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Why would OpenAI's CEO call for more AI regulation?

But my AP history book told me regulation came from advocacy groups over the complaints of businesses!

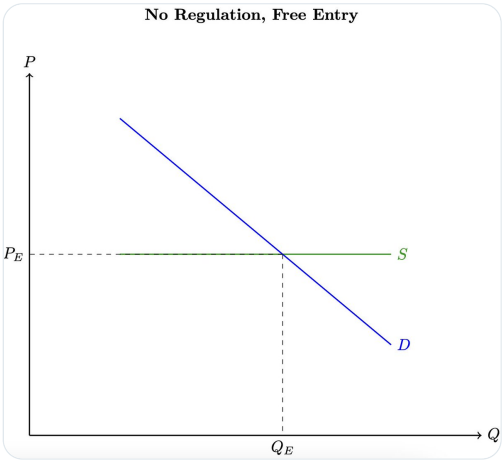
I'm kidding, but it is always a good time to reteach supply and demand 🧵

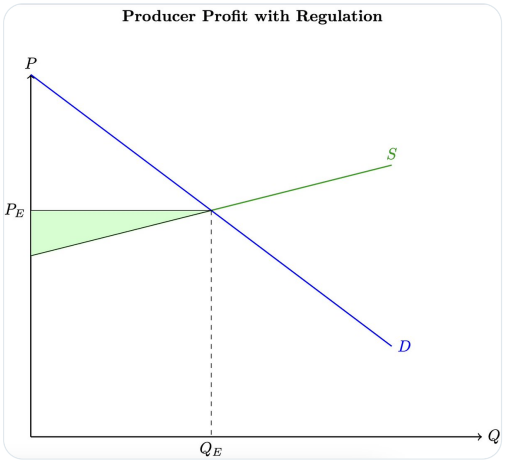
There are two things to remember. First, prices are pinned down by marginal costs in the industry. Profits are determined by average costs.

Even if all firms are identical, if you can raise marginal costs more than average costs, you can increase industry-wide profits.

For a simple example, suppose under no regulation, many firms can enter, and the marginal cost (supply curve) is flat. There are no profits.

If regulations make it harder to enter, the marginal cost curve for the industry may be rising. Now you magically have profits!





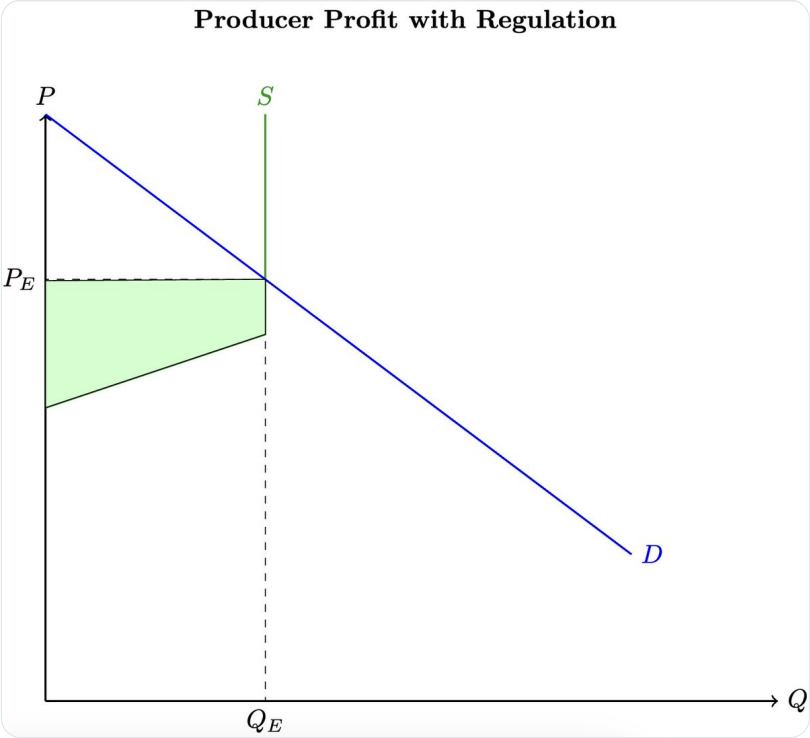
But firms are not identical in this industry. OpenAI is the incumbent. It has the lowest costs.

The second thing to remember any new entrant is likely going to have higher costs right away. If you can further raise their costs more than yours, boom, you profit.

An extreme example of this is when the regulations are so heavy that no other firm enters.

The regulation raises OpenAI's costs (including its marginal costs so the curve slopes up) but it REALLY raises everyone else's costs.

Boom, even more profit.



Calls for regulation are really just the joke about hikers getting chased by the bear.

Hiker 1: Why are you running? You can't outrun a bear.
Hiker 2: I don't need to. I just need to outrun you.

OpenAI is Hiker 2, hoping the bear doesn't kill both of them.

This is all very basic to anyone who studies public choice. But I can't help but use the opportunity to draw some supply and demand graphs.

Everything is supply and demand!

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