Funding the Future

Will AI values seep away, or crash?

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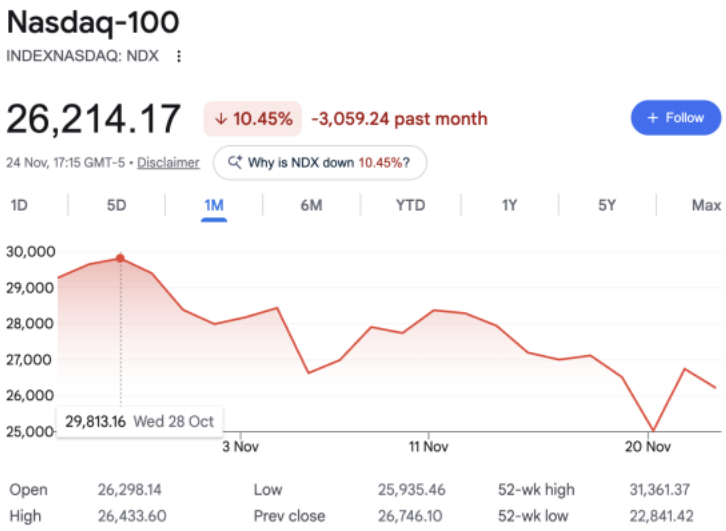
The Jensen Huang-led bounce in the NASDAQ's value did not last long. That index lost 2% of its value yesterday and is already forecast to lose another 1.4% at the open today, based on futures trading.



The slide is continuing.

Anthropic is now trading below its issue price, set just a week ago.

All those who thought that the puncture had been repaired and the bubble had not burst are seemingly wrong.

Those who think the financial projections for AI are implausible are winning the day, and value will continue to seep out of this market.

Seeping, I stress, is manageable in this case. If the pattern of the dot.com crisis is followed, and the decline in market values is as much as 50%, as it was then, but it takes a period of at least two years for that to happen, the consequences can be controlled. The discomfort for the economy will be high. The level of financial support

from government to make good the massive destruction in demand that collapsing AI investment will generate will be high and essential. But that should be seen as a perfect opportunity to redirect resources towards meeting human need, rather than speculative profit. Such a decline provides an opportunity for change. We can deal with that.

The dangers come from a collapse. If a panic develops and those who have borrowed funds to buy their shares are forced to dispose of them at any price they can realise to repay their loans, the economic consequences could be very ugly indeed.

I am not a fan of economic ugliness. It creates casualties rather than opportunities.

In that case, whilst I am not in the slightest bit convinced of the current valuations placed upon AI shares, or of the future profitability of many of the companies who are presently heavily overinvesting in it, I would much rather a gradual descent in market values than any panic situation.

I am, however, left hoping for the best and having to fear the worst, with my concern only exacerbated by the fact that I doubt the UK government, and the governments of many other countries, are prepared for the demands that are going to be made upon them to deal with the fallout from all of this. That is because, if, as I suspect, a reduction in AI investment causes major disruption in construction, tech, and other sectors, leaving many jobs vulnerable, the risk of a recession is very real. Their governments will then have to pick up the slack, which they have a fundamental obligation to do.

The trouble is, when almost every government in every so-called developed country is now neoliberal to its very core, with very few of those in charge having ever been exposed to any other way of thinking, will they know that they can take action to remedy the crises they will face? That is the core question in my forthcoming book, *How to Govern*. I just hope we can get it out as soon as possible. I think it will be needed.