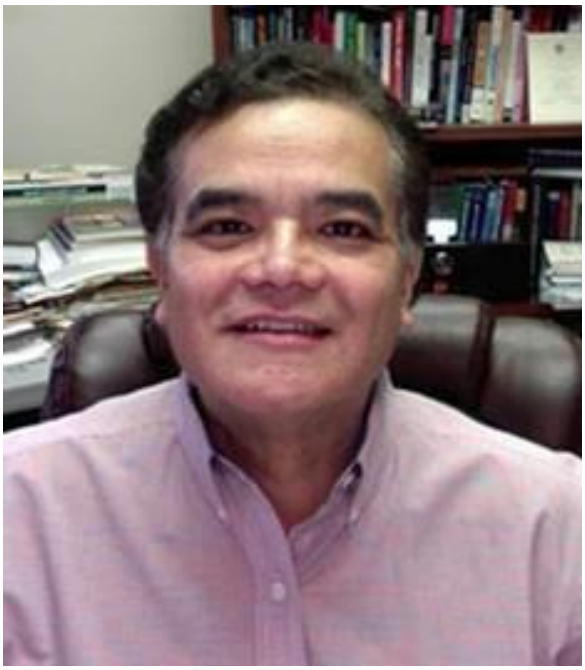
Artificial Intelligence & Economic Development:

THE PROMISES & THE PERILS



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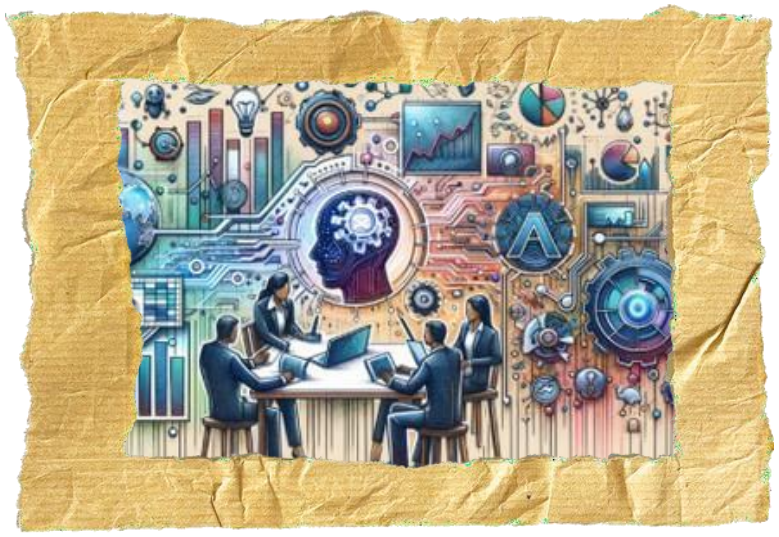
Business news has been busy providing information about how artificial intelligence will increase the overall wellbeing of communities across the country – including the creation of jobs. While the promises of AI are important to recognize and to be open for, it is important to be cognizant of the risks and the overestimations of job creation. Technology companies are fiercely competing to develop generative machine learning models that can translate into activities that emulate human tasks and activities and of course make our lives easier. The job opportunities are not only on the programming of machines but also on the data centers that will house computers/servers. The assumption that AI will produce jobs is, indeed, not flawed, - it will create jobs but not in the numbers that many CEOs and politicians proclaim.

At a closer look, it is clear that Michigan economic development will benefit from increasing efficiency and productivity of tasks that are repetitive. This will have an impact on manufacturing jobs and in some white-collar jobs. AI is likely to program, test, readapt, and reprogram the roles and duties that those workers operate. More importantly, AI is likely to increase the discovery of new alternatives and techniques in biotechnology, technology, information management, and robotics. When analyzing economic development in Michigan, especially in cities like Detroit, Grand Rapids, and Lansing, the potentials for community and economic development are good for small and medium size businesses, and of course for large manufactures - such as the auto industry and EV battery production. Companies working on autonomous driving technologies will certainly benefit from the significant code development needed. Corporations aiding external technology needed to guide vehicles across roads will benefit from AI speed and generative process. And if major US tech companies decide to locate or increase their activities in Michigan, it is likely that they will need more energy. It is important to be prepared to provide that energy to maintain operational AI facilities.

For community and economic development planning, AI will facilitate the identification of needs, models, and assessments to attract and facilitate good jobs creation. Economic planners will be able to assist companies to plan for strategies that other similar size cities have already implemented and have a record of success. Similarly, AI will help to identify the flaws, pitfalls, and obstacles that cities faced during the implementation. Strategies will benefit from having more information available to propose a plan that has better chances to succeed. Knowing tested requirements that include taxes, financing, public-private partnerships, evaluation models, and the type and number of skilled workers will benefit Michigan cities.



Two major implications of AI for Michigan economic development are coming within the next five years, the first one is related to the impacts on the current jobs and businesses operating in Michigan. This means that most functions and activities will be exposed to AI to optimize efficiency and productivity. The advancement of machine learning will produce ways that simplify tasks as computers perform more rapidly than humans. This may induce companies to reduce their labor force to a minimum that is able to manage daily operations. And the second one is related to how AI will impact the next round of jobs in the state and in the country beyond those five years, looking specifically on types of jobs, areas, skills, and salaries. One positive side is that AI will help communities and economic development planners to make reliable assessments of private-public partnerships, optimal government tax incentives and investments, favorable zoning, and better predictions on job impacts and trends.

It is unclear the real impact of AI on job creation and wages. An example of how jobs may be impacted by AI is the announcements of job cuts. By the end of October major U.S. corporations announced the elimination of 153,000 jobs (Bloomberg, 2025). Specifically, Amazon announced an initial layoff of 14,000 workers with the plan of cutting another 16,000 jobs, that is a reduction of 10% of their labor force (McLain, 2025). Also, Intel announced that they were laying off 7,000 staff members or 15% of their labor force, while UPS plans to lay off 20,000 workers or 4% of their workforce (Chapman, 2025). Bloomberg News reported that the reasons for the layoffs were in part due to AI integration or the readjustment of jobs' tasks. The potential consequences of AI on economic development include the possibility of overestimating the creation of jobs at all levels, for both blue- and white-collar workers. In the very near future, humans will have a formidable task to verify AI outputs to ensure that results are actually the consequence of verifiable inputs.

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