI's impact on the labour market, digital divide, market disfunction, environmental concerns, privacy, and copyright legislation. (Bengio et al, 2024).

New Economy

The new global economy of the 21st century has transformed the economic, social, and digital landscape in a profound and indelible manner. Never in human history has the pace of structural change been more rapid, pervasive, and global in its character. The ascendance of the new economy has become a catalyst for geopolitical symbiosis, economic integration, enhanced trade, technological change, financial interdependence, and a heightened awareness of the adverse economic consequences of climate change. Furthermore, the signature mark of the new economy is new ideas, new technologies and new directions. In effect, the fuel of the new economy is technological advances, and its currency is human capital. The product of the new economy is knowledge, and its catalyst is the Internet. The engine that is driving the new economy is transformational change, human capital and spectacular innovations.

The new economy is composed of a trilogy of interactive forces that include globalization that has morphed into internetization, global trade and the information technology and communication revolution. Internetization is a new word and concept that I have coined to describe the electronic empowerment and global outreach of the new global economy of the 21st century (Passaris, 2021). Indeed, internetization is a more compelling operational descriptor for the contemporary economic and social landscape than globalization. Internetization spotlights the foundational role of innovation and scientific advances for the economy and civil society. Furthermore, internetization extends global linkages by simultaneously embracing electronic connectivity and global outreach. It captures the pervasive influence of technological change on the global economy and all aspects of human

endeavour for contemporary civil society. Indeed, internetization has become a catalyst for transformational change, economic empowerment, and personal communication on a global scale (Passaris, 2024A). AI is the contemporary face of internetization. In addition, global trade has enhanced global economic integration and extended the economic architecture. The Information Technology (IT) Revolution has made geography and time irrelevant by diminishing distance and accelerating connectivity. All these pillars of the new economy are driven by a virtually borderless world with a tremendous capacity for electronic connectivity.

The economic profile of the new global economy has been driven by technology, fueled by innovation, and propelled by new ideas, new perspectives and new business strategies. It has opened the door to new investment opportunities and realigned the linkages between different sectors of the economy. The role of information and communications technology in the new economy has been pivotal. This is particularly true of the changing structure of international production and global networks where firms are integrating the production and marketing of goods and services across national borders. International economic transactions that formerly were conducted between independent entities are now being internalized within a single firm or multinational corporation. The new technological infrastructure has enabled services to be delinked from production and performed remotely. In this contemporary venue the market for a growing number of internationally integrated but geographically dispersed business enterprises is global rather than national. Indeed, the collapse of time and geography through internetization has displaced the physical market with the virtual market of the Internet for business to business and business to consumer transactions. Innovation has empowered the new economy to reach greater heights of global outreach and form new international economic linkages.

Innovation is the signature mark of the new global economy of the 21st century. This reflects the fact that the old economy of the 20th century was about the resources under our feet. In sharp contrast, the new economy of the 21st century is about the brain power between our ears. Furthermore, the engine that is driving economic success in the contemporary context is innovation. There is no denying that innovation has become an essential prerequisite and a core catalyst for economic success and collective prosperity in the modern economy of the 21st century.

At the present time, we are on the cusp of a new wave of innovations related to AI. AI has triggered monumental structural changes on the economic landscape. Already, it is having impactful consequences on production, employment, public services, education, healthcare, and workplace skills. Furthermore, AI will continue to impact in a profound manner the economy, business, the private sector, the public sector, and civil society. There is no denying that AI will create significant benefits and new opportunities. It will also create new challenges, risks, and malfeasance on many fronts. In consequence, it will require a modern response from economic governance and economic policy.

Cataclysmic Superfecta

The first three decades of the 21st century have unleashed a cataclysmic superfecta. Starting with the global financial crisis of 2008 which adversely affected financial institutions worldwide. This was followed by the protracted Great Recession which triggered a sharp decline in economic growth accompanied by high levels of unemployment. In the third decade, COVID-19 created a global tsunami of economic devastation and an asymmetric economic impact between countries (Passaris, 2024B).

Furthermore, throughout the decades of the new millennium, humanity has witnessed the progressive deterioration of the environment and the decline of biodiversity. The ensuing natural disasters have

resulted in the loss of human lives and economic assets. Climate change is causing significant environmental, economic, social, and human harm nationally and internationally. Increases in average global temperatures are precipitating longer droughts as well as increasing the frequency and severity of heat waves. They are also causing extreme weather events and natural disasters like destructive floods, residential area wildfires, forest fires, environmental storms, sea level rising, and have brought our ecosystem to the brink of collapse.

More recently, geopolitical tensions have accelerated on a global scale. This is evidenced by the current military conflicts in the Ukraine and the Middle East which have precipitated supply chain disruptions, product shortages, and global inflationary pressures. The major economic issues confronting humanity in the third and subsequent decades of the 21st century are global in character and context. In consequence, our contemporary challenges require a multilateral approach and global solutions.

The contemporary hot button economic issues facing humanity require a concerted effort to develop a new economic governance model and an improved economic policy mandate. There is an urgent need to develop a tripolar economic policy formula that integrates an economic, social, and environmental dimension. The days when economic policy, social policy, and environmental policy were developed on separate tracks and in isolation of each other are behind us. The future requires that economic governance recognizes the complementarity and synergies between these policies and addresses them within a holistic paradigm. In effect, the current economic governance architecture was designed for the old economy of the 20th century and has proved ineffective and inadequate for the new economy of the 21st century.

All of this underlines the fault lines and vulnerability of our contemporary economic governance architecture and the potency of our economic policy. In addition, the 21st century has underlined the speed of structural change and spectacular innovations. This is the context that precipitated the ascent of AI in the 21st century. In effect, we are on the cusp of a transformational innovation that has the capacity to empower spectacular advances in pushing conventional boundaries, exploring new scientific frontiers, reimagining economic governance, and enhancing the efficacy of economic policy.

Governance Antecedents

Over the centuries, the evolution of economic governance has undergone significant transformation in response to the introduction of new economic theories, structural change, political ideologies, and global developments. The modern trajectory of economic governance started with classical economics in the 18th century. Adam Smith, the founder of modern economics and the author of “An Inquiry into the Nature and Causes of the Wealth of Nations” (Smith, 1776) laid the groundwork for economic governance in the latter part of the 18th century. His philosophy of the “invisible hand” and free enterprise advocated the absence of government intervention in the economy. Laissez faire was the theoretical anchor that empowered the private sector as the principal engine for economic growth and the sole decision maker in economic matters. In effect, classical economists believed that free markets, driven by the private sector’s pursuit of self interest, would result in the efficient allocation of resources and collective prosperity. In this scenario, there was no need for government intervention in the economy. In consequence, free enterprise served as the paramount economic governance model until the Great Depression of the 1930’s.

The Great Depression of the 1930's lasted over a decade and had a devastating impact on the economic landscape. As a direct consequence of the Great Depression a new model for economic governance was introduced by John Maynard Keynes with the publication of his book "A General Theory of Employment, Interest and Money" (Keynes, 1936). Keynes challenged the efficacy of economic governance in the context of the laissez-faire approach. Unlike Smith's philosophy of no government intervention in the economy, the advent of Keynesian economics in the latter half of the 20th century opened the door for government's engagement with economic affairs. Keynes proposed that during an economic downturn, it was necessary to have government intervention in the economy for the purpose of stimulating demand and reducing unemployment. Keynesian economics also laid the foundations for the welfare state. In consequence, Keynes created a template for a mixed economy which embraced a compounded form of private sector and public sector economic decision making. Its implementation required a more affirmative economic role for government through the intervention of monetary and fiscal policies to stabilize economies.

In the aftermath of the second world war, governments around the world embraced Keynesian economics for the purpose of pursuing policies of full employment, price stability, and economic growth. They introduced a social safety net for protecting marginalized and vulnerable citizens. However, the 1970's created new economic governance challenges in the form of stagflation which was the simultaneous emergence of high inflation and unemployment. Stagflation challenged the conventional prescriptions of Keynesian fiscal and monetary policy to remedy the fluctuations of the business cycle. In consequence, the 1980's recorded the ascent of neoliberalism which was spearheaded by economists such as Milton Friedman (1951) and Friedrich Hayek (1944) who proposed a return to a free-market economic policy. In essence, neoliberalism underlined the importance of deregulation, privatization, and diminished government intervention because free markets were more efficient in allocating resources and fostering economic growth.

The advent of globalization towards the latter part of the 20th century enhanced free trade opportunities around the world and underlined the important role of multilateralism in economic governance. The surge in economic integration and interdependence also created new challenges and paradigms for economic governance. In this regard, Douglass North (1990) and Oliver Williamson (1985) pioneered the New Institutional Economics (NIE) which provided a new formula for economic governance that required robust legal and regulatory frameworks to support markets, reduce transaction costs, and protect property rights. In short, NIE was designed to provide a scaffolding for economic governance at a time of increased global economic integration by providing the economic governance ecosystem with protections against international economic malfeasance. The IT sector and intellectual property rights were direct beneficiaries of this initiative.

The sudden and unforeseen global financial tsunami of 2008 and the ensuing Great Recession revealed the fissures and fault lines in neoliberal economic governance and triggered a renewed interest in government intervention and regulatory oversight. In effect, introducing a renovated form of Keynesian economics and more resilient financial regulation to prevent future economic crises. In addition, new challenges for economic governance included the economic consequences of the COVID-19 pandemic, climate change, sustainable development, economic inequality and digital transformation. All this prompting new conversations regarding enhancing economic resilience and putting in place guard rails that will ensure good economic governance in managing public health, education, economic growth, and social wellbeing.

Throughout this journey, economic governance has responded to the evolution of economic theory, policy, and global developments. From classical economics, Keynesianism, neoliberalism,

globalization, and the new institutional economics, each phase has reimagined and remodeled economic governance in response to defining mileposts in economic theory, policy, shocks to financial stability and economic growth. Navigating the complexities and challenges of the ensuing decades of the 21st century will require economic governance to continue to adapt, reform, renovate, and respond to new challenges and opportunities.

The ascent of AI in the 21st century is on the cusp of triggering another course correction in economic governance. Indeed, AI is reshaping the economic landscape and creating profound structural change. All this in the context of the ascent of the new global economy, the lessons learnt from the cataclysmic superfecta and the empowerment of AI. Indeed, the contemporary economic challenges facing humanity during this decade is the right time for reimaging economic governance for the purpose of enhancing its efficacy and modernizing its potency for the 21st century.

Economic Governance

An appropriate definition of economic governance is the multi-dimensional aspects of direction and policy that impact on the economy including the machinery and institutional architecture for the delivery of economic governance initiatives. Good economic governance should not be perceived as a static concept. In effect, good economic governance should evolve to accommodate the structural changes on the economic, social, and environmental landscape. Clearly it is a concept that is not only time sensitive but also responsive to societal permeations. Dixit points out "that different governance institutions are optimal for different societies, for different kinds of economic activity, and at different times. Changes in underlying technologies of production, exchange and communication modify the relative merits of different methods of governance" (Dixit, 2008: 673).

The structural changes on the economic landscape during the last three decades have underscored the need to develop a public policy framework that simultaneously embraces economic development, social cohesion, technological change, and environmental sustainability. As such institutions of governance should recognize the interdependent, complementary, and multidimensional nature of public policy variables. The contemporary challenges facing civil society and national economies are redefining the new parameters for public policy. Public policy can no longer be segmented, compartmentalized, and developed in silos. The modern context requires elevating the mission of public policy to a different formulaic structure that embraces a multidimensional context and an interdependent perspective. In consequence, we need to construct an integrated public policy ecosystem that confronts the challenges and embraces the opportunities of the 21st century.

The modern face of economic governance should have a pronounced global mindset. International economic events have national repercussions and national economic policies trigger international consequences. Global economic interdependence is a fact of life in the 21st century and our institutions of economic governance need to adapt and evolve to embrace it rather than ignore its existence. In this journey, collaborative multilateralism is the pathway that will resolve our contemporary hot button issues which are global in character and composition. Acknowledging our global interdependence is a precondition to the resolution of the contemporary challenges facing humanity. In consequence, we need to develop an economic governance multilateral framework and a strategic implementation plan that deploys new economic, social, and environmental governance initiatives.

AI can facilitate the modern make-over of economic governance. More precisely, AI has the capacity to enhance the transparency and accountability of economic governance. Electronic connectivity and digital transparency facilitate public accessibility to government documents and governance decisions. Furthermore, they allow a heightened level of public scrutiny and facilitate public input in governance decision-making. In effect, AI can improve the efficacy of the two-way communication system between government and civil society. All of this, for the purpose of creating a modern template for economic governance that is congruent with inclusive participation, efficient governance and reflects the aspirations of civil society.

Redesigning Governance

The overarching mission of this paper is to develop an innovative blueprint for economic governance that is empowered by the ascent of AI. A new economic governance template that is congruent with the structural changes and technological innovations that were precipitated by the new global economy of the 21st century. In addition, a new economic governance blueprint that embraces the lessons learnt from the cataclysmic superfecta and is informed by the principles of good governance. In redesigning economic governance, we need to adopt a new vision, embrace an innovative formula, and promote a global mindset. In effect, redesigning economic governance and charting a new course for economic policy allows a window of opportunity for replacing the old and ineffective economic governance methods with new and more potent initiatives.

The process of reimagining economic governance may result in the restructuring of existing institutions through a process of renewal and institutional innovation. It may also take the form of designing new economic institutions that are more synergistic with the structural changes brought about by the new economy. In some cases, existing institutions of economic governance only need to be renewed and remodelled while in other cases, there is a need to build new institutions.

In the modern context, creating synergies for economic governance is imperative to ensure their operation in a cost-effective manner and to achieve the desired economies of scale. All of this while adopting a holistic and comprehensive approach that effectively integrates the deliverance of governance outcomes. In addition, technological advances in information and communications have reformatted the scope and substance of economic governance. They have enhanced the interchange between civil society and public institutions and created a higher standard for transparency and accountability. In effect, they have enabled civil society to hold governments accountable to a higher standard than at any time in the past.

Furthermore, the invasive nature of modern technology has also resulted in exposing digital vulnerabilities and the need for cybersecurity measures. This will require modernizing the machinery of governance and creating a new modus operandi for economic governance in the 21st century. In essence, the structural qualities and resilient infrastructure of the modern economic governance architecture must be able to withstand future external economic shocks, digital threats, and interface effectively with the new global economy.

The redesign of economic governance should adhere to a new dynamic in the form of the confluence of government, the private sector, labour unions, and non-governmental organizations in redefining the scope and substance of its mission. This new model of economic governance can serve as a purposeful catalyst for forming effective partnerships that contribute to positive change and better outcomes. A re-engineered model for economic governance should be adept, nimble, and equipped

with the policy tools to deal with contemporary issues that are multifaceted in their genetic composition and global in their context. In consequence, the economic institutions of the 21st century and the machinery of economic governance should have the capacity to develop public policy and implement informed solutions in a manner that is proactive, inclusive, synergistic, and comprehensive.

The pursuit of economic governance in the 21st century requires a new vision, a modern mandate, and a purposeful strategy. I propose six principles to guide the process of redesigning economic governance that include the empowering capacity of AI. The 6E's of modern economic governance are: efficient, equitable, effective, endurable, empathetic, and empowering.

Efficient refers to the foundational economic pursuit for achieving favourable objectives of economic governance despite resource and financial constraints through a cost-effective formula. This includes the efficient delivery of public services, sound fiscal management, and the pursuit of economic policies that contribute to sustainable development. AI has tremendous capacity to achieve this outcome. Equitable invokes the axioms of fairness and inclusion. It requires a new paradigm that will achieve an equitable distribution of economic growth to all segments of civil society, reducing income disparities, providing equal opportunities to all citizens, and promoting social cohesion. AI's capacity to process big data and analyze the efficacy of different options is uniquely suited to assist with this task. Effective refers to the efficacy of economic governance institutions, the machinery of economic governance and economic policy to achieve the desired outcomes, by eliminating waste, reducing bureaucratic red tape, and enhancing productivity. Effective economic governance nurtures a financial environment that fosters investment and economic growth. AI can contribute to making economic governance more effective by improving decision making, enhancing efficiency, and promoting transparency and accountability.

Endurable refers to the resilience of institutions of economic governance to withstand external economic shocks and deter digital vulnerability. This is particularly appropriate in the contemporary implementation of AI which empowers the economic landscape with spectacular opportunities and at the same time develops significant threats. Empathetic is the modern version for the social safety net that resonates in the context of the recent cataclysmic superfecta. It provides governments with the mandate to support the most vulnerable in society as well as protecting the private sector during an economic downturn. AI can assist in updating the social safety net as well as renovating and modernizing the touch points of vulnerability and marginalization within the modern context. Empowering economic governance embraces transparency and accountability for the purpose of enhancing the efficacy of decision making. Facilitating the public's reach for information, understanding policy decisions, building trust, reducing corruption. It also serves as a conduit for building bridges and forming partnerships to achieve the economic goals and aspirations of civil society. Nothing speaks more to the empowerment of economic governance with AI than its predictive capacity to identify and confront future economic crises.

These six principles of modern governance will assist in redefining the role, functions, and the modern mission of economic governance. They will facilitate the process for conceptualizing a new structural framework for economic governance and a modern institutional architecture. Furthermore, they will serve as a catalyst for ensuring that economic governance will generate enlightened and visionary public policy. In addition, it will facilitate the strategic implementation of economic programs as well as building an effective and efficient machinery for the delivery of good economic governance. In consequence, the 6E's of economic governance will modernize the mission and mandate of economic governance and its accompanying institutional architecture as well as re-aligning its purpose with the contemporary economic realities. At the end of the day, this will contribute to a new conceptual

framework for economic governance that will transform the economic governance architecture, the machinery of economic governance and the scope of economic policy. All this with the overarching empowerment of AI and its strategic positioning to enhance the efficacy of contemporary economic governance.

Malthusian Trap

In charting a course that embraces AI in the modern mission and mandate of economic governance we should avoid falling into the Malthusian trap. Thomas Malthus was an 18th century economist and demographer who predicted the demise of humanity because population would increase at a geometric rate while food supply would increase at an arithmetic rate. In consequence, the food supply would be insufficient to meet the consumer demand triggered by an increasing population. What he failed to account for was the positive contributions of scientific advances, groundbreaking inventions and innovative agricultural machinery that would enhance agricultural productivity and increase the food output of the agricultural sector.

The Malthusian trap could become a reality for economic governance if we do not embrace AI as a unique opportunity to advance the pursuit of good governance in the 21st century. We should focus on AI's capacity to be a positive and constructive changemaker for policy makers. Simultaneously we should confront the potential threats of AI by adopting visionary policies and putting in place firewalls and guardrails to prevent AI's malfeasance. To avoid a Malthusian moment, economic governance should embrace this spectacular innovation and strategically position AI in their mission. Mindful of the fact that AI can empower a transformative paradigm for economic governance and enhance its efficacy. Governments should serve as a role model and embrace the integration of AI on the economic landscape for the purpose of promoting economic growth and prosperity.

In this regard, our historical compass should point towards the benefits of incorporating AI in our modern economic governance model. It behooves us to refresh our memories regarding those landmark inventions that have created a huge footprint in our economic journey. Inventions that have contributed to economic growth and raised the standard of living for billions of people around the world. More specifically, these innovations have included the Industrial Revolution in the 18th century, the invention of the steam engine and railway locomotives in the 19th century, the introduction of steel, electricity and automobiles in the 20th century, and the advent of the IT Revolution in the 21st century. These technological advances should serve as our North Star in determining the appropriate use of AI for economic governance. All these technological advances had one very important common thread and that was to make a positive impact on the economic landscape. The ascent of AI serves as a pivotal moment for economic governance and an opportunity to avoid the Malthusian trap. Economic policy should support and nurture technological innovations. For it is through innovation that we can achieve enhanced productivity and sustainable economic growth.

AI in Governance

AI has the capacity to process vast, comprehensive, analytical, and computing capacity beyond the capabilities of a single human brain. It relies on algorithms and systems to perform generative human tasks. It is capable of processing big data, archiving our cumulative knowledge and best practices, identifying patterns, making predictions, automating repetitive tasks and pivoting on Large Language Models (LLM) to achieve desired outcomes. Creating a road map for the purpose of harnessing the

full potential of AI will create synergies for economic governance. This should be accomplished by deploying the unique potential of AI in a responsible, ethical, and safe manner. Furthermore, AI opens new opportunities for synergistic complementarity and collaboration between the public, private and voluntary sectors in the pursuit of effective outcomes.

In consequence, economic governance must develop a modern template for harnessing the transformative potential of AI. At the same time, it should navigate a cautious approach towards utilizing its full potential while at the same time minimizing its risks. As such economic governance should serve as a role model in empowering the full potential of AI while simultaneously mitigating the threats associated with it. In addition, the public sector should implement public policy initiatives that create the appropriate regulations and guardrails for ensuring the ethical and responsible use of AI in a manner that mitigates risk and malfeasance.

AI has the potential to become a game changer for economic governance. It can create empowering opportunities along with unique challenges. Its benefits include enhancing the decision-making process, improving the efficiency of public administration, and integrating state-of-the-art innovation in the public sector. More precisely, AI's capacity to process big data, facilitate economic analysis, create outcome scenarios extends the boundaries for evidence based economic policy. In effect, AI algorithms can analyze vast amounts of economic data, identify patterns, and generate insights that inform policy decisions. In this manner assisting policymakers to understand economic trends and make evidence-based decisions.

AI can be used to create predictive models that forecast economic outcomes, such as GDP growth, inflation rates, and employment trends. This allows governments to anticipate challenges and develop proactive strategies. AI can assist in optimizing resource allocation by identifying the most efficient ways to distribute human and financial resources for public services, economic development, infrastructure projects, and social programs. AI-powered systems can be used to detect and prevent fraudulent activities in economic transactions, such as tax evasion, money laundering, and financial fraud. Furthermore, AI can assist in monitoring and ensuring compliance with economic regulations, reducing the risk of non-compliance and improving overall governance. AI has the capacity to gauge and analyze public opinion for the purpose of advancing democratic governance. In effect, Natural Language Processing (NLP) algorithms can analyze public sentiment and feedback from social media, surveys, and other sources, providing policymakers with real-time insights into citizens' needs and preferences.

AI can support the development of economic policies by simulating different scenarios and evaluating their potential impact, helping policymakers choose the most effective solutions. The importance of a global mindset for the contemporary exercise of economic governance is of the utmost importance. AI can facilitate multilateral coordination and international cooperation by providing tools for analyzing global economic trends and identifying areas for collaboration. All in all, AI enhances the efficiency, accuracy, and effectiveness of economic governance by enabling governments to make better-informed decisions, allows a proactive approach for economic governance, and respond more quickly to economic challenges.

AI Threats

In assessing the economic threats associated with AI and its role in economic governance we should be mindful of the Malthusian trap. Along with empowering AI, we should simultaneously prevent its

deleterious capacity for malfeasance. In effect, we should embrace the transformative potential of AI and navigate a cautious approach towards utilizing its full potential. All the time minimizing its risks and threats to economic policy and the economy. In effect, the most appropriate course of action is to mitigate the perceived threats rather than prevent the use of AI. This can be accomplished by creating safeguards, enforcing guardrails, building trust, and enforcing accountability. More specifically, legislation, policies, and guidelines should be developed to firewall the perceived threats. There is no denying that at the present time, AI has outpaced the oversight required for safety, security, privacy, confidentiality and enforcing intellectual property rights. The reason being that the speed of structural change and the evolution of AI in the form of new technologies and operational systems are ahead of public policy and government oversight (Legislative Assembly of Ontario, 2024).

A collateral threat for the implementation of AI in economic governance is the digital divide. This divide manifests itself within as well as between countries. It creates a chasm between those segments of society that have access to electronic capacity and those who do not. Similarly, AI accentuates the digital disparity between the countries of the Global North and the Global South. The most challenging economic threat to the implementation of AI is the creation of structural unemployment. This will require new employment policies to upskill or reskill unemployed workers for the emerging new jobs of the 21st century. In this regard, the contemporary structural changes in the economy and the evolution of the workplace necessitate new skills and technological competencies. The rise of AI is reshaping labour markets by creating a demand for new skills, prompting a re-evaluation of workforce training and a reimagining of the role of human labour in the production function.

There is no denying that AI will remain an influential force and play an increasing role on the economic landscape in the future. However, human oversight and critical thinking over AI, remains a sine qua non for the purpose of overcoming threats, biases, inaccuracies and ethical lapses in its operational performance. At the end of the day, we should also be mindful that economic governance empowered by AI can serve as a catalyst for facilitating higher levels of productivity and spurring on economic growth and prosperity.

Economic Policy

Economic policy is a foundational aspect of governance. AI offers a plethora of benefits in economic governance by revolutionizing the way governments manage the economic system. Indeed, AI has the capacity to empower the modern formulation and implementation of economic policy. By strategically using the vast storage capacity, automating processes, and improving efficiency, AI can reduce operational costs and enhance efficiency in economic administration. This allows governments to allocate scarce resources more effectively. In addition, it facilitates developing different economic scenarios, options, and implementation strategies. One of the foremost benefits of AI is its capacity to synthesize and use big data to enhance the predictive capability of economic policy. In effect, pivoting from a reactive public policy to a proactive approach.

More specifically, AI impacts economic policy on many levels and in different dimensions. AI can analyze extensive datasets, enabling policymakers to make informed decisions based on big data and trends. In consequence, AI enables policymakers to make data-driven decisions by analyzing vast amounts of economic data. This enhanced capacity in evidence-based decision- making leads to more accurate, informed and effective economic policies. Furthermore, AI provides real-time analysis and insights into economic trends and developments. This allows governments to respond quickly to changing economic conditions and make timely adjustments to policies. During economic crises, AI

can provide real-time data and actionable insights to help governments respond effectively. Recognizing that on the contemporary economic landscape one size does not fit all, AI can serve as a catalyst for customizing economic policy to address individual as well as collective needs, allowing for the creation of more tailored and effective economic policies and services.

AI has the capacity to automate routine tasks and processes, increasing efficiency and productivity in economic governance. By automating processes and improving efficiency, AI can reduce operational costs in economic governance and allocate resources more effectively. Furthermore, this allows human resources to focus on critical thinking and more strategic and complex tasks. AI can enhance the predictive analysis of economic policy because AI models can forecast economic outcomes and potential risks, helping policymakers anticipate future challenges and opportunities. AI can forecast economic trends and potential risks, helping policymakers anticipate and mitigate economic challenges. This proactive approach leads to more stable and resilient economies. In addition, AI can simulate various policy scenarios and their potential impacts on the economy. This helps policymakers evaluate the effectiveness of different policy options before implementation. AI can optimize taxation systems by identifying inefficiencies and suggesting improvements. It can also assist in allocating public expenditures on government programs and services in a more effective manner by analyzing the impact of different spending strategies. AI can identify and prevent fraudulent activities in economic transactions, such as tax evasion and financial fraud. This enhances the integrity and transparency of economic systems.

The contemporary economic landscape is defined by rapid structural change, breathtaking innovations and a redefined production function. All this increases the need for informed labour market analysis and labour force forecasts for policy makers to make decisions regarding the appropriate composition of work force education, workplace skills and technological competence. AI can analyze labour market trends and predict future demands for specific skills that are aligned with the introduction of new products and services. In turn, this information can inform policies related to education, training, and employment-readiness to ensure that the contemporary workforce has the appropriate mix of human capital that meets the labour markets future requirements.

AI can monitor and analyze financial markets, detecting early signs of instability or looming crises. This allows policymakers to take pre-emptive action to maintain financial stability. AI can provide oversight and ensure that economic policies and regulations are being followed by businesses and individuals, reducing the risk of non-compliance. In effect providing oversight in order that economic policies and regulations are enforced by monitoring compliance and identifying potential violations**.** AI can analyze public sentiment and feedback, helping policymakers understand the needs and preferences of citizens. This allows for more inclusive and responsive economic policies. AI can facilitate international economic cooperation and coordination by providing tools for analyzing global economic trends and identifying areas for collaboration among countries. This helps resolve global economic challenges more effectively through a multilateral decision-making formula. In effect, AI enhances the effectiveness, efficiency, and responsiveness of economic governance, leading to more informed decisions, better resource allocation, and improved overall economic performance. By leveraging AI, governments can develop more effective and efficient economic policies that promote sustainable growth and financial stability.

Even though AI can empower the efficacy and reach of economic policy, it comes with an array of risks and threats. These include AI systems can inadvertently perpetuate and amplify existing biases if they are populated with biased data. This can lead to unfair or discriminatory outcomes in economic policies and decisions. AI algorithms can be complex and opaque, making it difficult to understand how

decisions are made. This lack of transparency can undermine trust in AI-driven economic policies and hinder accountability. AI systems often require large amounts of data, which can include sensitive personal information. Ensuring the privacy and security of this data is crucial to prevent misuse and breaches. The automation of tasks through AI can lead to job displacement and obsolescence, particularly in sectors that rely heavily on routine tasks. This can have significant social and economic impact, requiring additional employment policies to address retraining, reskilling, upskilling and support for affected workers. It is worth noting that the transition of unemployed workers during the Industrial Revolution to new job opportunities is unlikely to be repeated during the current introduction of AI in the workplace because of the higher entry standards and requirements associated with educational requirements, workplace skills and technological competencies. AI systems are vulnerable to cyberattacks, which can disrupt economic activities and compromise sensitive information. Ensuring robust cybersecurity measures is essential to mitigate these risks. The rapid development of AI technologies can outpace and outdate regulatory frameworks, making it difficult to establish appropriate guidelines, guardrails and standards. This can lead to regulatory gaps and inconsistencies. If AI-driven economic policies disproportionately benefit certain groups, it can exacerbate existing economic inequalities such as the digital divide within and between countries. Ensuring that AI benefits are distributed equitably is essential for inclusive economic growth.

The use of AI in economic governance raises ethical questions, such as the extent to which AI should be involved in decision-making processes and the potential for AI to be used for manipulative purposes. Over-reliance on AI can make economic systems vulnerable to technical failures or errors. In consequence, it is important to maintain a balance between AI-driven solutions and human oversight. Addressing these risks requires a combination of robust regulatory frameworks, ethical guidelines, appropriate guardrails, human oversight, critical thinking, transparency and accountability, and continuous monitoring and evaluation of AI systems.

AI is being used in economic governance across the globe to improve efficiency, transparency, and decision-making. Some real-world examples include: fraud detection in welfare programs, urban planning, traffic management, public safety, drafting municipal policies by analyzing examples and best practices from other municipalities, detecting tax evasion, streamlining tax collection processes, AI chatbots are deployed to assist citizens with accessing government services quickly and efficiently, creating systems in healthcare governance to ensure adherence to data privacy laws and improving patient outcomes, helping local governments draft financial narratives for budgeting and freeing up officials for strategic tasks. These examples showcase how AI is revolutionizing governance around the world by making it more responsive, efficient and effective.

Conclusion

The ascent of the new global economy of the 21st century and the cataclysmic superfecta of the first three decades of the new millennium have revealed the contemporary fissures and fault-lines in economic governance. The global economic landscape has changed in a profound and indelible manner. Transformational change is the signature mark of this dynamic metamorphosis. Internetization is leading the process of transformational change in the new century. All of this is evident in the groundbreaking advances in science and digital technology. Technological innovations are being introduced at record speed. AI represents a monumental scientific and technological innovation. It is clearly a game changer for the scope and substance of economic governance and has created new opportunities to enhance the efficacy of economic governance. In effect, humanity is on the cusp of enabling AI to transform the modern mission and mandate of economic governance.

This paper has proposed a redesign of economic governance and a responsible pathway for harnessing AI's vast potential and minimizing its perceived threats. The new template for the redesign of economic governance takes the form of the 6E's of modern economic governance. The 6E's of modern economic governance are efficient, equitable, effective, endurable, empathetic, and empowering. In addition, the paper proposes upscaling the economic governance architecture, the machinery of economic governance and economic policy for the purpose of realigning the modern mission and mandate of economic governance with the contemporary challenges and opportunities of the 21st century.

Governments must take a leadership role in developing policies for the responsible, safe, secure and ethical use of AI. By successfully integrating AI into economic governance, they can enhance the efficacy of economic governance and position AI for the purpose of contributing to a more prosperous economy. At the present time, advances in AI are far outpacing the parameters for containing the malfeasance and harm that AI can inflict. There is an urgent need to implement corrective public policy and create ethical guardrails to address this matter. In strategically deploying AI for the public good, governments must drive the evolution of AI to mitigate the collateral harm and compound its benefits. This will provide them with the moral authority to nurture its future development and operationalize its administrative capacity. All of this, for the purpose of positioning AI as a catalyst that will chart an inspired roadmap for the betterment of humanity.

Just as Thomas Malthus underestimated technological progress in agriculture, today's governance institutions must avoid the Malthusian trap and integrate AI in the modern mission and mandate of economic governance. All of this for the purpose of unlocking AI's full potential on the economic landscape. AI is capable of empowering economic governance and driving impactful change. By responsibly and purposefully integrating AI, economic governance institutions can place themselves at the forefront of innovation, enhancing economic policy and the efficacy of economic governance. A balanced approach will be required, that embraces AI while simultaneously addressing the challenges of digital malfeasance.

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