

From the desk of Chief Economist Beth Ann Bovino

AI's promise comes with a price tag

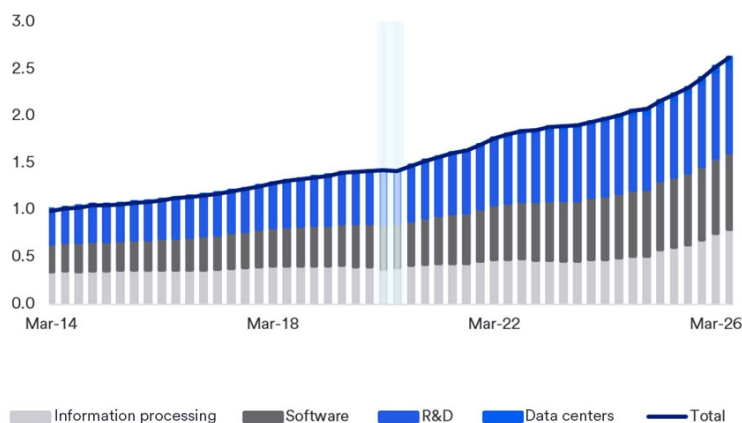
While researching our latest report, [AI bubble or the next industrial revolution](#), we were struck by the timing mismatch: the costs come upfront, while the payoff comes later. With AI, the buildout costs are significant while the size of the payoff is unclear. Businesses are buying chips, building data centers, expanding power systems, upgrading software, and training workers to 'supervise' their AI agents. That spending supports growth even as higher interest rates weigh on other sectors. Companies must buy the ingredients, build the kitchen, and train the cooks, at a cost, before the pie gets bigger.

These upfront costs happen before AI helps firms produce more with less. That lag explains the bubble talk: new technologies often attract too much money and optimism before their lasting value is clear. Some projects will prove more Betamax than breakthrough, but a few bad recipes do not make the kitchen useless.

Broad adoption could lift output per worker and offset slower labor-force growth in the US economy. Stronger productivity could eventually contain costs, encourage investment and new business. The labor-market story will probably be less "robots took my job" and more "the job got remodeled." So far, AI seems more likely to curb hiring and reorganize tasks than cause mass layoffs. Machines can handle routine analysis, while people devote more time to judgment, relationships, and context. I expect a similar partnership with the AI revolution.

U.S. AI investment approximation

Trillions of dollars, SA, through 2Q'26



Sources: U.S. Bank Economics, Bloomberg, U.S. Bureau of Economic Analysis (BEA).

The challenge is getting the mix right. Workers who complement AI should become more productive and valuable, while firms that invest wisely in this partnership can turn expensive tools into durable gains. Yet a bigger pie does not guarantee equal slices. Who benefits will depend on skills, competition, wage flexibility, and who owns the technology.

Get investment, training, and the human-machine partnership right, and AI can support better work and broader prosperity. Get them wrong, and we may still get a bigger pie – but fewer served at a very small table.

For more on this, please see our new commentary, [AI bubble or the next industrial revolution](#).



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