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The Machines Can Wait

Enthusiasts will tell you that artificial intelligence (AI) is about to remake the economy in just a few quarters, while in the same breath, they say that it will leave much of the workforce unemployed. We think they are wrong not only about how fast it will arrive, but also how destructive it may be to the workforce and about who will reap the rewards. AI adoption will be far slower than promised, will not leave us jobless, and will sort people into those it strengthens and those it softens.

The value of private data center construction a decade ago was only about \$2 billion a year. In 2025, it was about \$41 billion. And more is underway, particularly in Northern Virginia and Texas. By the end of 2027, data center capacity is estimated to rise to 646 million square feet. Between March and August of 2026, the number of operating data centers in the U.S. jumped by 124% from 577 to 1,290, while the number of planned projects increased by 203% to 2,019 over the same period. These facilities currently require about 71 gigawatts (GW) of energy capacity (about 2x the entire average energy production of the UK for all uses), rising to 110 GW by the end of 2027.

Capital outlays by Meta, Alphabet, Microsoft, and Amazon combined have increased from a quarterly average of about \$35 billion in 2021-2023, to about \$200 billion in 2026. Real total spending on data centers is expected to grow by 23% in 2026. While demand for data center capacity will clearly exceed supply through 2030, such rapid supply increases historically result in over-supply and rarely have a happy ending.

AI and tech investment is operating at an \$800 billion annual run rate at the hyper-scalers. This is 2.5% of GDP. Many observers argue that if this pace stops, the economy will collapse. Their rationale is that the economy is only growing around 2% even with this investment, so without it the economy will swing to negative 0.5% growth. But that is complete nonsense. If this investment pace stops, it merely means that \$800 billion will flow either to other investments or to shareholders, replacing the \$800 billion that

previously flowed to AI investments. The money will not disappear. It simply will get put to different uses. In either case, it will circulate in the economy.

The hype ignores that the returns from AI adoption are simply not there yet. A 2025 MIT study found that despite some \$30 to \$40 billion poured into enterprise generative AI, roughly 95% of corporate AI pilot programs have yet to deliver a measurable impact on the bottom line. That is not the batting average of a revolution months from completion. It is the batting average of a technology still learning where it is useful. Adoption is easy, but transformation to the bottom line is hard.

A brake on effective adoption is the oldest one in commerce: people whose livelihoods depend on the "old way" will vote to stop it. When diesel replaced coal, the train fireman, whose job was shoveling coal into a steam boiler, became instantly obsolete. Yet firemen kept riding diesel locomotives for roughly a

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quarter-century afterward because of union contracts and the statehouses. The same drama runs today with autonomous trucks. Even if the technology largely works, the Teamsters will fight it statehouse by statehouse, backing bills that require a human operator behind the wheel; a modern train fireman, riding but doing nothing.

As AI's appetite for electricity has become visible, political resistance has increased. A Gallup poll found 71% of Americans oppose a data center being built near their homes. In addition to massive electricity usage, data center opponents bemoan the fact that data centers are an eyesore that often create a loud and constant humming noise 24-7. A recent quarter saw community backlash delay or block some 75 data center projects worth a cumulative \$130 billion, and there are now moratorium bills in Congress and statehouses. Data centers consumed roughly half of all the growth in U.S. electricity demand last year, and the pushback is only in the early innings. You cannot run AI without power, and access to power has enemies. NIMBYism strikes again!

When people worry about mass job losses, their minds run to the jobs they can picture (particularly to their own). But fear rests almost entirely on a permanent limitation of the human mind: we have no imagination for work that does not yet exist. While we are very good at seeing what new technology will destroy, we are largely blind to what it will create. This blindness, not any fact about AI, is what turns a story of progress into a cloud of doom.

About 125 years ago, it was obvious that tractors would eliminate the men walking behind plow horses. That part of the imagination worked fine. We can see the funeral. What no one trudging behind a plow horse in 1900 could have imagined was that his grandchildren, and theirs after them, would work for a firm like Disney, Apple, or Pfizer, building products or performing medical procedures that no mind of that era could conjure. In 1900, roughly 40% of the American workforce toiled on farms; today it is only about 1.2%. The fields emptied almost completely yet those people did not vanish into idleness. They poured into more productive work that had yet to be invented.

This is the mechanism of progress, and it is what the pessimists always miss: progress comes not only from innovative advances but also from the human capital freed to pursue more productive use. Almost every scientist and engineer behind the innovations

in AI, in chips, in modern medicine, would never have gotten there if they were still strapped to a plow horse. The advances of our age are possible only because the advances of earlier ages emptied the fields and freed minds. AI is a precondition for continued growth.

A careful study of eight decades of census data found that roughly 60% of the jobs Americans hold today are in occupations that did not exist in 1940. Among professionals, the figure is nearly 75%. Most of the work being done in this country right now is "new" work, called into being by the very wave of progress that destroyed the old jobs.

The destruction is usually less than feared. When the automated teller machine arrived, everyone buried the bank teller. Instead, for decades, the number of tellers rose, as cheaper branches multiplied and the job shifted from counting cash to advising customers. Technology reshaped the work more than it erased it. Only a later automation, the smartphone, finally shrank the number of bank tellers. But for every innovation, the destruction of jobs has always created more work in ways that very few saw coming. When we were born, no one could have imagined the intelligent telephone in every pocket, or medicine that edits the settings of our DNA. Thirty years from now, with the labor freed and the resources created by AI, there will be companies and whole professions that not one of us — booster or doomsayer — has the imagination to dream up today. This is the pattern of economic history.

Do not mistake "work will endure" for "everyone will thrive." AI will lift all boats but not equally. Here the body is a guide. When machines took over large swaths of physical labor, they removed the daily necessity of exertion, and in doing so split society. A slice of the population became the most physically fit and accomplished in human history. Nearly 69 million Americans now hold gym memberships, and endurance events once thought medically insane sell out in minutes. On the other hand, roughly 40% of American adults are now obese. The same liberation from labor, but very opposite results. The difference is what each person chooses to do with the freedom the machines give them. Some improve themselves while others decay.

There will emerge a cohort of intelligent, curious, disciplined people who will pair their native ability and education with AI to accomplish previously unimaginable undertakings. For them, AI is a barbell

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that makes them far stronger. But there will also be a large group who hand their thinking over wholesale and let the faculty wither, becoming mentally obese. This is not idle worry. Another MIT study wired up people writing essays and found that those who leaned on an AI assistant showed measurably lower neural engagement, produced work reviewers called “soulless,” and often could not quote back the sentences they had just “written.” This deficit persisted even after the AI tool was removed, as though the brain “muscle” had atrophied. A barbell builds the person who lifts it but does nothing for the person who watches it being lifted.

The industry is changing daily, and many are sounding alarms, some of which are by insiders, with terrifying warnings of potential existential threats to humanity. An Anthropic researcher resigned and warned that if not properly regulated, AI firms could lose control of their models (which have already gone rogue on numerous occasions). Rather than disputing the researcher’s claims, Anthropic CEO Dario Amodei

published a blog urging the industry to slow down AI development. The models are already capable of “recursive self-improvement,” potentially creating autonomous cybersecurity and other risks. Are the warnings overblown? Will Congress and the industry act? On this issue, no one knows. We can only wait and see. Until then, we are bullish on AI due to the forthcoming productivity gains. And if we are wrong, we are dead.

The AI revolution is real, but it will unfold over years and decades, throttled by weak returns and every vested interest with a lobbyist. Be careful about radically changing your portfolio around a transformation the data says is still 95% aspiration. On employment, be calm. The work we cannot yet picture will emerge as it has every time before. On the human side, be vigilant because that is where the real sorting will happen. Assuming it does not destroy humanity, AI will reward the disciplined and punish the slothful. AI is a mental barbell, not an escalator. Use it wisely.

About Dr. Peter Linneman

Dr. Linneman, who holds both Masters and Doctorate degrees in economics from the University of Chicago, is the Principal of Linneman Associates. For nearly four decades, he has provided strategic and financial advice to leading corporations. Through Linneman Associates, he provides strategic and M&A analysis, market studies, and feasibility analysis to a number of leading U.S. and international companies. In addition, he serves as an advisor to and a board member of several public and private firms.

Dr. Linneman is the author of the leading real estate finance textbook, *Real Estate Finance and Investments: Risks and Opportunities*, edition 5.3. His teaching and research focuses on real estate and investment strategies, mergers and acquisitions, and international markets. He has published over 100 articles during his career. He is widely recognized as one of the leading strategic thinkers in the real estate industry. Most recently, Dr. Linneman co-authored (with Dr. Michael Roizen and Albert Ratner) the best-selling book *The Great Age Reboot: Cracking The Longevity Code For A Younger Tomorrow*.

He also served as the Albert Sussman Professor of Real Estate, Finance, and Business and Public Policy at the Wharton School of Business at the University of Pennsylvania until his retirement in 2011. A member of Wharton’s faculty since 1979, he served as the founding chairman of Wharton’s Real Estate Department and the Director of Wharton’s Zell-Lurie Real Estate Center for 13 years. He is the founding co-editor of *The Wharton Real Estate Review*.

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