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Instant Thoughts

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Novelty as Guilty

- Citrini's accusation is not necessarily misplaced, but the fallacy of treating novelty as guilty is as old as time.
- Marx judged that capitalism is set to devour itself: any welfare gains blessed by technological inventions will inevitably be wrestled away by fiercer competition. Displaced workers will hollow out the consumer demand the entire economy depends on. It's Schumpeter who has tabled his rebuttal: creative destruction doesn't just kill jobs; it nurtures industries we can't yet conceive of.
- Citrini commits the same mistake Marx did. It underestimates the system's ability to find ways to reinvent itself.
- The K-shaped recovery we fear can keep blue-collar jobs insulated. And mounting return of capital will persuade creditors to deploy the money sitting on the sidelines.

The Horse, one of the most beloved zodiac signs, epitomizes vibrancy, emancipation, and unbridled success. In fact, the year of the Horse gets off to a fast-paced start.

The A.I. jitters were given much oxygen following the release of Citrini's alarming reports. The pressure point around A.I. is by now well narrated - if A.I. is now so good at coding that it can create its own better versions, who needs vendors anymore? In a handful of short prompts, they can tell users what new code to create. White-collar payroll will be axed, consumer spending will nosedive, private credit flows will be halted, and contagion risk may be hard to contain. The economy then hurtles towards a full-blown crisis.



Citrini's fashionable accusation is not necessarily misplaced, but the fallacy of treating novelty as guilty is as old as time.

Think about Marx. The revolutionary sociologist concluded that capitalism is set to devour itself: any welfare gains blessed by technological inventions will inevitably be wrestled away by fiercer competition. Displaced workers, Marx added, will hollow out the consumer demand the entire economy depends on. It's Schumpeter who has tabled his rebuttal: creative destruction doesn't just kill jobs, it nurtures industries we can't yet conceive of.

Citrini's piece, by large, follows the exact logic, declaring it's a one-way road without circuit breaker. It commits the same mistake Marx did. Wealth appreciation is the circuit breaker Citrini says doesn't exist. The top 10% U.S. earners drive half of all consumer spending, and their income originated mostly from wealth appreciation, not salaries. Said differently, the K-shaped recovery we fear can keep blue-collar jobs insulated. The professional jobs might get crushed, but aggregate demand doesn't.

And who will fund the A.I. capex? The dry powder. Mounting return of capital will persuade creditors to deploy the money sitting on the sidelines. It's a movie we seen many times before - capital gets destroyed and reallocated.

Make no mistake, Marx's error wasn't diagnosing the innovation running amok. It was underestimating the system's ability to find ways to reinvent itself. In the end, the story of A.I. capex being easily funded out of operating cash flow has come to an end. But this is not the end of the world as we know it.

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