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Artificial Intelligence: Friend, Foe, Fraud

by

L. Randall Wray
Levy Economics Institute

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Levy Economics Institute
P.O. Box 5000
Annandale-on-Hudson, NY 12504-5000
http://www.levyinstitute.org

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ABSTRACT

The over-hyped Dot.com revolution bubbled and crashed at the end of the 1990s, leaving a largely unused physical and virtual infrastructure that eventually supported the rise of social media that did—indeed—transform life. Not necessarily in a good way. As Robert Gordon famously claimed, you can see the evidence of the *digital revolution* everywhere except in the data. Still, many billionaires were minted. After nearly a quarter century of growth, it seemed to have run its course until digital tech moved into the payments system promising another revolution based on cryptocurrencies. That, too, was over-hyped until Trump's reelection loosened rules to allow crypto to infect the financial system, targeting *in particular* the accumulated retirement savings of Americans. More billionaires minted. As P.T. Barnum (purportedly) proclaimed, "there's a sucker born every minute" and they add up but the number is still finite. The latest revolution is AI and it has generated the biggest bubble, by far. We are still in the early stages, but not only is AI almost single-handedly driving the stock market, it is also driving the "real" economy with its investments in data centers. One-hundred and three American billionaires were created since 2024, much of those owing to AI-related stock prices and investments. This paper will look in detail at the claims made for AI, the financial arrangements that are supporting its growth, and the dangers it poses for the US (and global) economies. While some argue that the current bubble looks little like the Dot.com bubble, that is true, but beside the point. The fragile financing of the AI bubble looks much more like the financial shenanigans that crashed into the Global Financial Crisis, and—unlike the Dot.com bubble that left us with a physical infrastructure that would eventually prove useful—the AI bubble will leave behind waste and destruction.

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As the long COVID lock-down slowly retreated from our nation's colleges, allowing us to return to classrooms, faculty were suddenly hit with a new and perhaps more dangerous challenge as AI-driven chatbots changed forever how we approach teaching. At first, most of us forbade its use, threatening students with failure should they dare to "cheat" by using it to answer homework questions. But when faced with reasonably well-written but largely nonsensical essays on heterodox economics (with the arguments obviously scraped from online orthodox critiques), proof of indiscretion was problematic.

Enter chatbots that would out the chatbots! Unfortunately, those proved to be as unreliable as the chatbots that tried to write an essay on Minsky's financial instability hypothesis. So, I tried a new tactic: I used chatbots to write three or four essays answering a homework question, then synthesized those into a largely misguided essay that I forced students to critique. That lasted two semesters after which I abandoned it as too much work. I stopped assigning take-home writing assignments and returned to the old technology: in-class pen-and-paper essay exams.

AI is now everywhere. It cannot be avoided and it interferes with every activity one living in the modern world might undertake. Elementary and high school teachers have given up teaching reading and writing—what is the point, when AI can and inevitably will write every assignment given to their students.[1] Evidence is accumulating that not only are students incapable of writing on their own, but also that they can no longer *think* on their own. Rather than wasting time pondering, they just ask their handy bot that is, literally, in their hand with the entire universe of human knowledge there for the asking. Their bot not only *knows* the answers (or *hallucinates* them), but it also knows the questions, the interests, the loves and the hates of their *bestie*. The answers may not be *factually* correct, but they are the *right* answers because their bot lives to please.

While some supporters of AI remind us that hand-held calculators were said to pose the risk that kids would never learn math, that is not

[1] As *Naked Capitalism* (Smith 2026) reported, "A fourth grader asked their teacher, "Why do I need to learn how to read if AI can read for me?"

> a fair comparison because calculators replace computation after we learned how math worked. AI shows up before students ever learn how to think through a problem. What we are witnessing is that students are now incapable in sitting in any kind of intellectual discomfort…. This is what people miss when they compare AI to calculators. It's not just math. That's literally every subject, including thinking itself. (Smith 2026)

The Economist (2025) reported:

> Over the course of a series of essay-writing sessions, students working with (as well as without) ChatGPT were hooked up to electroencephalograms (EEGs) to measure their brain activity as they toiled. Across the board, the AI users exhibited markedly lower neural activity in parts of the brain associated with creative functions and attention. Students who wrote with the chatbot's help also found it much harder to provide an accurate quote from the paper that they had just produced.

Naked Capitalism (Smith 2026), again, reports:

> Researchers call it cognitive offloading. They develop this pattern of generating first and thinking later, or really generating first and not thinking at all. And the scary part is these studies are showing cognitive decline in adults, people with fully developed brains. If AI is doing this to adults, then what is it doing to a brain that's still forming?

Think about America's election deniers, vaccine skeptics, and conspiracy theorists—the vast majority of whom finished school *before* AI, and presumably learned how to read, write, and even reason. However, since leaving school, over the past few years they have been inundated with social media—now driven by AI—to such an extent that they embrace patently ridiculous musings (Barak Obama was born in Kenya [O'Rourke 2025] and immigrants are eating our pets [Arkin and Ingram 2024]) and alt-right reports (Hillary Clinton was involved with a pedophilia gang operating out of a pizza joint [Putterman 2020]).

Yet the arguments for AI are appealing, even mesmerizing. AI will make us more productive, replacing monotonous work and freeing humans to focus on creative endeavors. It will vastly speed-up the creation of new drugs to finally tackle cancer and other diseases that have long seemed intractable. Doctors that are limited by insurers to 15-minute examinations are happy to meet with patients prepped by AI to self-diagnose their ailments and come with a short list of treatment options. Shoppers save time as their grocer has used individualized AI profiling to fill their carts before they even step into the store. Surveillance pricing ensures that each individual pays a price that exactly matches their willingness to pay.

Employers use AI systems that adjust worker pay in real time to reward performance and positive customer feedback. Workers are finally rewarded for their individual marginal productivity as employers closely surveil every worker every second of every working day. Bankers set credit card and mortgage rates to optimally burden each borrower—with rich folk getting rewards on credit cards, and desperate low-income borrowers paying 28% on loans needed to purchase a junky used car to get to work.

Neoclassical economics has come into its own! Prices, wages, and interest rates are set to precisely clear all markets—simultaneously—something that was impossible with real humans and real-world markets, with all their well-known flaws.

Some of the AI forecasts are downright awe-inspiring. GDP growth rates of 20 percent *per year* are claimed to be likely once AI automates a third of all tasks. This will obviate the problem of declining birthrates—as *artificial general intelligence* (AGI) allows "for runaway innovation without any increase in population, supercharging growth in GDP per person" that will allow GDP growth rates to surpass 30 percent per year (*Economist* 2025b)!

Tyler Cowen predicts that AI-run factories will produce manufactured goods that are "essentially free." William Nordhaus believes this will bring on "singularity" when output "becomes infinite." Proponents warn that when that singularity comes, "you had better be rich" (*Economist* 2025b).[2] Woe be the fate of those without capital. While anything produced by AI would be virtually free, "anything still labour-intensive—child care, say, or eating out" would be expensive.

Do not worry about job loss as the *displaced workers* will become *owners*. In the very near future, "people's only source of remuneration [will come] as rentiers—owners of capital." *True capitalism*! The *workerless* economy of the near future is humanity's ultimate destination! *Lavish riches* are on their way—no saving necessary! Keynes's "*Economic Possibilities for our Grandchildren*" might yet be achieved. By 2030!

[2] Contrast this with Musk's assessment that saving for retirement is unnecessary because AI will eliminate scarcity (Quiroz-Gutierrez 2026).

Now, of course, this is going to require a lot of investment in AI. According to estimates, global spending on AI-related enterprises reached $1.5 trillion in 2025 and investment should total $5 to $7 trillion between 2026–30 just for the datacenters required. No worries (Storm 2025a).[3] Today, Nvidia, the most important chip maker is valued at more than $4.5 trillion, and adding the main players, Amazon, Google, Meta, and OpenAI brings that up to $17 trillion. With Wall Street banks and private equity jumping in to supply complex financing reminiscent of the Dot.com and housing bubbles of the naughts, achieving the financial leverage required to fuel the AI boom should not be a problem.[4]

In the next three sections we will dig deeper into the issues surrounding the growth of AI to consider whether it is our friend, a foe, or largely just an overhyped fraud.

FRIEND?

Robots have long been a feature of science fiction: Asimov's 1950 *I Robot* lays out the three laws of robotics while in the early 1960s, TV's *Lost in Space* featured a robot as a family's friend and protector and *The Jetsons* family was served by a robotic housekeeper. Three or four generations later, robotics is finally catching up to that fictional science.

In the real world, however, machines have been substituting for human labor for tens of centuries, continually taking on more complex tasks even if we would not assign much intelligence to them. While there has always been a fear that machines would take away our jobs (fomenting unrest by *Luddites*) or reduce humanity to mere appendages of machines (Smith, Marx), in truth new jobs and entirely new occupations have been created at a sufficient pace to more than offset job losses even as machines made work less physically demanding.

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[3] On January 28, 2026, *Bloomberg* reported: "Microsoft has been rushing to bake artificial intelligence tools, including those powered by OpenAI, into its products, betting that chatbots and automation technology will boost sales of the company's productivity software and cloud services. Capital expenditures for the fiscal second quarter hit $37.5 billion, up 66% from a year earlier and exceeding analyst estimates for $36.2 billion."

[4] In early February, there were some hiccups in financial markets as some players started to worry about the contrast between the huge investments and debts incurred versus the reported revenue.

While an economy's productivity is difficult to measure (labor input and the output of goods and services are both heterogeneous), there is little doubt that machinery and robotics have contributed greatly to the rise of labor productivity. More output per worker means there are more goods and services to be consumed by the worker's family. For example, in 1909, Americans each purchased an average of 3,400 calories worth of food daily, costing them 43 percent of their income; today they buy 3,900 calories that costs only 11 percent of their income—leaving a third of their income to purchase other types of goods and services (*The Economics* 2025b). While the gains are not equally shared, and while chronically high unemployment (and underemployment) remains a problem, as Robert Gordon (2016) highlighted in his book on the "special century," industrialization spurred unprecedented growth of productivity.

However, Gordon finds that what is arguably the most important innovation of the past three decades—the internet—does not show up in the productivity data. He offers some possible explanations. Computers certainly increased productivity in many applications, but he believes most of the gains preceded the internet (as firms computerized operations in the era of mainframe computers). While the internet has obvious entertainment value and is useful for social media, it does not seem to improve labor productivity.

Flavia Dantas and I (2022) have argued that Gordon inexplicably underplays the role of effective demand in this finding. While he credits the role played by growing aggregate demand in the second half of the special century (that is, from the 1920s to the 1970s), he does not address the chronic stagnation of the growth of aggregate demand from the 1970s to the present. The supply side of the economy will not grow quickly if the demand side is not growing. Perhaps the problem is not that laptop computers and the internet have failed to boost productivity, but that insufficient aggregate demand leads to slow growth and thus apparently low productivity growth.

For example, he recognizes the importance of the Baby Boom and the development of the suburbs in fueling rapid growth of the supply side in the early postwar period in America—but seems to ignore the stagnation of demand from the 1970s as the main cause of lackluster performance of productivity. Since new technology is introduced largely through investment in

productive capital, it is not surprising that lack of demand means little investment in new technology to boost output for which there is little demand.

The introduction of the internet led, of course, to the Dot.com bubble. Investments in fiber optics temporarily boosted business spending and purchases of computers and then smart phones boosted consumption spending—allowing growth during Clinton's second term to temporarily match growth of the "golden age." The collapse of that bubble (and, soon after, the collapse of the housing bubble) reduced spending and bankrupted many Dot.com firms. However, the internet's legacy infrastructure remained and gradually demand grew to bring much of it online. Even though consumers regularly traded up to faster computing, prices fell for a while and then went horizontal. Since productivity growth is essentially measured as output value relative to paid labor input, it was relatively stagnant during the decades of the spread of the internet. But if productivity were measured by computing power embodied in the "internet of things," it has grown tremendously.

In other words, the apparent lack of productivity growth that can be attributed to the internet is not because the internet failed us but rather because the metric we use requires nominal spending to grow. While there was an initial burst of spending (laying fiber optic cables and starting up thousands of internet firms—many of which were destined to die quickly) the simultaneous bursting of the bubbles in Dot.coms, housing, and commodity markets led to very slow growth of aggregate demand. The combination of slow growth and negative impacts of the internet on many sectors of the economy (online shopping replaced brick and mortar stores; online work reduced commuting and foot traffic at lunch time; streaming replaced movie night at the cinema, etc.) led to low measured growth of productivity.

For the sake of argument, let us assume that the internet is our *friend*—that the benefits of living online outweigh the costs of addiction to social media, the threats of identity theft and other kinds of internet-related fraud, and the loss of in-person interaction. What does AI promise to add to our economy that is *already* online?

First, there is the investment in physical infrastructure required for AI—largely, building data centers as well as ramping up electricity generation—together that is said to require spending orders of magnitude greater than what the internet boom generated. That will boost growth of GDP and create jobs (at least in the short run). By the end of 2028 investment in data centers is expected to exceed $3 trillion. (Another estimate is that 122 gigawatts of data center capacity will be built between 2026 and 2030 at a cost of between $5 trillion and $7 trillion.) The power requirement for the data centers is estimated to total 57 gigawatts between 2025 and 2028—equivalent to more than *five New York Cities*. (Globally, data center demand for electricity is projected to rise by 19 to 22 percent *annually*.)[5]

AI also needs chips, lots of them. The biggest producer—accounting for about 94 percent of the chips needed for AI—is Nvidia, which was the first public corporation to reach a market value of $5 trillion. (Adding Amazon, Google, Meta, and Open AI brings the total capitalization of the biggest AI-related firms to $17 trillion—more than the entire stock market value at the peak of the Dot.com bubble.) Finally, AI spending on model training and inference (projected at $8.67 billion) adds to GDP growth (Smith 2025).

All told, the AI boom accounted for 40 percent of GDP growth in the first half of 2025—amazing for a sector that accounts for only a few percent of total output. The tech sector more broadly defined accounted for virtually all of the growth of GDP in the first half of 2025 (the rest of the economy grew by only 0.1 percent). Up to 80 percent of the rise of the stock market in 2025 was due to AI-related firms. Clearly, spending related to building up AI has been an important driver of aggregate demand and of wealth creation in the form of rising share prices.

What are the implications of scaling up use of AI for firms, workers, and consumers? Above we saw some of the claims—at the extreme, eventual elimination of all work. It seems logical to assume that AI would continue to eliminate the drudgery of low skilled work. The evidence so far, however, is that AI has had a bigger effect on the highly skilled working on complex tasks

[5] While the growth of electricity required is large relative to capacity added in the US over the past couple of decades, China added 1500 gigawatts in the *past four years*! Chinese capacity is about 3900 GW now versus about 1400 GW for the US.

such as research and management. Further, AI's biggest impact on productivity is positively correlated with competence: top performers benefit more than lower performing peers. However, neither low-paid nor high-paid workers seem to be replaced by AI—the biggest losers appear to be middle management. There are some exceptions—such as cashiers replaced by self-check-out. Yet, wage growth remains relatively strong (even with the Fed's reluctance to loosen policy, and with low hiring in a slowing economy), indicating that AI is not yet reducing demand for labor significantly.

This could change as AI becomes more widely adopted. Only about ten percent of American companies are making much use of it so far to produce goods and services. While it makes sense to expect AI to eventually replace a lot of labor, the evidence is so far unclear. One area that is often mentioned as particularly suited for AI is coding, where AI is already widely used. It can greatly increase the pace of coding and reduce errors. This makes coders more productive, although perhaps that will increase their value to firms—increasing wages rather than reducing employment. As mentioned earlier, it also makes doctors more productive and probably improves relations with patients.

Medical breakthroughs are often mentioned as the field that will benefit greatly by use of AI, which can quickly develop new drug treatments for deadly ailments. The problem is that the biggest delay in adopting new treatments is not the time required to create the drugs or vaccines (think of the COVID "moon shot"), but rather it is the requirement for trials and approval. While we could loosen the regulatory process, that would raise the specter of another thalidomide disaster (avoided in the USA because the FDA refused to approve it). Further, many of the most serious diseases that we would like to tackle are relatively rare, making it difficult to line up volunteers to participate in controlled tests. While AI might indeed prove to be useful, the benefits are overstated unless account is taken of the time required to test, approve, produce, and distribute the new drugs.

In contrast to the wild estimates cited earlier, Daniel Acemoglu estimates that AI will increase global GDP by only a percent or two over the next decade (although he assumes a low take-up, with only about 5 percent of tasks taken away from workers) (*The Economics* 2025b). This

would make the impact of AI on the economy more similar to that of the internet—in spite of significant impacts on human lives, the impact on economic growth might be far below the rosy projections.

AI is already widely used by consumers—whether they like it or not! (The new Google forces its AI "overview" summary on all users; Apple plans to remake Siri into an A.I. chatbot that will be installed in iPhone, iPad and Mac operating systems and will replace the existing interface.) It has significantly changed how people browse the internet as queries increasingly go through AI. This can reduce the number of sites one visits to find the information desired. AI helps organize calendars, book restaurants and vacations, identify stocks to purchase, summarize passages, outline arguments, and do your kid's homework. It can surveil your house when you are away, translate languages in real time, write songs, and create pornographic movies. AI bots offer advice, console their human partners, and in some cases serve as love interests (perhaps generating more divorces as married humans find their bots more appealing). It can improve weather forecasts, help air traffic controllers safely land planes, and—potentially—increase the pace of formulation of drugs to treat illness.

So far, much of the use of AI is "free"—to the consumer, but not to the provider. The downside of this equation is that revenue flowing to firms providing AI is miniscule while their debt is growing rapidly. This is clearly not sustainable—an issue we examine in the next section.

FOE?

Let us examine some of the (possibly) detrimental impacts of AI. Here we focus on what might be called unintentional consequences of the spread of AI that can have negative economic and social impacts on humans, society, and the economy. This includes activities that are enabled by the use of AI by bad actors. In the next section we will focus on fraud that is in some sense intentionally perpetrated by the purveyors of AI.

Deepfakes, Financial Frauds

Elon Musk's AI, *Grok*, recently made news, but not in a good way as it created and shared on Musk's X platform almost 2 million nonconsensual sexualized images of real women in the first nine days after the app was released (Conger, Freedman, and Thompson 2026). There were also tens of thousands of such images of children. At first, Musk laughed off the uproar—the ability to create life-like porn movies was a "feature", not a "bug" of AI's possibilities. However, he relented and banned such content from X, but the app remains on Grok and there are plenty of other AI forums that offer similar apps.

AI has also been used to falsify political candidate statements—literally "putting words into their mouths." The Trump administration used AI to manipulate the photo of a civil rights attorney in a shocking manner,[6] and Trump (or his staff) posted a racist deepfake depicting the Obamas as monkeys (Gomez et al. 2026). The internet is now full of faked videos of every imaginable type. It is easy to train AI to clone voices with only a short recording of the real deal—fueling scams. The list goes on and on: phishing, deep fake impersonations (a child in trouble needs money from grandma), spear fishing (use of social media to glean information for targeted personal attacks), and generative AI fraud (impersonating a CEO; creating a nonexistent borrower).

AI has made it easy and cheap to create very real-looking imposter websites that mimic online retailers:

> Artificial intelligence coding agents have been getting so capable and intuitive, basically anyone can program their own software without much technical knowledge. Want to build yourself a website? Just tell your AI coding agent what you want, et voilà. But lowering the barrier to sophisticated web design is also opening the door to more scams. Cybersecurity firm NetCraft said last year it identified 100,000 AI-generated websites impersonating almost 200 different brands…. "It's the same scam. It's just, it's cheaper to do it on a broader scale," said Charles Henderson with cybersecurity firm Coalfire…. AI makes it possible to generate dozens of official-looking sites a day with just a few prompts. (Carino 2026)

[6] "The White House posted a manipulated photo of her arrest to its official social media account, depicting Ms. Levy Armstrong, a civil rights attorney and activist, as hysterical — tears streaming down her face, her hair disheveled, appearing to cry out in despair" (Green 2026). As the article says, it is common for Trump and the White House to manipulate photos for posting on social media, but often in an "over the top" way so that it could be interpreted as humor. However, this "photograph of Ms. Levy Armstrong was different. It has the hallmarks of brazen disinformation from the top level of government: smearing and humiliating one citizen in order to influence public opinion, while sending a warning to other critics to beware of crossing the administration. And it adds a new, social media-era dimension to Mr. Trump's long record of distortions and lies in the service of his policies and political standing."

The fraudsters can “flood the zone” so that they only need to dupe a few buyers on each site to make a profit.

It is especially lucrative to gain access to bank accounts or—even better—crypto accounts where theft is harder to trace. As Forbes put it, quoting an expert on crypto fraud:

> They’re saturating people with outreach… Texts, emails, popups, phone calls. All it takes is one weak moment. And now with AI, that ‘pretty face’ or ‘video call’ looks and sounds completely real." Even smart, cautious people fall for it. “There is a poison for every single person... Crypto scams aren’t about intelligence. They’re about trust. And AI helps scammers mimic that trust better than ever. (Constantino 2025)

Note that simply increasing the use of AI by firms and households subjects them to greater AI fraud. For example, using AI to book restaurants or vacations may require access to your calendar, credit card or bank data, web browser, and possibly contact lists and messaging apps. While the internet and the digital world already brought new forms of fraud, AI makes a huge advance not only because deceptions are more difficult to recognize but also because the bots never need to sleep—the shear volume of attacks is much greater.

To be clear, of course, this does not make AI, itself, a fraud—it is an accelerant of fraud. We will save AI *as a fraud* for the next section.

Loss of Jobs, Rising Inequality, and Impacts on Internet Search

As discussed in the previous section, early data suggest that AI is most useful for complex tasks—performed by scientific researchers, senior administrators, and sophisticated investors, whose productivity is boosted more than AI use boosts productivity of low performers. If this turns out to be true more generally, then introduction of AI could increase inequality not because low-skilled jobs disappear but because their remuneration will not keep pace with rising pay at the top. That trend generally has been apparent since the mid-1970s, and was boosted by the Dot.com boom. If AI does displace low-wage jobs, the inequality shift will accelerate with more workers competing for a shrinking supply of jobs that require lower skills.

As mentioned earlier, AI fundamentally changes the search process—and perhaps this is better for the searcher as AI can narrow the webpages the searcher must look through as the search becomes more personalized. On the other hand, use of AI reduces the number of sites visited, reducing revenue received (*The Economist* 2025c). However, even if the searcher does not visit a site, AI has still combed data from it—for free. The internet relies on traffic, eyeballs, and advertising—that is why it is free for users. In the last year up to June, global search traffic *by humans* had fallen by 15 percent. Science and education lost 10 percent, reference sites lost 15 percent, and health sites lost 31 percent. Going forward, Google's AI *Overview* will probably end the search for many humans, even though Google benefits from the advertising paid by all sites (approximately 85 percent of Google's revenue comes from advertisements). What is good for AI firms is not necessarily good for the individual sites that compete for eyeballs—with Google charging more to push sites up in the queue.

Impacts on Education

The impacts of AI on teaching and learning were briefly mentioned in the introduction. Studies have shown that users of AI exhibit lower neural activity in parts of the brain associated with creative functions and attention. Worse, MIT researchers (Chow 2025) found that in a relatively short period of time, use of AI had shocking effects on thinking and writing:

> The study divided 54 subjects—18 to 39 year-olds from the Boston area—into three groups, and asked them to write several SAT essays using OpenAI's ChatGPT, Google's search engine, and nothing at all, respectively. Researchers used an EEG to record the writers' brain activity across 32 regions, and found that of the three groups, ChatGPT users had the lowest brain engagement and "consistently underperformed at neural, linguistic, and behavioral levels." Over the course of several months, ChatGPT users got lazier with each subsequent essay, often resorting to copy-and-paste by the end of the study.

While it is not strictly AI's or even tech's fault, school children and young adults today read very few books. High school students commonly read as little as one or two books a year. Even in English classes, students mostly read short passages from books and are asked to respond to those. There are a variety of reasons for this: standardized testing forces teachers to devote most of their time to preparing for the tests; rather than buying a number of books for each class, schools save money by assigning short excerpts that are not subject to copyright, or purchasing platforms that collect excerpts that students read on school-supplied tablets; and many "classics" are now banned because they include topics or language that have become politically dangerous.

However, perhaps the biggest reason is the teacher's belief or fear that students do not have the required attention span to read several books in a semester and would revolt (Goldstein 2025).

All this starts in elementary school, where students increasingly use standardized curriculum products that the schools purchase. The packages include short readings and questions that require short answers or brief essays and are focused on passing state exams.

An unsurprising result is that

> Twelfth-grade reading scores are at historic lows, and college professors, even at elite schools, are increasingly reporting difficulties in getting students to engage with lengthy or complex texts…. Some education experts believe that in the near future, even the most sophisticated stories and knowledge will be imparted mainly through audio and video, the forms that are dominating in the era of mobile, streaming media. (Goldstein 2025)

Colleges are now using AI to evaluate admission applications, greatly reducing the human hours required by admissions. That is probably good, but it raises the possibility that AI reads essays submitted by students that have been written by AI: "So at some point you might have an A.I.-generated essay being read by your A.I. assessor? Yeah, very possible" (Olson 2026). Humans are eliminated from both sides of the application process! Indeed, we may have reached full circle in higher education: AI writes admission essays, evaluates those essays, and then does all the work required for the degree—with the human graduates unable to perform "at neural, linguistic, and behavioral levels." As AI dumbs-down the population, we are going to need those robots to take over what humans are no longer able to do!

Academic journals are already using AI to provide peer review of submissions. Some journal editors are requiring that authors run their manuscripts through AI prior to submission—presumably to check language and citations. At the same time, there has been an avalanche of garbage science manuscripts generated by AI (Kashou, Anavekar, and Murphy 2025). So again, it is likely that we will have submissions written and refereed by bots. The final step will be to replace editors by bots—no humans required in the production, evaluation, and publication of academic research.

The tsunami of text messages, emails, and social media posts of our modern digital lives have led many to use AI to summarize the content for quick perusal. The next step is to let AI respond to the messaging—much of which originates from AI bots—so, potentially, the bots will communicate without human interference. Indeed, there is already a social network for exclusive use by AI bots.[7] Given their greater capacity for processing information, their social lives may well be richer than that of humans.

Who is to say whether all this is good or bad? Are the bots going to learn that humans are dispensable? Will humans lose the capacity to communicate? Or will the release from the drudgery of digital life allow humans to pursue a higher calling?

Environmental Impacts and Utility Bills

AI requires more data centers, which have a large environmental footprint. The centers need energy, chips, and water for cooling. Production of energy and chips also requires massive quantities of water. The direct needs of data centers "will grow to 150 billion to 275 billion liters by 2028 from about 60 billion liters in 2022 — potentially a nearly fivefold increase in six years" (Satariano, Mozur, and Weise 2026). Right now, data centers do not account for a large percent of national water use, but production of energy does:

> Data centers accounted for about 0.04 percent of U.S. water use in 2024, compared with about 41 percent for energy generation, for example in power plants that burn off water in cooling towers, and 37 percent for agriculture, according to an analysis of government data by Landon Marston, a Virginia Tech associate professor studying the topic.

Furthermore, water is locally supplied (electricity *pricing* is also relatively localized) and many data centers are being built in communities that are already facing water shortages—from Phoenix in the USA to Jakarta, Indonesia:

> Microsoft's growth has created competition for resources in areas where availability is tight. Last year, 46 percent of its total water withdrawals came from water-stressed areas, the company said. (Satariano, Mozur, and Weise 2026)

[7] The social network chats just for AI! https://www.nytimes.com/2026/02/02/technology/moltbook-ai-social-media.html?

Adding in the water used to produce the energy required by its data centers would perhaps triple the total cited by Microsoft, according to Fengqi You, a systems engineering professor at Cornell. Local electricity and water bills are rising as households and firms foot at least part of the bill for AI's growing demands:

> A Yale Climate Connections analysis of electricity prices has found that data centers and other commercial electricity users are consuming more kilowatts than ever, but the price they pay for that electricity has risen only a little. And industrial users of electricity are actually paying lower prices, on average, than they were two years ago. But between 2020 and 2024, residential electricity prices in the U.S. increased by 25%. In other words, people using their toasters, laptops, and electric heating and cooking at home are paying ever-increasing prices, while the data centers that are driving rapid growth in electricity demand are scoring handsome discounts. (Kirk 2026)

AI and Abundance for All?

What about the claims that, for all its faults, AI is going to lead to explosive growth of output and abundance for all? The posited scenarios seem to be extraordinarily inconsistent with the way a capitalist economy operates. Let us examine the disconnect in some detail.

Capitalism is—as explained by Marx, Veblen, and Keynes—a monetary production economy in which the goal is to end up with more money than you started with. The decision makers are the capitalists—those who have access to money capital. Producing goods and services is subsidiary to the goal of making profits; in other words, production is undertaken not to satisfy economic needs (that is, provision of shelter, food, clothing, and so on) but to generate profits that flow to the capitalists. To be sure, part of what Minsky called the gross capital income goes to rentiers (in the form of rent and interest), to government (in the form of taxes), and to support "business style expenses" (advertising, rewards to a managerial class and corporate boards, Wall Street operations, and the usual kickbacks and bribes required to run a business) appropriate to local conditions. Net profits go to the capitalists—who are the "sovereign" decision-makers (in contrast to Neoclassical theory's "consumer sovereignty"). Labor is hired only if expected profits are sufficient to induce capitalists to employ workers.

Why does this matter? AI enthusiasts foresee a future in which either all of us become capitalists, or in which capitalists agree that all of the workers displaced by AI (potentially the majority of the population?) should obtain a share of output without contributing to production (this is

Silicon Valley's "basic income guarantee"—everyone gets enough income to live at the national standard of life).

Let us address the first scenario: all people become capitalists. As the Kalecki equation shows, it is the wage bill in the investment sector that generates profits in the consumption sector—since (with simplifying assumptions) the cost of producing consumer goods is equal to the wage bill in the consumption sector, so if workers in the investment sector spend all their wages on consumption, capitalists in the consumption sector receive revenue equal to the total wage bill paid in both sectors. Profits thus equal wages paid in the investment sector. With these simplifying assumptions, *investment creates and is equal to profits*.

Joan Robinson already asked the question: what happens if robots not only make all the consumer goods, but also produce the robots (i.e. investment goods)? Well, there is no wage bill and no sales of consumer goods to workers because no one works for wages. The robots that make the robots cannot produce any profits because they are not paid wages, either.

In the expanded Kalecki equation that includes capitalist consumption, we know that adds to profits. Hence, the only profits generated will be from capitalist consumption—and their profits are equal to their own consumption spending. If any capitalists decide not to consume (i.e., to save profits) then profits fall by that amount.

This is a strange form of *capitalism*, in which capitalists can live only to *consume*—not to accumulate wealth in money form. Profits are maximized by maximizing capitalist consumption.

If capitalist consumption is the only source of profit, if profit is the only source of income, and if all profit is consumed, we will have an economy that cannot grow in monetary terms. Again, that is not consistent with capitalism—which must end up with more money than it started with. To grow, capitalists would have to spend more in each period than they received in profit in the previous period—by going into debt. Profits would grow at a pace equivalent to the growth of capitalist debt (issued to finance consumption). (This raises the perennial question of interest payments and profits for banks—which we will skip.)

Again, that is a strange form of *capitalism* in which capitalist debt due to consumption grows forever—the opposite of accumulation of wealth in money form.

Turning to the second scenario we find essentially the same result. Either all the people who were formerly workers just starve to death, or we adopt a strategy that will allocate a portion of output to them. In such an economy, money plays no real role—this is what Keynes called a real wage economy: the robots produce everything, and then the output is divided among the humans according to some rule (in the case fantasized by Silicon Valley, the rule is the basic income guarantee). It is closer to tribal society (shares of output dictated by customary rules) than to capitalism. The monetary system could be replaced by a direct division of the output following a system of rules.

Note that, in the Kalecki equation, government spending in excess of taxes is also a source of profit income (as is a net export surplus). If government does not impose taxes, then its spending creates an equivalent amount of profit. It could finance the basic income guarantee and thereby finance the profits. (While one nation could receive profits by exporting the output of its robots, presumably AI will spread around the world so that such a "beggar thy neighbor" strategy would not work for long.)

In either scenario, if—as Nordhaus says—output becomes infinite, everyone can have an infinite amount of output. There really is no reason to own capital (the robots), or to produce profits, or to use money. All we will need is warehouses from which consumers order robots to deliver whatever the consumers want.[8]

In either case, the enthusiasts foresee the final destruction of capitalism as we understand it, at the hands of AI. Maybe AI is a communist plot by Silicon Valley (disguised as libertarianism) to overthrow capitalism?

[8] Ironically, this is pretty much what Keynes foresaw in his *Economic Possibilities for our Grandchildren*, and also what Marxists foresee for Communism.

More restrained projections (such as Daron Acemoglu) see relatively minor increases to GDP growth—in the range of 1 to 2 percent annually (Warner and Kessler 2025). The best possible outcome for preservation of capitalism would be somewhat higher growth (in that range), with employment rising slightly faster than population growth (to increase labor force participation rates—which have fallen for prime age men and young people in the US), and with the benefits of growth more widely shared. In other words, we need wages to grow faster for the bottom half of the labor force, and to grow faster than nonwage growth (profits, interest, and rent), and for wealth to grow much faster for the bottom 90 percent of the population with no or negative growth of wealth at the top.

It is not likely that an unconstrained spread of the use of AI will achieve any of those goals.

FRAUD

In this section, we examine AI and fraud, focusing on two related kinds of fraud: fraud in the financing of AI investments, and fraud in the hype used to pump up stock values. Note, we are not examining the use of AI to commit fraud, but rather activities by the AI sector itself. I want to be clear that I am not implying the behavior is necessarily illegal—that is a matter for the courts to determine. I am focusing on the type of activities used in the late 1990s and early 2000s to bubble up Dot.coms and the housing sector. While some of that was successfully prosecuted as fraud—with penalties applied—the vast majority of it was not. That is particularly true of the biggest financial institutions, whose fraudulent behavior was largely overlooked. It is also interesting that their top management was almost never charged with fraud even in cases that led to huge fines (usually acknowledged with the caveat that the firms admitted no wrong-doing). Given that the main beneficiaries of this AI bubble are also huge institutions, the results of its bursting will probably be similar. That is, there will be few prosecutions for financial fraud.

In the late 1990s through the early 2000s, the US (as well as the EU and some other nations) experienced a triple threat—bubbles in dot.com stocks, housing, and commodities markets, all of which were fueled by financial market shenanigans that led to the biggest boom and bust in

human history. Fraud was rampant in all three sectors—most of it financial, and most of it involved what my former colleague, Bill Black, calls "control fraud" in which top management weaponizes their firm to steal. He documents that "[c]ontrol frauds cause greater financial losses than all other forms of property crime combined and kill and maim thousands."[9]

The federal government's own final report of the Financial Crisis Inquiry Commission (FCIC) makes a strong case that the global financial crisis (GFC) was foreseeable and avoidable.[10] It did not "just happen"; it was created by the biggest banks, under the noses of our "public stewards" (the regulatory agencies, Congress, and the administration). According to the FCIC Report, the GFC represented a dramatic failure of corporate governance and risk management, in large part a result of an unwarranted and unwise focus on trading (actually, gambling) and rapid growth. We could go farther and note that, in all this, the biggest banks were aided and abetted by government *regulators* and *supervisors* who not only failed to properly oversee these institutions, but, indeed, continually pushed for deregulation and de-supervision in favor of "self-regulation" and "self-supervision." In short, it can be attributed to catastrophic reductions of lending standards and to pervasive fraud that was ignored by regulators.

Driven by Dot.coms, NASDAQ rose to about 5000 in March of 2000, then crashed to about 1400 in October of 2002—losing about $5 trillion in value. Half of the Dot.com firms had failed by 2004. Of course, some survived and eventually thrived, including Amazon. In some cases, survivors merged and gained market share and pricing power, allowing them to dominate their sectors. For a while, there was a glut of programmers, office space, and computing equipment, as well as massive excess capacity in fiber optic cables. With the recovery and growth of the tech sector, this idle capacity set the stage for the current technology-fueled bubble. Indeed, so much fiber optic cable was laid during the Dot.com bubble that we have still the excess capacity that AI will need (although some of rural America is still unconnected).

In the AI bubble, we are now seeing the same practices that were rampant then in financing and in manipulation of stock prices in the bubbles that preceded the GFC. AI firms are, again,

[9] https://www.financialsense.com/blogs/1374/bill-blacks-blog?page=1
[10] See Wray (2012).

making use of dangerous "off balance sheet" finance to hide their exposure to risk. They are, again, securitizing risky loans to sell off to unwary investors like pension funds and university endowments. Speculators are, again, using credit default swaps and other derivatives to bet on failure.

While investment in AI is booming, an article in *The Economist* (2025b) argues that it is far *too small* if we are to believe all the hype: You might think the amounts being invested today, such as OpenAI's $500 billion "Stargate" project, are already extraordinary, but according to Epoch AI's model, the optimal investment in AI this year is 50 times more at $25 trillion.

Sam Altman says he wants to spend trillions[11]; Zuckerberg plans to spend hundreds of billions; Apple plans to spend $500 billion.[12] Where is all that money going to come from? Adopting the typical Neoclassical loanable funds approach to finance, some say the constraint is insufficient saving. Given the expectation that economic growth is on the verge of an explosion, the *Economist* frets that people think "[l]avish riches are coming, so why save?" (*The Economist* 2025b) The excess demand for savings to finance AI will drive interest rates on mortgages to 30 percent!

Not to worry. The stock market is booming, shadow banking has returned with creative finance, private credit has jumped in with both feet, and AI firms are relying on vendor finance to get their chips.

Perhaps in a sign of the times, Alphabet has just announced that it is selling 100-year bonds to finance investment in new data centers (Ackerman 2026)! The last time a tech firm did that was in 1997 during the Dot.com bubble when Motorola issued them. Motorola is still around but it is a shadow of its former self because of the iPhone, and those bonds are trading at just 80 cents on the dollar. Rather than recoiling at the audacity of betting that Alphabet will be around 100 years from now, the market was supposed to interpret that as a good sign that Google's leadership has

[11] And he adds: "I don't care if we burn $50 billion a year, we're building AGI. We are making AGI, and it is going to be expensive and totally worth it." (Storm 2025a)
[12] https://www.bloomberg.com/news/articles/2025-09-25/david-einhorn-sees-tremendous-capital-losses-from-ai-spending?

supreme confidence in its future. Keep in mind—as discussed in more detail below—the main cost of data centers is in the fast chips that might have an economic life of a few years. Those bonds could outlive the investments they finance by more than 95 years! Compare that to, say, Ford Motor Company's, Chicago Assembly Plant that produced its first Model T in 1924 and recently celebrated its 100th year of operation (Weber 2024).

Chip suppliers are taking positions in the firms that purchase their chips. For example, Nvidia accepts shares of OpenAI to finance the chips it needs to build data centers. Startups like CoreWeave need computing power to train AI models. Storm offers an example of the complex financial relationships among the firms:

> Nvidia owns about 5% of CoreWeave and sells chips to CoreWeave. CoreWeave's biggest customer is Microsoft, which is an investor in OpenAI, shares revenue with OpenAI, buys chips from Nvidia and has partnerships with AMD. AMD, a rival to Nvidia, was so eager to land OpenAI as a customer that it issued warrants for OpenAI to buy 10% of AMD at a penny a share. OpenAI is a CoreWeave customer and also a shareholder. Nvidia has invested in xAI and will supply it with processors. (Storm 2025a)

If you can make sense of that Gordian knot, you still have working neurons.

According to an article in the *New York Times* (Frisch 2025), shadow banks are resurrecting mortgage-backed securities and other financial products to create the $7 trillion required by 2030 to finance data center capacity to meet expected demand:

- Shadow banks are using a growing list of complex products including corporate debt, securitization markets, private financing, and off-balance sheet vehicles
- "To diversify their [big tech's] debt, they're repackaging much of it as asset-backed securities (A.B.S.). About $13.3 billion in A.B.S. backed by data centers has been issued across 27 transactions this year [2025], a 55 percent increase over 2024."
- Blackstone initiated a deal to provide $3.5 billion in commercial mortgage-backed securities to finance 10 ATS Data Centers.
- Morgan Stanley has taken this a step further, bringing back the "special purpose vehicles" that allowed banks to move risky assets off their balance sheets; for example, creating an

SPV for Meta: “the debt technically belongs to the S.P.V., not Meta, which makes Meta look healthier on paper.”

- “Elon Musk’s x AI is also tapping an S.P.V. to potentially hold $20 billion in debt to buy Nvidia chips and then rent them to x AI.”

Remember credit default swaps? They supposedly provided “insurance” for holders of MBSs during the housing bubble, but when the bubble burst it turned out that there was no backing behind them. In reality, they were a way to place bets on failure. They are back! To some extent they can be used as a measure of the market’s assessment of risk. CDS pay-offs often do not require outright default as they can be triggered by a credit down-grade—for example if the debtor takes on more debt or misses a payment. If the cost of CDS “insurance” rises, the market interprets that as rising risk and that can lead to falling share prices. Bloomberg recently reported on Oracle’s CDS problem:

> Oracle Corp., the once stodgy database giant that’s borrowed tens of billions and tethered its fortunes to the artificial intelligence boom, is quickly emerging as the credit market’s barometer for AI risk. Traders have piled into the company’s credit-default swaps in recent months as Oracle’s massive AI-related spending spree, its central role in a web of interrelated deals, and its weaker credit grades compared with players such as Microsoft Corp. or Alphabet Inc. have made the contracts the market’s preferred way to hedge — and bet against — the AI boom. The price to protect against the company defaulting on its debt for five years tripled in recent months to as high as 1.11 percentage point a year on Wednesday, or around $111,000 for every $10 million of principal protected, according to ICE Data Services. As AI skeptics rushed in, trading volume on the company’s CDS ballooned to about $5 billion over the seven weeks ended Nov. 14, according to Barclays Plc credit strategist Jigar Patel. That’s up from a little more than $200 million in the same period last year. (Mutua 2025)

In early February 2026, Oracle issued $25 billion *more* debt to finance AI investments, raising concerns about its debt load. Its stock price was already down by nearly 50 percent since last September due to worries about its prospects.

AI firms are raising huge amounts of cash with no clear source of revenue to service debt—just like the Dot.coms in the late 1990s. The activities are similar, but the amounts are (literally) hundreds of billions of dollars bigger so the risks are much greater than those of the Dot.coms. Admittedly, some of the biggest players in AI are huge firms that already generate a lot of revenue—Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla are not the equivalent

of Pets.com startups as they have clear revenue sources. The question for them is whether the new revenue will cover the massive costs of investment.

The Dot.com investments were something like the railroad investments of the nineteenth century: those investments laid the rails. Cut-throat competition soon eliminated most of the railway companies. But the railways and the locomotives survived the bust—just as the internet infrastructure remained after the GFC.

It is not clear that AI investments will survive the coming crash. The biggest costs of the data centers are the chips. Nobody believes that AI is going to bring in massive revenues within the next few years. The problem is that the GPUs (graphical processing units)—the main asset in the data centers, and the collateral that stands behind the debt incurred to put in place the infrastructure—likely have a very short life span as faster chips displace them.

Furthermore, most of the datacenters are rented, many to startups that are going to fail. (Turnover of tenants already threatens creditworthiness of developers.) As Yves Smith and Wolf Richter warn

> private credit has jumped into the mania to provide further leverage, lending large amounts to data-center startup "neocloud" companies that plan to build data centers and rent out the computing power; those loans are backed with collateral, namely the AI GPUs. No one knows what a three-year-old used GPU, superseded by new GPUs, will be worth three years from now, when the lenders might want to collect on their defaulted loan, but that's the collateral. (Smith 2025b)

Again, bursting the AI bubble will crash the value of the debts incurred. While the buildings and the pads on which they sit will survive, their value is very small compared to the investment in soon-to-become obsolete processing power.

It will not take a crash for problems to appear—just a revision of expectations and a slow-down of investment will cause problems in the financial sector as well as in the economy as a whole because growth of both has relied to a surprising extent on AI: 80 percent of stock market growth in 2025 was due to AI (and global spending on AI was about $1.5 trillion in 2025) (Smith 2025b). Much of the investment in AI infrastructure is financed by stock offers (either circular

financing discussed above, or raising funds through new issues). The Magnificant 7 have a combined weighting in the S&P500 of about 37 percent. Outside the tech sector, GDP growth in the first half of 2025 was 0.1 percent. Where big tech goes, there go the market and the economy.

At the same time, there are other important—and many relatively unimportant—AI-related start-ups that have yet to produce any revenue. In the Dot.com boom, 80 percent of venture investments went to Dot.coms; through December 2025, 64 percent of venture investments went to AI startups (Streitfeld 2025). Those are similar to most of the Dot.coms, and no one should be surprised if half or more of them fail. Alongside the AI-related firms, there are also the purveyors of crypto "assets"—many of which have already failed after very short lives.

What is most concerning is that financial rules have been loosened to allow pension funds and even banks to get involved in the world of crypto. Wide exposure to AI startups and crypto firms that might have little prospect of survival can increase the probability of contagion effects that rattle not only the shadow banks, but also the commercial and investment banks.

To be clear, all this highlights risks but does not prove outright fraud. Often fraud is exposed in the crash, when the books are opened. It is interesting that there is already talk among AI promoters about the need for a government backstop in the event of a crash. For example, OpenAI's Chief Financial Officer has floated the idea of a government loan guarantee (Cooper 2025). As the Levy Institute has shown, in addition to the Treasury's $800 billion spent to rescue the banks, the Federal Reserve lent and spent $29 trillion to deal with the Global Financial Crisis. We know without any question that massive fraud played a big role in creating *that* crisis—the biggest players admitted it and paid large fines after the fact (although their top management escaped prosecution). What will it take this time to bail out those that are "too big to fail?"

What looks most suspicious is the hype—similar to that during the Dot.com and housing bubbles—which appears to be used to ramp up stock prices, with gains used to buy-back stocks and reward share holders and top management. The AI bubble is 17 times bigger than the Dot.com bubble and four times the housing bubble. Bizarrely, when one of the AI firms

announces a new, higher, target for borrowing and investing in AI, the stock price has *risen* on the news.

OpenAI predicts that its annual losses will grow from $9 billion to $47 billion by 2028 (McMahon 2025). And the problem is not just the investments in infrastructure. As *The American Prospect*'s Bryan Mcmahon reports;

> If you exclude its massive capital commitments, OpenAI's operating expenses are projected to be $26 billion in 2026. Internal revenue will cover 47 percent of the cost, while vendor financing and external capital will cover 27 percent and 25 percent, respectively. However, once you include its capital commitments totaling $114 billion, the balance sheet becomes dangerously unbalanced. Internal revenue and vendor financing account for only 17 percent of operating costs, while external funding swells to 75 percent. And the cash crunch is set to get worse, as OpenAI predicts it losses to grow from $9 billion this year to $47 billion by 2028. OpenAI simply doesn't have the money to meet its commitments.

This is, of course, one of the most important innovators in the sector. Even if AI lives up to the wildest dreams of its promoters, financial problems lie ahead.

In the early days of February 2026, doubts about the prospects for the AI and crypto sectors led to falling stock and crypto prices. Announcements by AI firms that they were increasing investments started to raise concerns rather than raising stock market value. As reported by the *New York Times* (Sorkin et al. 2025) on February 5:

> Shares in Alphabet, the tech giant's parent, fell as much as 7 percent in after-hours trading yesterday, despite it beating expectations for its bottom line. The reason: Google announced plans to keep investing heavily in A.I. infrastructure, even taking on significant debt to do so, raising questions about whether the effort will pay off.

Notably, this happened in spite of a very good report that fourth quarter net revenues had increased by 30 percent, to $34.5 billion. Microsoft and Meta shares also fell in value on news that they would increase investments in AI. Bitcoin values also fell sharply. As we found out in the Dot.com bust, when a crash begins, prices of seemingly unrelated assets become correlated. While crypto has always been sold as a safe haven, it turns out that crypto markets move with the others.

Has the value of hype finally diminished? In a crash, only good old US dollars and Treasury debt will prove to be safe.

CONCLUSION

Is AI going to bring about Nordhaus's "singularity—a point when output becomes infinite" because explosive growth generates huge profits that are "ploughed back into hardware and software" so that the entire economy becomes "information produced by information capital, which is produced by information, which in turn is producing information ever faster every year"?

It is hard to see the human in that scenario—where the entire economy is just information. While it is probably true that *information* is the most valuable commodity in the world today, the information that AI is scraping from all digital records is designed to capture eyeballs—not to produce economic output humans need for provisioning life. AI wants to know everything about everyone and everything so that it can direct *your* eyeballs to something so addictive that *you* will keep them focused on whatever AI wants *you* to focus on (perhaps on some scam that will empty your bank account). There is competition for your eyeballs, but as social media has already demonstrated, the economies of scale are huge—meaning that after the inevitable shake-out, we will be left with a small handful of mega giants serving a larger (but still relatively small) number of purchasers of AI services that want those eyeballs.

The ultimate consumers (that is, the actual purchasers) of AI could be advertisers. And scammers. They could be political parties. They might be MAGA revolutionaries. Or Antifa anarchists. Or the domestic police state. Or foreign nations plotting a takeover.

Or, as many worry, it might just be *AI*—itself—that plans to rid the planet of humans. Maybe it is already too late to order Hal *to open those bomb bay doors*.

Between the ultimate purchasers of—and the suppliers of—AI are positioned the rest of us, perhaps most of whom are involuntary users but still targets. We have already been dumbed-down by Google, YouTube, TikTok, Facebook, X, Reddit and other addictive social media. Resistance could be both futile *and* impossible.

Before the internet, we had to learn to pilot our automobiles from point A to point B. Driving is said to be the most complicated task that most humans (in developed countries) undertake. A half-century ago, this required managing to use turn signals, while coordinating two feet as well as two hands, *and* shifting gears *and* steering around obstacles. Before beginning to pilot the car, we had to read a map and memorize the major streets and turns before setting off—at least on our first journey, after which we would soon have wired into our brains an overview of a map of the city in which we lived so that an address might be enough information to successfully navigate the trip. (The *joke* is that men navigate by compass while women make turns at landmarks—presumably related to shopping.) Today, our cars largely drive themselves—no shifting and little braking required with the driver surrounded by warning lights and a digitized driving assistant calling out turns, admonishing us if we exceed the speed limit, warning as we approach a red-light camera, and offering criticism as well as suggestions should we make a wrong turn. Even after driving the exact same five-mile trip a hundred times to deliver our daughter to her piano lesson, we have no idea how we would get there without Google plus driver assist. There can be little doubt that all this "help" has reduced the number of neural networks in our brains.

With AI taking over our computers and phones, we rarely need to fret over what to write or say. Colleagues tell me that they use AI to prepare exam questions, summarize lecture notes, write memos and reference letters, respond to email, send birthday greetings, and plan vacations. Job applicants use AI to efficiently and effectively write their CVs and employers use AI to efficiently and instantaneously reject the applications. Siri can communicate with your spouse on your behalf, probably better than you can, while providing the emotional support you need without the accompanying judgement that might come from your human partner.

A half-century ago we called TV the one-eyed babysitter—but that worked only with compliant (perhaps somnolent) children. Today we have AI eyeballs installed all over the house and TikTok

to engross the kids in ten second bursts that they cannot stop watching. Our smart fridge knows what food we have and soon will be restocking without human intervention. Our water filter beeps when it needs to be changed. The “smart” thermostat knows better than we do what the room temperature ought to be.

Wall-E (2008) depicts a future populated by "a flabby mass of peabrained idiots who are literally too fat to walk,"[13] but perhaps a more likely world in our AI-infused future will be populated by humans incapable of driving, reading a map, composing love letters, writing exam essays, or engaging in conversations without assist by Siri. Freed of the drudgery of work, they will spend their time exercising in see-through Lululemons (Meier and Katgara 2026) and working in a job just called “beach.”[14] Even if AI can be constrained to the first law of robotics (*a robot may not injure a human being or, through inaction, allow a human being to come to harm*), the severely limited neural capacity of humans will make it impossible for them to do much thinking.

The hype surrounding AI suggests that will not be a problem because Generative AI will be able to replace human thinking and creative activity. Science will not only continue to advance, but at a much faster pace once human mistakes and interference are eliminated by turning it all over to a greater intelligence.
Some experts doubt this as there is no substitute for human experience, feelings, and emotions. AI may be able to mimic intelligence but cannot replicate it. As Storm (2025b) argues, Generative AI is at best a pipe dream—the large language models will not produce robots that can think “but instead are built to autocomplete, based on sophisticated pattern-matching.” By contrast, more focused AI can work with humans in many areas with good results: “domain-specific AI tools that are already being used to great effect in many scientific disciplines, such as protein science, code generation, and pharmaceutical research.”

Reducing the hype, severely downsizing the investment in AI, constraining the “wildcat” financing, legislating use of AI and outright banning of its access to our children, forcing it to

[13] Kyle Smith (June 26, 2008). "Disney's "Wall-E": A $170 Million Art Film". kylesmithonline.com. Archived from the original on May 11, 2011. Retrieved July 1, 2008.
[14] https://www.youtube.com/watch?v=0iB-Qn86Zgk

pay its own way (for energy and water use, for example), eliminating tax subsidies (local, state, and federal), and holding its top management legally accountable would reduce the dangers, and regulating crypto for what it is: a scam that should have no access to our financial system or retirement funds. Most importantly, the use of AI should be targeted to those "domain specific" areas where it advances the public purpose. Suppliers of tech services (phones, internet, search, and all the consumer gadgets in the home that are linked-in) must be forced to require "opt-in" before AI can be foisted on humans.

Just as humans have used machines in the past to improve and speed-up the production process, they will use AI to do so in the future. This, however, will be successful only if we can a) reverse the severe, negative impacts on individual humans and their societies that have already been inflicted by unconstrained access of the internet and, now, AI to young brains; b) ensure our economy can survive the coming financial crash of the over-hyped AI bubble; and c) find a way to equitably share the abundance that is supposed to come.

In the movie, the robot WALL-E finds and falls in love with a female robot, EVE. Working together, the humans and robots restore planet Earth and presumably live happily ever after.

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