



Ride the AI Tiger at Your Own Risk

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AI is giving rise to both high [hopes](#) (Maslej et al. 2025) and curdling fears. Those who believe that mankind is on the threshold of a [new dawn](#) (Korinek 2024), promising betterment for the majority, are eagerly awaiting the advent of artificial general intelligence (AGI) far exceeding human cognitive capabilities. The opposing view, shared by most of the [public](#) (Kennedy et al. 2025) and the majority of [workers](#) (Acemoglu et al. 2026) in the United States and worldwide, is less [optimistic](#) (Poushter et al. 2025b). Fear of job losses, the manipulation of preferences by bots, the socially corrosive spread of false information, AI-empowered [cyberattacks](#) (CrowdStrike 2026), the democratization of technology to create [bioweapons](#) (Charles 2025), pervasive [surveillance](#) (West 2025) that imperils privacy, the gradual erosion of human agency, and the retreat of [critical thinking](#) (Duke 2026) and innovativeness, are causing [disquiet](#) (Mineo 2025).

Arguably, the most pressing concern is a jobless future. This is evinced by [new entrants](#) (Brynjolfsson 2025) to the workforce in advanced economies and emerging market and developing economies alike, by those holding jobs that could be automated away by AI enhanced machines and by the many whose livelihood is threatened by [agentic AI](#) (Stackpole 2026). The wholesale displacement of jobs could wreak macroeconomic havoc. This scenario deserves more [attention](#) (Kamath 2026) than it has hitherto received from national and corporate decisionmakers.

AI cheerleaders claim that the worry is misplaced. They recall [similar concerns](#) (Mokyr 1997) voiced in the [past](#) (Juma 2016) when spinning and weaving machines were introduced; when the use of electricity and the spread of factory automation gathered momentum; and, more recently, following the diffusion of computerization, the internet, and digital technologies. The expectation in these quarters is that [AI](#) (Fruits and Stout 2026) will supercharge [productivity](#) (Wynne and Derr 2025) and [growth](#) (Mayer et al. 2025). Once it does, new [occupations](#) (Autor 2024) and [tasks](#) (Autor et al. 2024) will [emerge](#) (Autor et al. 2026) as they did in the past and those displaced by the latest technological upheaval will be [absorbed](#) (Goldman Sachs 2025) with modest frictional pain. The message from corporations—some laying off thousands of employees—is that AI is not going to cause much redundancy. Workers will be retrained to do cognitively more demanding and creative tasks beyond the reach of AI algorithms. In fact, work intensification, task broadening, and [multi-tasking](#) (Ranganathan and Ye 2026) could increase.

The optimists and the corporate chiefs in the arms race to develop more advanced large language models (LLMs) deserve the benefit of doubt. AI could build the road to Shangri-La for all to enjoy. But the downsides of a pell-mell pursuit of AGI are sobering.

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[Past technological change](#) (Crafts 2021) happened at a canter spread over two to three decades. AI is a GPT moving at a gallop much faster than electricity or computerization or the smartphone. Worldwide, over [1.2 billion people](#) (Cvetko 2025) took advantage of AI tools in less than three years. The pace exceeds the adjustment capacity of society and the [labor market](#) (Manning et al. 2026). The purportedly flexible U.S. labor market struggled to absorb the [China shock](#) (Cvetko 2025) to the manufacturing sector, which affected a tenth of the national workforce. Limited geographical and intersectoral [mobility](#) (Dorn and Levell 2024) was part of the problem, as was the skill mix and wages stickiness. Another aspect of the shock was the inability of existing institutions to retrain laid-off workers, especially middle-aged former employees who lacked a college education. The [outcome](#) (SCCEI 2022) was highly unsatisfactory. [Long-term unemployment](#) (Dizikes 2021) claimed some workers while others exited the labor pool. The majority eventually were absorbed in [service jobs](#) (Bloom 2025) that paid less and caused enduring financial and [social hardship](#) (Autor, Dorn, and Hanson 2025).

Opinions differ on the severity of the shock AGI might inflict on the economy. [Several](#) (Brown 2023) individuals and companies [directly involved](#) (Bengio 2024) with the development and propagation of AI are convinced that major disruption is in the offing during the balance of this decade. A shrinking minority believe that the inability to quickly dispense with humans—the less productive [weak links](#) (Jones 2026) in the production system—will buy time and permit a degree of adjustment.

Let us assume that AI remains on its current steep trajectory with models improving every [few months](#) (Chintha 2025)—a variant of Moore’s Law on steroids. [Dario](#)

[Amodei](#), the CEO of Anthropic, believes that AGI could arrive within 2–5 years (Sircar 2026). His view is echoed by Sam Altman of OpenAI and scientists at Google Deep Mind and [Meta](#) (Leonards 2025). The scenario has profound implications that are not adequately addressed. The potential of algorithms and agents—such as [Open Claw](#) (Howley 2026)—to effectively undertake activities currently the preserve of humans, is becoming increasingly apparent. AI is carving out a role in virtually every subsector of the economy, acquiring a foothold or more in all scientific fields, and becoming a driving force in software, robotics, the media, communications, transport, and the military domain. And the role is poised to expand as AI models acquire the capacity to learn, reason, reflect, remember, innovate, troubleshoot, and effortlessly manage a set of complex tasks. For example, [vibe coding](#) (Mollick 2025) empowers an AI agent once prompted to complete in minutes what might take a financial analyst hours or an entire day. In effect, agentic AI, supported by an army of robots and autonomous entities backed up by acres of data centers, could massively multiply the effective workforce while deskilling, [de-professionalizing](#) (World Bank 2025), and rendering redundant a large chunk of the labor in services and manufacturing.

In the near term, productivity would [increase](#) (Melek and Miller 2026), possibly at [double digit rates](#) (Morgan Stanley 2026). But this would mask problems to come. The share of labor income in GDP would continue [sliding](#) (Rogelberg 2026) as it has in [recent decades](#) (Karabarounis 2024). Replacing workers with automated systems would not occur overnight, but the disembodied nature of the technology facilitates rapid adoption. Meanwhile, the [concentration of income and wealth](#) (Karabarounis 2024) already

[occurring](#) (Ensign 2026) would [gather speed](#) (Cunningham 2026). Three or five years hence, once a tipping point is reached, mass layoffs could pull the rug from under a third of the workforce. A small number of oligarchs would be exceedingly wealthy; the majority would face a dire situation barely supported by a fraying safety net.

The China shock impinged directly upon a relatively small segment of the U.S. economy. However, the shock from AI would be several orders of magnitude greater and would spread across the entire economy. Moreover, given the speed at which the AI agents can learn new tricks, they could easily out compete humans in the occupations that might emerge.

Over 79 percent of the U.S. workforce is in the [services sector](#) (U.S. Bureau of Labor Statistics n.d.). This adds up to 134 million workers in 2024, of whom 80 million are likely to be in the crosshairs of AGI. Some degree of vulnerability would also affect the 23 million workers employed by federal, state, and local governments; the 22.5 million in healthcare and social assistance; and the 10 million self-employed workers. The [vulnerable](#) (Massenkoff and McCrory 2026) are in manufacturing and in services ranging from retail, hospitality, and transportation to finance, insurance, real estate, and professional and administrative positions. If a quarter of these workers (approximately 20 million) were laid off over the next three years, with more white-collar jobs potentially on the chopping block, household consumption would drop sharply.

Consumption drives advanced and developing economies. When consumption flags the economy slows. The loss of 20 million jobs and subsequent drop in aggregate demand would ripple through the U.S. economy and stall activity in other

subsectors. The cumulative, negative multiplier effect could further erode demand and trigger a [vicious spiral](#) (Citrini and Shah 2026). Absent massive spending by the public sector, which is unlikely to replace the jobs that are lost, a severe depression is not unimaginable. It could be prolonged and bottomless with no winners—not the tech companies responsible for the creation of AGI, and not the oligarchs. With incomes and consumption cratering, the sources of corporate revenue would wither.

The potential gains from AGI and the several worrisome downsides all pale in comparison to the macroeconomic shock that the evolution of AI and the rapidity of its uptake could inflict. The speed at which AI is converging towards AGI, and the increasing probability that AGI when harnessed by profit maximizing firms in a [highly competitive business](#) (Furman 2026) will displace labor, should be causing alarm. Neither the United States nor any other country is putting adequate [guard-rails](#) (Kang 2025) on AI or preparing for the shock to come if AGI lives up to its billing. The [fiscal capacity](#) (Dabla-Norris, Gaspar, and Poplawski-Ribeiro 2025) is lacking, and it is unlikely that a surge in [investment](#) (Flight 2026) could offset the implosion of demand. In addition, the institutional scaffolding to initiate recovery from a shock has been weakened due to increasing debt, demographics, and fiscal lethargy. Rich countries are mounting the AI tiger and urging others to join. The [voices urging caution](#) (DeLollis 2024) are being drowned out by technological hubris, the reluctance to pursue somewhat [vaguely](#) (Gans 2026) articulated [pro-worker](#) AI (Acemoglu, Autor, and Johnson 2026), and misplaced faith in the benefits AGI might deliver.

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