


Chapter 5

The Ethical and Societal Implications of AI in Economic Policy and Public Administration

Tinatin Zhorzholiani

 <https://orcid.org/0000-0002-8274-9028>

David Aghmashenebeli National Defence Academy of Georgia, Georgia

ABSTRACT

AI is reshaping economic policy and public administration worldwide. This study explores the ethical and societal implications of AI integration in governance and economic decision-making, with a focus on transparency accountability fairness and public trust. Through interdisciplinary qualitative analysis and case studies from Georgia's public sector, the research identifies challenges such as algorithmic bias, lack of legal safeguards, data privacy concerns and institutional readiness, highlights promising developments, including the establishment of the Georgia Technology Authority's AI office, national capacity-building programs and pilot AI systems in finance and law enforcement. Drawing from international best practices and local initiatives, the paper presents evidence-based policy recommendations to ensure that AI adoption in public governance serves democratic values, enhances service delivery and protects citizen rights. The findings contribute to the growing field of responsible AI and underscore the need for inclusive, transparent, ethically grounded governance frameworks.

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INTRODUCTION

Artificial Intelligence (AI) has become one of the most transformative and disruptive technologies of the 21st Century, altering how economies function, reshaping public administration, and challenging longstanding ethical and governance frameworks. With its wide-ranging applications—from automating mundane administrative tasks to informing complex economic decisions—AI presents immense opportunities and unprecedented challenges. As AI systems become embedded in economic policy-making and public governance processes, examining their technical efficacy and broader societal and ethical implications is essential.

Integrating AI in government structures and economic institutions is not just a futuristic vision but a present reality. AI tools are now being used to simulate policy outcomes, improve public service delivery, detect financial fraud, optimize tax collection, enhance cybersecurity, and influence public decision-making (Montoya & Rivas, 2019; Wirtz et al., 2019). For example, generative AI systems such as ChatGPT and Claude are revolutionizing public communication interfaces, policy drafts, and service automation (Zhao et al., 2023). Governments worldwide are increasingly adopting AI technologies to forecast economic trends, analyze large datasets for decision-making, and streamline operations in health, transportation, and finance (Gupta, 2019; Margetts & Dorobantu, 2019).

However, these advancements raise fundamental questions. Can algorithmic decision-making replace human judgment in public governance? What happens when biases embedded in AI algorithms produce discriminatory outcomes? How can transparency, fairness, and accountability be ensured in AI-driven resource allocation or policy enforcement systems? These questions form the ethical crux of AI's role in public administration and economic policy.

One of the foremost ethical concerns surrounding the use of AI in governance and economics relates to fairness and bias. Despite being seen as neutral computational entities, algorithms are developed by humans and trained on datasets that often reflect social, historical, and institutional biases (Barocas & Selbst, 2016). For instance, predictive policing algorithms have been shown to target marginalized communities, replicating systemic injustices disproportionately (Angwin et al., 2016). In the economic sphere, AI-driven credit scoring systems may deny loans to applicants based on biased correlations, even unintentionally.

Moreover, the opacity of many AI systems, the so-called “black box” nature of machine learning models—makes it difficult to audit decisions, hold actors accountable, or explain outcomes to affected individuals. This lack of explainability is particularly problematic in the public sector, where legitimacy and trust are essential (Ben Rjab & Mellouli, 2019). When citizens are affected by decisions made by opaque systems, from welfare eligibility to taxation, procedural justice is undermined.

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