

# AI on the scale now envisaged will create a recession o...

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Project Syndicate [published an article](#) by Simon Johnson and Piero Novelli about a month ago in which they discussed AI.

This is a recurring theme of mine right now, because it is becoming increasingly apparent how destructive this technology is going to be, at least in the short term, and maybe way beyond that.

Among their various arguments, one stood out to me. It was this:

*How exactly will this technology be used? Conversations with senior executives of large-cap corporations across traditional sectors – companies commonly presumed to provide high demand for AI solutions – confirm that while all expect to achieve significant savings and efficiencies from AI, almost none can highlight with confidence additional sources of revenue (such as new lines of business).*

This is a staggering suggestion. What it says, in itself, is that there is nothing positive to be gained from the use of AI. No one knows that it will add value by creating new worth. All they can say is that it might cut costs.

Even then, the phraseology is careful: the actual benefit will be in "efficiencies", which means increased productivity. The IT of these companies might become more costly. Their fuel bills might soar. So might any costs relating to their use of water. But none of that will matter because they will be more efficient, which term only implies they will cut their labour costs. They will, in other words, shed people. That is the only thing that can be said with confidence about AI.

The authors admit it. They note:

*If the people who are displaced by AI can quickly find new, productive, and (ideally) high-paying jobs, then we are on our way to an acceleration of productivity growth – with beneficial effects for living standards and public finances.*

But, as they then conceded, the historical precedents for this are not strong. They might as well have said — although they did not — that the chance of this happening in the case of AI is low, because if no one has any clear idea how the \$7 trillion of investment is going to create new products or revenue, and therefore genuine growth potential, and given that the scale of investment in AI will be so large that it crowds out investment elsewhere, then the likelihood that people displaced by AI will find new jobs, let alone quickly, looks to be remarkably low.

Despite that, the authors conclude:

*[N]o country, company, or citizen anywhere will benefit from sitting on the sidelines. It might feel safer to do nothing now and wait for better versions of the technology to emerge, but that is no way to build skills for the future and create more good jobs.*

The conclusion clearly does not flow from the arguments deeply implicit in the article that those concluding have just written. Simon Johnson might be a Nobel laureate in economics, but there is no joining up the dots here. Join those dots, and what we see is:

- \* A tech stock market bubble that will, inevitably, burst.
- \* Massive planned investment, much of which will never make a return because no one knows how it will create revenue.
- \* Significant growth in unemployment, leading to a recession.
- \* Simultaneous inflation as the cost of chips is forecast to increase by 20% in 2026, with massive spillover effects for all consumers.
- \* Follow on inflation in the cost of electricity and water as AI seeks to consume all that is available, and much more besides, leading to crises in the supply of both, and price hikes that will leave the lives of many in peril, not least because of physical supply shortages.

And all this for the only identifiable goal of concentrating wealth further, whilst destroying human capital, societal capital, and environmental capital.

The question that should have been asked is, why is this risk worth taking? This did not seem to occur to the authors in question. Their answer was:

*The path of technology can be shaped, and the path of the AI revolution is being shaped now. From canals and railways through to the internet age, a hard but simple lesson stands out: If you, your company, or your country sits it out and waits for the dust to settle, you may not get what you want and need from the technology.*

What they did not say was, stop this madness now, when it has no proven worth.

When economists can stand back, think, and look at the big picture and say just that, they might add value.

When they stand in the bylines, presuming that markets are uncontrollable when that is not the case, they add nothing while watching the destruction.

AI on the scale now envisaged is heading to create a recession on a scale hard to imagine, whilst simultaneously destroying much of real value. Why is it so hard for so many to spot that when it is the only obvious conclusion to draw from the evidence now available?

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### **Taking further action**

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

**One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.**

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