

## THE MACROSCOPE

# P(doom), p(bling), and the fear of “technological unemployment”

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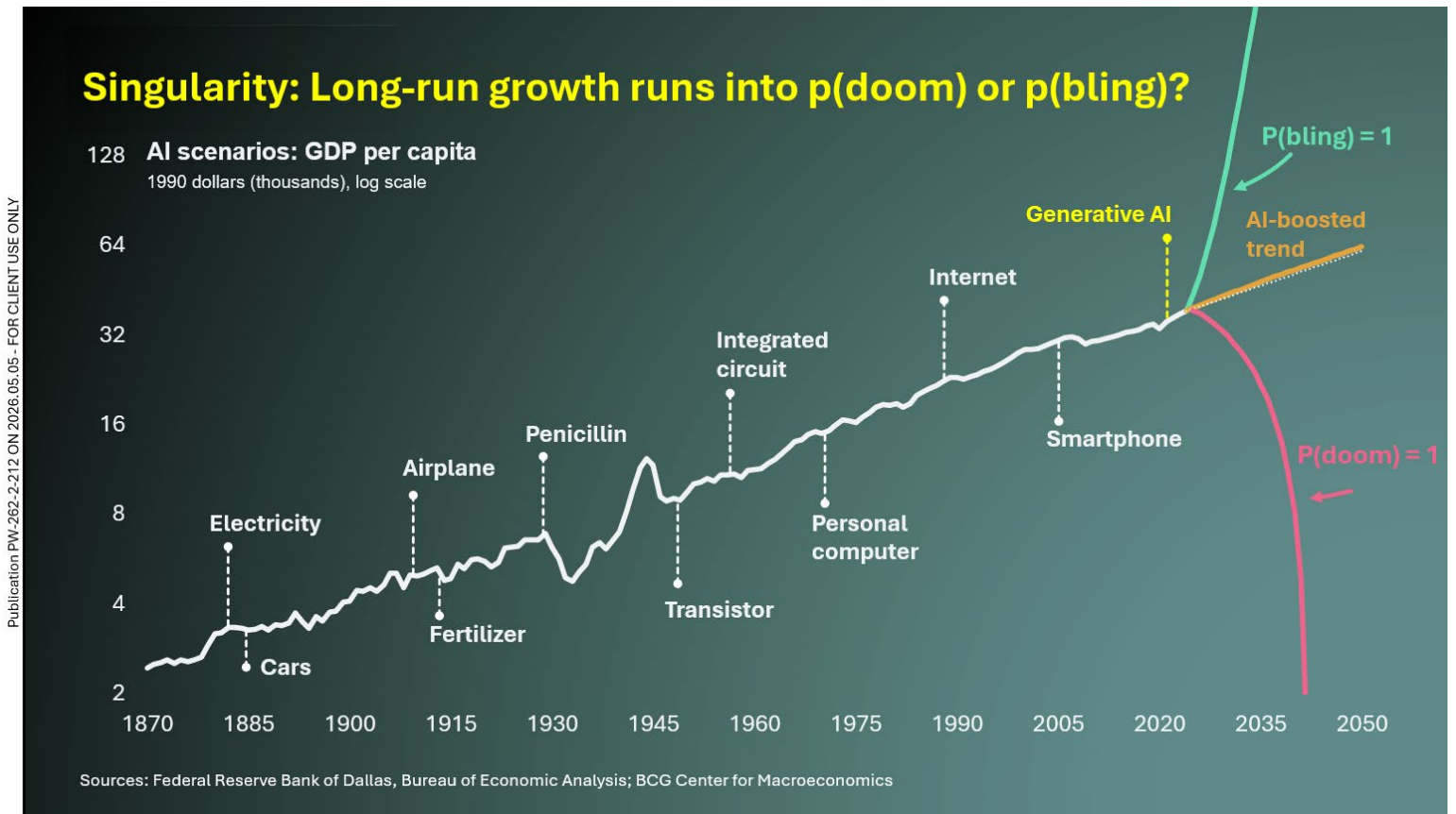
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In an age where science fiction is more science than fiction, perhaps it should not surprise that debates play out in the extreme. The notion of singularity—once a fringe idea to describe the moment AI and robots surpass human capabilities and enter a self-improving loop towards the infinite—has gone mainstream. True believers fall into two camps: There are those who are certain that singularity leads to human extinction, a dystopian notion fashionably expressed as  $p(\text{doom}) = 1$ . Conversely, there are those with the utopian predisposition that singularity will make us rich beyond our dreams. For balance, we’ll call that  $p(\text{bling}) = 1$  in this Macroscopic.

That such extremes have made inroads in public discourse can be seen, for example, when the sober people of the Dallas Federal Reserve put such views on a chart, reproduced below. Equally sober, we overlay a selection of past technological breakthroughs in that same chart. Of note, none of those breakthroughs drove a noticeable deviation from the historical growth trajectory. Yes, AI may be altogether different, and we’ll get to that. But the historical record reminds us of how hard it is to bend this curve up—and of how extreme the current debate truly is.

In practice, most leaders encounter the singularity debate in the guise of “technological unemployment”, the seemingly intuitive idea that AI will steal all the jobs and lead to mass unemployment and destitution. We’ve argued against that notion for some time (HBR 2024, WEF 2024, WEF 2023, Fortune 2022) as well as in conversation with leading dystopians and utopians.

In the midst of claims that AI is already driving unemployment, we revisit the flaws of the “technological unemployment” school, the need for a UBI, and recent evidence of labor losses—all in the context of  $p(\text{doom})$  and  $p(\text{bling})$ .



### Discounting p(doom)?

As authors of a global macro book about “rational optimism”, we’re tempted to dismiss  $p(\text{doom}) = 1$  and the idea of AI leading to human extinction. Realistically, though, we’re unable to ascertain that risk with any clarity (and are unsure of who has credibility to do so). We’re unable to argue  $p(\text{doom}) = 0$ , at least because it cannot be falsified. We cannot definitely know that AI—created to be human-like—will not do the very human-like thing and seek to dominate the next species in the pecking order of evolution.

We also note that it’s not the salesmen and showmen of the AI era but credible scientist—including Geoffrey Hinton and Demis Hassabis—who felt compelled to release a concise warning about the existential risks of AI. In short, we’re reluctant to dismiss dystopian downside risks. We think they should be taken seriously but not distort the view of the most-likely path ahead.

### P(bling) ≠ 1...

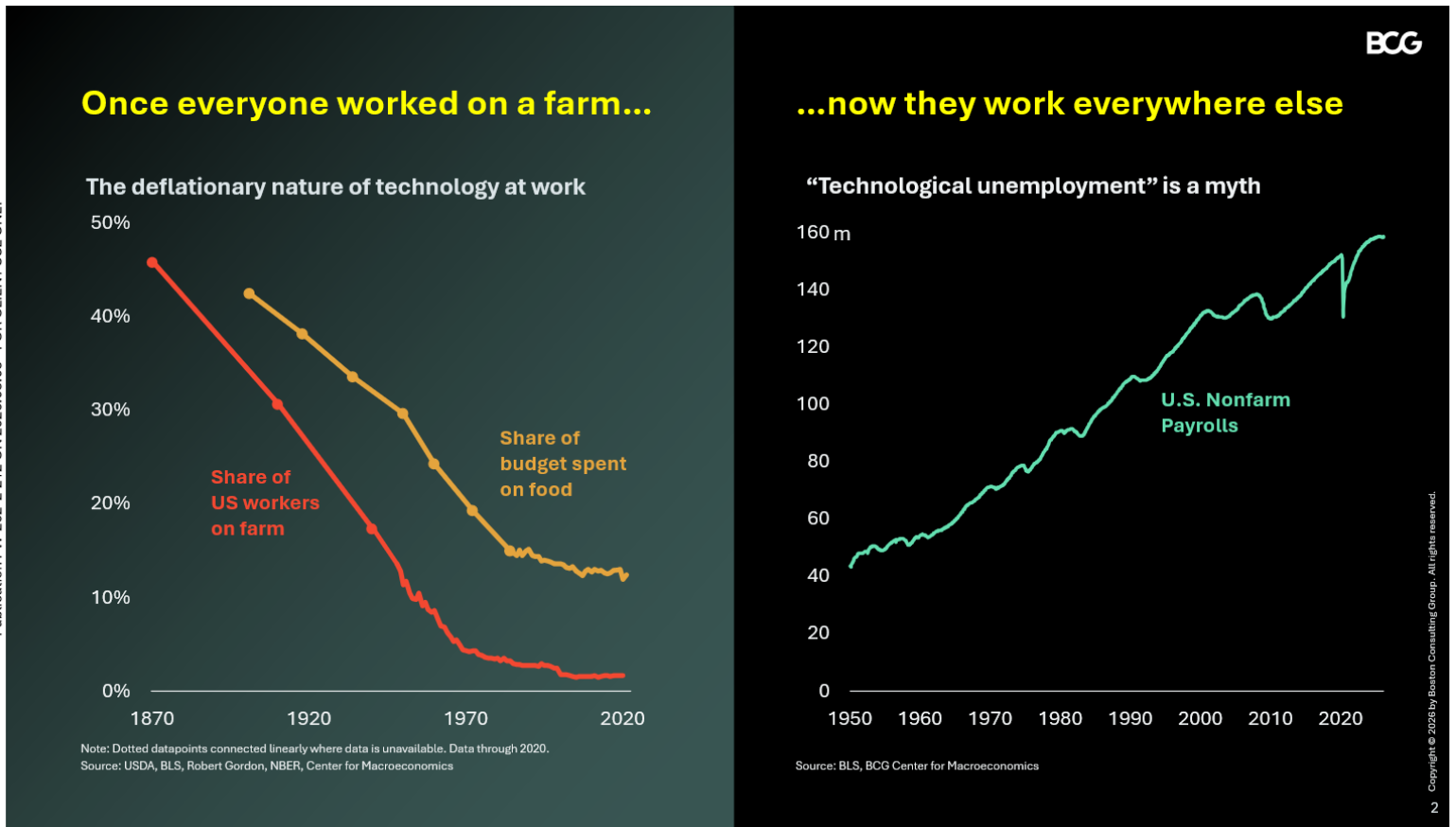
Neither do we buy into  $p(\text{bling}) = 1$ , the notion that goods and services will be offered up for free due to infinite capacity. Supposedly, AI and robotics together will end up with a permanent absolute advantage over humans: whether for existing jobs or those yet to come, it will always be better to pick the AI or robot, and there is always

another AI or robot available to do it. The value created by this would make the human race immeasurably rich.

Despite impressive progress in the digital and physical worlds, we think the hurdles to get (even near) there will remain immense. The tech has to get there. The infrastructure needs to get there. We need to learn to use the tech. Society needs to accept this in demand preferences and through the political system. In some ways each hurdle is harder, leaving plenty of obstacles on the way of full adoption. Maybe one day some form of this proves right, but we're deeply skeptical of the timeline implied by the singularity narratives.

**...but technology is genuinely deflationary**

That said, we continue to argue that the deflationary nature of technology is key to understanding the impact of AI on future labor demand. Simply put, technological breakthrough deliver productivity growth by saving labor, driving cost and price competition that often erodes margins for firms and boosts real incomes of consumers. What do they do with extra income? Spend it on new types of goods and—even more so—services, which drives new employment.



This “tech-cost-price cascade” has characterized all prior technological breakthroughs and while AI could be different, we think you ignore the underlying dynamics at your risk. Consider our chart above. Once nearly half of Americans worked on a farm and spent ~45% of their income on food. Successive technological breakthroughs (mechanization, fertilizers, green revolution, genetic modification...) drove down cost and boosted incomes: today less than 1% of Americans work in agriculture and we spend only ~12% of our incomes on food. As the right hand side of our chart shows, this real income gain translated into new job growth, adding over 100 million jobs.

### To UBI or not to UBI?

The rapid ascent of AI has also supercharged old debates about a universal basic income (UBI), the idea that governments pay all citizens a subsistence income (or more). Once rooted in ideas of equity, UBI is now touted as a necessary solution in a future of “mass technological unemployment”.

But this misses the point. A future where  $p(\text{bling}) = 1$ , “unemployment” as a yardstick of human wellbeing is obsolete. In this hypothetical world, the classic problem of economics—the allocation of scarce resources—is essentially solved. The price of a basket of basic goods and services is essentially driven to zero and nobody would need employment to pay for it. Think of your local public water fountain.

As we wrote about such superabundance in 2024 (HBR): “if we need a universal basic income (UBI) to address mass unemployment, we will be able to afford it. And if we can't afford UBI, then we don't really need it.”

### Is “technological unemployment” already happening?

These days, reports about white collar layoffs are readily taken as evidence of unfolding technological unemployment. There are good reasons to interpret these reports with caution. Our next chart highlights three red herrings we've come across:

1. **Yes**, the cooling labor market visually lines up with the release of ChatGPT. But a better explanation is the start and end of the monetary policy cycle. (Marked on chart)
2. **Yes**, employment in the “information” sector is declining. But as our decomposition shows, that is a secular trend that pre-dates ChatGPT and the labor shedding isn't in the information technology subsectors, but in things like newspapers. That said, hiring has plateaued in IT.
3. **Yes**, youth unemployment was on the rise and ChatGPT's arrival lines up so neatly with this uptrend. Yet it has fallen by as much as it rose—if we're blaming AI for the rise in unemployment, are we willing to credit AI with the fall?

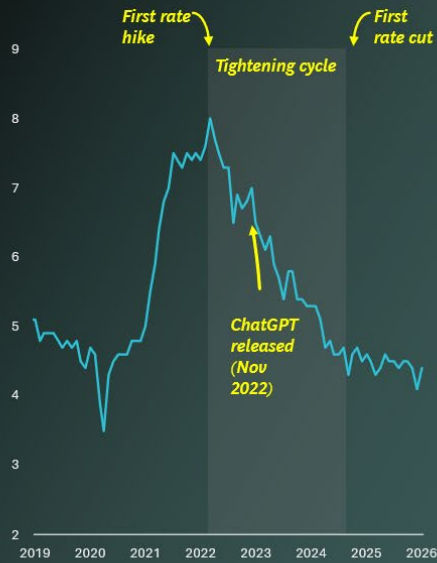
This isn't to say there is no AI impact on employment anywhere. There likely is—as is new job creation in the AI ecosystem. Headlines about white collar layoffs sounds impressive, but we remind readers that even tens of thousands of jobs don't move the dial in a labor market where over 5 million workers flow in and out of employment—monthly. If you're arguing that the AI jobpocalypse is already underway, then anecdotal evidence just isn't enough.

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### Cooling labor market about interest rates, not ChatGPT

#### US Job openings

Job openings as a % of total employed + openings

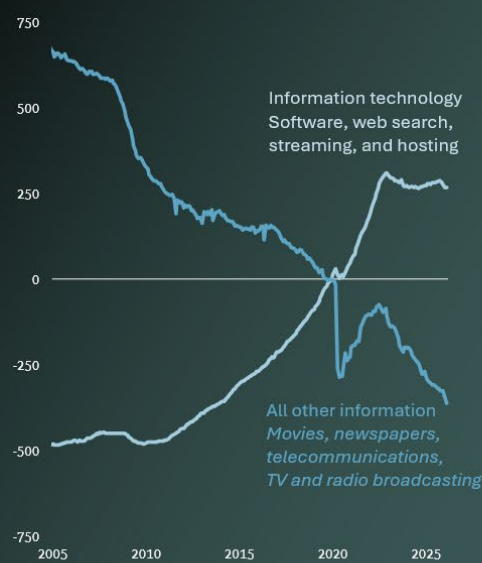


Source: Bureau of Labor Statistics, BCG Center for Macroeconomics

### Falling information employment a secular trend of old technologies

#### Information employment—decomposition

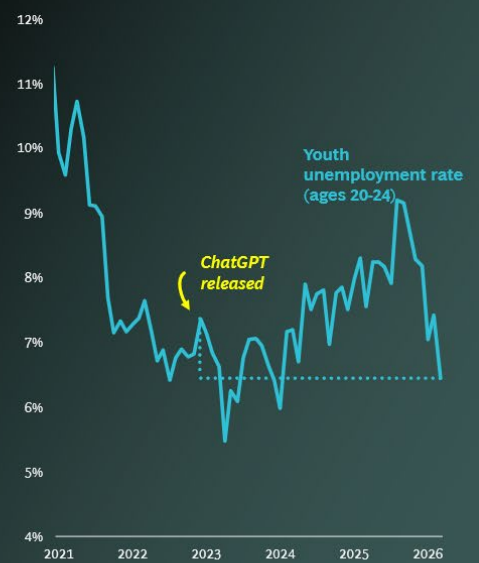
Thousands, vs. 2019



### AI seen as driving youth unemployment—but now falling rapidly

#### US youth unemployment rate

Ages 20 to 24



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