

Will an AI bubble burst be the time when MMT rolls out?

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A story [in the FT this morning](#) suggests that the insurance industry is preparing for potentially multimillion-dollar claims arising from AI agents acting beyond their developers' control. The concern is that the resulting damage could expose both AI companies and their senior executives to legal liability.

According to the FT, an analysis by Aon of more than 300 AI-related legal cases suggests that claims could fall under existing insurance policies covering cyber security, crime, intellectual property and professional errors.

What the insurers are concerned about is accountability. AI companies are now selling systems that can apparently take action of their own volition. The question is, who carries the cost when those systems cause harm? Insurers are asking how much of that liability could fall on them, since describing an AI agent as having gone "rogue" does not answer who was responsible for developing, deploying, and controlling it.

There is, however, a more interesting, systemic angle to this. If it can be suggested that an AI company failed to put in place procedures to ensure its products are properly governed and controlled, personal liability can attach to the corporation's directors. The director might have insurance against that risk, but, given the scale of the risk, whether cover is adequate, and can continue to be afforded, are questions to which answers cannot be known as yet. This is the factor that insurance companies seem to be suggesting they are concerned about when it is clear that billion-dollar settlements are now being made by AI and tech companies for breaches of the law.

The significance of this cannot be ignored for several reasons.

Firstly, AI might look like a solution to problems until it becomes the problem itself, when, because of the insurance risks, it becomes undeliverable, and so unavailable, and ceases to be a solution to anything. At that point, the trillions of dollars now being directed to investment in AI might look like a serious error of judgement on the part of those who have suspended their judgement while chasing a fool's return on an unproven product.

Secondly, those with wealth are well known to share a common characteristic, which is immense fear of losing it. If those heading AI companies fear that this might happen to them, the chance that they will curtail development within their companies, and reduce the scale of the risk that they create by placing significant limits on the use of the products that they create, will be very high. Again, this suggests that the supposed AI revolution will not be happening any time soon. I am not saying it will never happen, but the rollout may be much slower than has been assumed, and it is already much smaller than the hype would suggest. For example, Anthropic, which owns Claude, has suggested it has only two major commercial clients amid speculation about its potential stock exchange listing. Once more, the bubble may burst.

Thirdly, potential clients aware of the risk that their use of AI might become the source of a rogue outbreak will become more wary about becoming dependent upon advanced versions of these products. Spellcheckers, image generators, and similar tasks might continue, but the automation of whole systems using what are called AI agents will proceed much more slowly than some have anticipated. Risk aversion is a powerful brake on innovation in any industry, especially when those at the top of companies do not understand the technology that they are employing. This too might suggest that AI rollouts are going to be very much slower than previously thought.

Add these factors together, and the commercial prospects for AI suddenly look to be decidedly muted, at least in the shorter term, as I have long anticipated. Put that feedback into the investment loop, with the potential loss of fortunes then becoming factored into market analysis, and a stock market bubble burst looks increasingly likely.

There has always been the near certainty that this will happen. The reason for it to do so now looks rather more obvious. The fallout will be spectacular and simultaneously catastrophic for the world economy. Tin hats will not be enough.

But, and this may be critical, the time when an understanding of MMT becomes essential may well arrive sooner than most people realise as a consequence. This will be the moment for its rollout. Politicians watching their neoliberal world fall apart around them for a second time in the memories of even the youngest of them will look for different answers this time. MMT may well be it.