PREPARED TESTIMONY AND STATEMENT FOR THE RECORD OF

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"AI and the American Dream: Promoting Innovation, Affordability, and American Dominance"

Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs

Chairman Scott, Ranking Member Warren, and esteemed Members of the Committee, thank you for inviting me to testify on this important set of issues. My name is Dr. Sarah Myers West, and I along with my colleague Amba Kak lead the AI Now Institute, a policy research institute founded in 2017 to study artificial intelligence technologies. I hold doctoral and master's degrees from the Annenberg School at the University of Southern California, where I studied the political economy of the technology industry. I previously served as a Senior Advisor on Artificial Intelligence at the Federal Trade Commission, where my role focused on the effects of AI and other automated technologies emanating across the broader economy.

There is a tremendous amount of hope articulated in the vision for AI: that it has transformative potential that could lift our economy and improve the quality of life for all of us. Equally, there's a tremendous amount of pessimism within the broader public about what this technology is actually doing in the world, and what it means for their lives and livelihoods. This divide can be attributed to the skewed market incentives that have shaped the development of AI within the corporate labs that now dominate the scene. These incentives are leading to concentrated risk in the economy that could enact tremendous amount of damage to our national and economic security - whether or not the "AI bubble" bursts. These harms, many of which are already here, could occur *especially* if things go exactly as the industry intends: we are in a race to the bottom, where the American people absorb all of the downside risks; higher prices, job loss and devaluation; and economic instability.

It's important to situate this in the longer trajectory of artificial intelligence. AI is a field with an almost seventy year history; the term 'AI' has been used to refer to an array of technological capabilities over time. The field and industry driving AI development has been shaped by laws and policies that have, among other outcomes, functioned to concentrate control over the industry in the hands of a small group of Silicon Valley firms.[1] I've watched as over the past decade, the impact of AI on the economy at large has largely served to harm, rather than benefit,

[1] Korinek, A., & Vipra, J. (2024). Concentrating intelligence: Scaling and market structure in artificial intelligence. *Economic Policy*, *40*(121), 225–256.

American workers, consumers, and small businesses - increasing the surveillance and control exerted over their lives, ratcheting up inequality[2] and eliminating agency and dignity in their lives.

My message to this Committee is that this does not need to define our technological future: we can put the needs of the public back at the center of the AI economy. Congress has an obligation to intervene before an economic crisis occurs, starting by alleviating the burden already felt on people's pocketbooks, exercising Congressional oversight over AI firms and stopping a bailout of the industry that is arguably already underway.

There are three core areas of concern that I urge this Committee to consider as urgent priorities for intervention:

First, the nature of AI infrastructure investment is increasingly risky and capital intensive. Growing reliance on complex and opaque financial instruments needs stronger oversight from financial regulators and Congress before the wider economy faces deepened risk.

For years, AI infrastructure investment was largely funded by the revenues of Big Tech firms, emanating from an interest in maintaining their dominant position in the cloud infrastructure market.[3] But as AI developers arrived on very large scale AI as their primary focus for development, and thus the need to build more data center infrastructures to train and run inference on these large scale AI models, the industry began to take on debt to finance the astronomical capital expenditures.[4] This was a strategic choice shaped by a high degree of concentration in the market and a perceived race between the leading firms to build very powerful artificial general intelligence models. It's become a race to the bottom, one in which these firms have exhibited an extraordinary willingness to court risk that is borne not only by the firms themselves, but by the wider economy and the public.

The justification AI firms offer is that the pursuit of artificial general intelligence will enable solutions to entrenched social problems ranging from curing cancer[5] to solving the problem of climate change.[6] Setting aside that the industry proffers privatized, AI-shaped solutions to these challenges, the primary constraint they assert is the infrastructure needed to bring AGI into

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[2] Acemoglu, D. (2025). The simple macroeconomics of AI. *Economic Policy*, *40*(121), 13–58. https://doi.org/10.1093/epolic/eiae042

[3] Federal Trade Commission, Office of Technology Staff. (2025, January). *Partnerships between cloud service providers and AI developers: FTC staff report on AI partnerships & investments 6(b) study*. https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

[4] Roach, A. (2025, December 19). Data center deals hit record $61 billion in 2025 amid construction frenzy. *CNBC*. https://www.cnbc.com/2025/12/19/data-center-deals-hit-record-amid-ai-funding-concerns-grip-investors.html.

[5] Amodei, D. (2024, October). *Machines of loving grace: How AI could transform the world for the better*. https://darioamodei.com/essay/machines-of-loving-grace.

[6] Boston Consulting Group (BCG) & Google. (2023, November). *Accelerating climate action with AI*. Google Sustainability. https://sustainability.google/reports/accelerating-climate-action-ai/.

being. This ignores, however, that as the pace of AI expenditures reaches new heights, capital is being pulled away from other potentially productive sectors of the economy, with the turn to credit within the AI sector potentially producing a 'crowding out' effect for other forms of investment and research.[7] This could have broad-based impact: capital-intensive industries like manufacturing would feel this pressure acutely at a moment where these industries are already contending with the impact of tariffs.[8] Small businesses are already downshifting their plans for capital expenditures.[9] Moreover, the flood of capital to AI may undermine the horizon for future innovation as the market places a singular bet on AI.

To paint a picture of just how substantial these expenditures have grown: In the first quarter of 2026, Amazon, Google, Meta, and Microsoft reported spending $130.65 billion in capital expenditures for data centers—71 percent higher than what they spent during the same quarter of 2025.[10] These four companies anticipate spending approximately $700 billion this year.[11] Morgan Stanley analysts project that combined, Big Tech companies will spend nearly $3 trillion through 2028, but only generate half of that amount in cash.[12]

To finance this buildout, tech companies are taking on an increased amount of debt: in 2025, big tech firms issued $121 billion in new debt,[13] but this number is anticipated to balloon in the years to come: Morgan Stanley is estimating debt issuance will top $500 billion this year.[14] Some of this debt is structured through standard corporate bonds. But a growing share is being supplied by increasingly complex, risky, and opaque financial arrangements. Private equity firms are key conduits for the vast amounts of capital going into data centers. In 2025, private equity

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[7] Wells, M. (2026). *Will AI investments pay off?* Econ Focus, Federal Reserve Bank of Richmond. https://www.richmondfed.org/publications/research/econ_focus/2026/q1-q2_feature2; Carlyle. (2026, January). *Five questions for 2026*. https://www.carlyle.com/sites/default/files/2026-01/Carlyle_Whitepaper_FiveQuestions_2026.pdf

[8] Brainard, L. (2025, December 3). *Artificial intelligence, structural shifts, and monetary policy* [Remarks.] Global Interdependence Center. https://www.interdependence.org/resource/artificial-intelligence-structural-shifts-and-monetary-policy-remarks-by-lael-brainard-at-the-college-of-central-bankers-symposium-december-3-2025/

[9] Last, F. M. (2026, June 10). *The AI boom is pushing up inflation*. Politico. https://www.politico.com/newsletters/morning-money/2026/06/10/the-ai-boom-is-pushing-up-inflation-00955526

[10] Weise, K. (2026, April 29). A.I. spending sets a record, with no end in sight. *The New York Times*. https://www.nytimes.com/2026/04/29/technology/ai-spending-tech-data-centers.html

[11] Weise, K. (2026, April 29). A.I. spending sets a record, with no end in sight. *The New York Times*. https://www.nytimes.com/2026/04/29/technology/ai-spending-tech-data-centers.html

[12] Wirz, M., & Rudegeair, P. (2025, November 16). Wall Street blows past bubble worries to supercharge AI spending frenzy. *The Wall Street Journal*. https://www.wsj.com/finance/investing/wall-street-ai-spending-bubble-810d270e

[13] Bair, T., Jr., & Steele, B. (2025, December). *Record-breaking AI-related debt issuance in 2025*. Mellon Investments Corporation. https://www.mellon.com/insights/insights-articles/record-breaking-ai-related-debt-issuance-in-2025.html

[14] Global AI debt issuance to top $500 billion in 2026, Morgan Stanley says. (2026, June 10). *Reuters*. https://www.reuters.com/business/global-ai-debt-issuance-top-500-billion-2026-morgan-stanley-says-2026-06-10/

investment into data center transactions/deals reached $45 billion.[15] Private credit firms also make up a growing share of the supply of debt for data center financing.[16] This May, the Financial Stability Board warned private credit carries particular vulnerabilities for the broader economy, notably due to a lack of transparency and willingness to engage with borrowers that have lower credit quality and higher leverage.[17] Many data center financing arrangements rely on distinct legal entities known as special-purpose vehicles (SPVs) to fund and execute deals. These deals are "off-balance sheet," meaning that the deal—and any debt the SPV has raised—is not listed on Big Tech firms' balance sheets, thus masking a clear picture of a company's true financial health, let alone the risk to the financial system as a whole.[18]

Over the last year we've seen the emergence of circular spending deals, where AI companies invest in and buy from one another—creating skewed market incentives and distorting decision-making.[19] Increasingly these deals hinge on the projected future revenues of just a handful of AI developers, and if those fail to transpire to the tune needed to justify capital expenditures, the house of cards could come falling down.

When only a handful of buyers account for such a large share of the overall market, circular spending deals can drive cascading negative effects in a future market downturn.[20] For example, OpenAI is on the hook for over a trillion in deals with other AI firms and chipmakers,[21] including a $300 billion deal with Oracle for its compute infrastructure,[22] $250 billion with Microsoft for its Azure infrastructure (which includes Microsoft's 26% return ownership share of OpenAI);[23] $38 billion to rent access to Amazon Web Services servers, (a deal which could expand under a

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[15] Guevarra, J., Morgan, K., & Gupta, S. (2026, May 12). Private equity investment surge sends US data center deals to 5-year high. *S&P Global Market Intelligence*. https://www.spglobal.com/market-intelligence/en/news-insights/articles/2026/5/private-equity-investment-surge-sends-us-data-center-deals-to-5-year-high-100947405

[16] Guevarra, J., Morgan, K., & Gupta, S. (2026, May 12). Private equity investment surge sends US data center deals to 5-year high. *S&P Global Market Intelligence*. https://www.spglobal.com/market-intelligence/en/news-insights/articles/2026/5/private-equity-investment-surge-sends-us-data-center-deals-to-5-year-high-100947405.

[17] Financial Stability Board. (2026, May 6). *FSB warns on private credit vulnerabilities* [Press release]. https://www.fsb.org/2026/05/fsb-warns-on-private-credit-vulnerabilities/

[18] Arun, A. (2025, November). *Bubble or nothing: Data center project finance*. Center for Public Enterprise. https://publicenterprise.org/wp-content/uploads/Bubble-or-Nothing.pdf

[19] Sam, C., Dottle, R., Ghosh, A., & Kim, K. (2026, January 22). A guide to the circular deals underpinning the AI boom. *Bloomberg*. https://www.bloomberg.com/graphics/2026-ai-circular-deals/

[20] Sam, C., Dottle, R., Ghosh, A., & Kim, K. (2026, January 22). A guide to the circular deals underpinning the AI boom. *Bloomberg*. https://www.bloomberg.com/graphics/2026-ai-circular-deals/

[21] Petrova, M. (2025, October 15). A guide to $1 trillion worth of AI deals between OpenAI, Nvidia and others. *CNBC*. https://www.cnbc.com/2025/10/15/a-guide-to-1-trillion-worth-of-ai-deals-between-openai-nvidia.html

[22] Jin, B. (2025, September 10). Oracle, OpenAI sign $300 billion cloud deal. *Wall Street Journal*. https://www.wsj.com/business/openai-oracle-sign-300-billion-computing-deal-among-biggest-in-history-ff27c8fe

[23] Microsoft. (2025, October 25). *The next chapter of the Microsoft–OpenAI partnership* [Press release]. https://blogs.microsoft.com/blog/2025/10/28/the-next-chapter-of-the-microsoft-openai-partnership/

revised structure),[24] $22 billion with CoreWeave for use of its data centers,[25] a deal with Google Cloud,[26] a "strategic partnership" to deploy 10 gigawatts of AI data centers with Nvidia (in return for Nvidia's $100 billion investment into OpenAI),[27] a multi-billion dollar chip deal with AMD (a deal that enables OpenAI to take a 10% ownership stake in AMD),[28] and a partnership with Broadcom to develop and deploy chips that OpenAI would design.[29] This compounding set of bets assumes that OpenAI's revenue will substantiate its asserted demand, ignoring that if it fails to do so, it will also fail to fulfill its contractual obligations to these companies, many of which also have similar arrangements with each other. This scenario is prompting an increasing number of investors to turn to credit default swaps to hedge the downside risks associated with AI investments, a move that echoes the use of CDS to hedge against the risks of mortgage-backed securities in the lead-up to the housing crisis.[30]

The revenue needed for the industry to break even is becoming astronomical: a widely cited study from Bain estimates that $2 trillion in new revenue is needed by 2030 to fund the current AI scaling trend.[31] Today, while revenues are quickly growing for AI firms, these are under conditions in which the cost of AI models is already subsidized. However, early indicators suggest there are concerns among major customers that they are not seeing sufficient return on investment to justify the amount they are spending even under current subsidies. And it's far from clear that a rising tide would lift all boats; a recent report from Bridgewater Associates found that a material part of the estimated GDP boost from AI would come from the profits of

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[24] Milmo, D. (2025, November 3). OpenAI signs $38bn cloud computing deal with Amazon. *The Guardian*. https://www.theguardian.com/technology/2025/nov/03/openai-cloud-computing-deal-amazon-aws-datacentres-nvidia-chips

[25] Ford, B., & Ludlow, E. (2025, September 25). CoreWeave expands OpenAI deals to as much as $22.4 billion. *The Guardian.* https://www.bloomberg.com/news/articles/2025-09-25/coreweave-expands-deals-with-openai-to-as-much-as-22-4-billion

[26] Cai, K., & Hu, K. (2025, June 10). Exclusive: OpenAI taps Google in unprecedented cloud deal despite AI rivalry, sources say. *Reuters*. https://www.reuters.com/business/retail-consumer/openai-taps-google-unprecedented-cloud-deal-despite-ai-rivalry-sources-say-2025-06-10/

[27] Nvidia. (2025, Sept 22). *OpenAI and NVIDIA announce strategic partnership to deploy 10 gigawatts of NVIDIA systems* [Press release]. https://nvidianews.nvidia.com/news/openai-and-nvidia-announce-strategic-partnership-to-deploy-10gw-of-nvidia-systems

[28]OpenAI signs multibillion-dollar chip deal with AMD. (2025, October 6). *The Guardian*. https://www.theguardian.com/technology/2025/oct/06/openai-chipmaker-amd-deal

[29] Sigalos, M. (2025, October 13). Broadcom stock pops 9% on OpenAI custom chip deal, adding to Nvidia and AMD agreements. *CNBC*. https://www.cnbc.com/2025/10/13/openai-partners-with-broadcom-custom-ai-chips-alongside-nvidia-amd.html

[30] Bair, T., Jr., & Steele, B. (2025, December). *Record-breaking AI-related debt issuance in 2025*. Mellon Investments Corporation. https://www.mellon.com/insights/insights-articles/record-breaking-ai-related-debt-issuance-in-2025.html

[31] Bain & Company. (2025, September 23). *$2 trillion in new revenue needed to fund AI's scaling trend — Bain & Company's 6th annual Global Technology Report* [Press release]. https://www.bain.com/about/media-center/press-releases/20252/$2-trillion-in-new-revenue-needed-to-fund-ais-scaling-trend---bain--companys-6th-annual-global-technology-report/

Nvidia and other chipmakers who capture the value without recycling it back into the broader economy.[32]

Last month, after burning through its entire 2026 AI budget in only four months, Uber's COO asserted the costs of AI were getting harder to justify because they were not translating into useful customer features.[33] And Uber is not alone: a June 2026 Bain study found that nearly 40% of companies said their cost reductions from AI were significantly less than expected.[34] More troubling, 44% of companies based their next wave of AI investments on previous rounds of savings—savings that have consistently come in below expectations.[35] As the study put it, "self-funding the next wave from past returns sounds like discipline. In reality, it is a circular bet with a structural leak."[36] Scaling revenue may be further challenged by delays in data center construction: recent reporting in the Financial Times found that 40% of data centers planned for 2026 are delayed, further increasing financial risk at the level of individual firm bets.[37]

The effects of an AI bubble would be acutely felt by the American people.

An AI bubble burst could wipe out over $20 trillion in American household wealth, three trillion more than the financial crisis.[38] This is because the economy at large is already significantly exposed to AI risk across several vectors, ranging from stock market exposure to access to credit to job loss.[39]

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[32] Jensen, G., DeBois, D., & Zimbler, A. (2026, January 7). *The macro implications of the AI capex boom*. Bridgewater Associates. https://www.bridgewater.com/research-and-insights/the-macro-implications-of-the-ai-capex-boom

[33] Bharade, A. (2026, May 25). Uber's COO says it's getting harder to justify the money spent on AI tokenmaxxing. *Business Insider*. https://www.businessinsider.com/uber-coo-andrew-macdonald-ai-token-spending-harder-justify-2026-5

[34] AI investments are 'circular bet' as ROI disappoints, Bain survey shows. (2026, June 1). *Bloomberg*. https://www.bloomberg.com/news/newsletters/2026-06-01/bain-survey-ai-delivers-less-cost-reduction-than-many-firms-predicted

[35] AI investments are 'circular bet' as ROI disappoints, Bain survey shows. (2026, June 1). *Bloomberg*. https://www.bloomberg.com/news/newsletters/2026-06-01/bain-survey-ai-delivers-less-cost-reduction-than-many-firms-predicted

[36] Heric, M., Doddapaneni, P., & Debarre, A. (2026, June). *Your AI budget is growing. Your returns aren't. Here's why*. Bain & Company. https://www.bain.com/insights/your-ai-budget-is-growing-your-returns-arent-heres-why/

[37] Rosner-Uddin, R., Muir, M., Stylianou, N., & Bhandari, A. (2026, April 17). Data center delays threaten to choke AI expansion. *Financial Times*. https://www.ft.com/content/f2bae708-f5c3-49b0-99c0-e4a11552427b

[38] Ramzanali, A. (2026, March). *After the AI crash*. Vanderbilt Policy Accelerator. https://publicenterprise.org/wp-content/uploads/After-the-AI-Crash__1_.pdf; Emmons, W. R., & Noeth, B. J. (2012, July 1). Household financial stability: Who suffered the most from the crisis? *Regional Economist*, Federal Reserve Bank of St. Louis. https://www.stlouisfed.org/publications/regional-economist/july-2012/household-financial-stability--who-suffered-the-most-from-the-crisis

[39] Ramzanali, A. (2026, March). *After the AI crash*. Vanderbilt Policy Accelerator. https://publicenterprise.org/wp-content/uploads/After-the-AI-Crash__1_.pdf

For the roughly 60% of Americans who now hold stock, the fate of the Magnificent Seven stocks, which make up about a third of the market, will be felt more acutely than in prior financial crises.[40] These market effects show up in index funds, in people's retirement portfolios, and their pensions. A recent Department of Labor proposal to open up 401ks to private equity, private credit and crypto assets would deepen this exposure and act, as AFR's Oscar Valdes Viera wrote, "a regulatory bailout hiding in plain sight and it would be a transfer of wealth from workers' retirement accounts to backstop funds and structures that are under pressure and hungry for new capital for their poorly performing assets."[41]

The deflation of stock portfolios can fuel a vicious cycle by affecting consumer spending, with effects felt across the broader economy, and it wouldn't take much to trigger it: even a modest decline in stock prices have produced an outsized drag on consumption: a hypothetical AI-driven selloff that erases $1 trillion in market value could translate into roughly $35 billion in reduced consumer spending, a significant shock to the broader economy.[42]

Banks are exposed to private credit and other nonbank financial institutions in ways that are largely opaque, and that combination of opacity and exposure to risk could pose particular dangers. Federal Reserve Vice Chair for Supervision Michelle Bowman recently warned that the withdrawal of private credit funding sources could pose a channel for the transmission of risk in the financial system.[43]

But the impact doesn't stop there: a major source of capital for private credit firms comes from working people. Private credit companies deploy capital that comes from 401(k) accounts, life insurance plans, and pensions; they've made a casino of American workers' financial security. For example, both New York and Pennsylvania's state pension plans are invested in Blue Owl's $7 billion digital infrastructure fund, which in turn has loaned out money to finance data centers for Meta in Richland Parish, Louisiana.[44] If Meta fails to post revenues that justify its planned

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[40] Scherer, M. U. (2026). *No bailouts for big tech billionaires: Policies for when the AI bubble bursts*. Open Markets Institute. https://www.openmarketsinstitute.org/publications/no-bailouts-for-big-tech-billionaires-policies-for-when-the-ai-bubble-bursts

[41] Valdés Viera, O. (2026, May 14). W*all Street wants your 401(k) to bail out private markets*. Americans for Financial Reform. https://ourfinancialsecurity.org/news/wall-street-wants-your-401k-to-bail-out-private-markets/

[42] Beach, S., Gamber, W., & Moran, P. (2025, August 5). *Wealth heterogeneity and consumer spending*. FEDS Notes. Board of Governors of the Federal Reserve System. https://doi.org/10.17016/2380-7172.3838; Board of Governors of the Federal Reserve System. (2026, March 27). *DFA: Distributional financial accounts* [Data set]. https://www.federalreserve.gov/releases/efa/efa-distributional-financial-accounts.htm

[43] Bowman, M.W. (2026, May 8). *When regulation reshapes markets: the migration of corporate lending* [Speech]. Hoover Institution Annual Monetary Policy Conference. https://www.federalreserve.gov/newsevents/speech/bowman20260508a.htm

[44] Meta. (2025, October 21). *Meta announces joint vens managed by Blue Owl Capital to develop Hyperion data centerture with fund* [Press release]. https://investor.atmeta.com/investor-news/press-release-details/2025/Meta-Announces-Joint-Venture-with-Funds-Managed-by-Blue-Owl-Capital-to-Develop-Hyperion-Data-Center/default.aspx

$125 billion in spending for 2026—a move that led to a 6% decline in its stock attributed to investor anxiety[45]—the effects will be felt across the country.

We don't have to wait for a financial collapse to see these effects of AI play out across the economy.

Everyday Americans are already struggling with an environment of generalized inflation, in which the cost of essential goods and services is rising much faster than income levels.[46] A growing consensus suggests that AI is a contributing factor, driving up prices.[47] At least part of this story is directly tied to AI in the utilities sector, where wholesale electricity prices for households near data centers have increased by as much as 267% over the last five years.[48]

Working class Americans are particularly exposed to an AI-driven market downturn, because the effects they're already feeling could be deepened even further if wealthier Americans reduce their consumption. And there are indicators that the anticipation of AI's effects on the lives and livelihoods of white collar workers is already influencing a consumer demand, due to a fear of job loss and generalized environment of higher prices.[49] This could be compounded by incentives for firms to attribute AI as the justification for layoffs, or for paying workers less, because it enables them to narrate retrenchment as a product of technological investment. In 2025, we already saw 55,000 layoffs attributed to AI, which amounts to about 5% of job losses that year.[50]

Importantly, many of these factors will remain true even in a scenario where there is no bubble burst: the vision for success in AI hinges on the significant displacement and devaluation of jobs

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[45] Gerut, A. (2026, April 30). Meta just bumped its 2026 capex forecast up to as much as $145 billion for the AI boom—and investors flinched. *Yahoo! Finance*. https://finance.yahoo.com/markets/stocks/articles/meta-just-bumped-2026-capex-232250811.html

[46] Urban Institute. (2026). *The American affordability tracker* [Data tool]. https://www.urban.org/data-tools/american-affordability-tracker

[47] Last, F. M. (2026, June 10). *The AI boom is pushing up inflation*. Politico. https://www.politico.com/newsletters/morning-money/2026/06/10/the-ai-boom-is-pushing-up-inflation-00955526

[48] Saul, J., Nicoletti, L., Pogkas, D., Bass, D., & Malik, N. (2025, September 29). AI data centers are sending power bills soaring. *Bloomberg*. https://www.bloomberg.com/graphics/2025-ai-data-centers-electricity-prices/; Warren, E. (2026, May 27). Why we need to tax AI. *TIME*. https://time.com/article/2026/05/27/why-we-need-to-tax-ai/

[49] d'Innocenzio, A. (2026, June 7). How Americans are adjusting their spending habits as cost of living soars. *The Independent*. https://www.independent.co.uk/us/money/consumer-spending-iran-war-gas-prices-americans-food-cost-b2991344.html; DePillis, L. (2026, April 10). Consumer spending, engine of the U.S. economy, is under strain. *The New York Times*. https://www.nytimes.com/2026/04/10/business/economy/consumer-spending-economy.html; Adams, C., Alldredge, K., & Kilroy, T. (2026, May 28). *An update on US consumer sentiment: Gloomier outlook ahead of sunnier days*. McKinsey & Company. https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-state-of-the-us-consumer

[50] Challenger, Gray & Christmas. (2026, January 8). *2025 year-end Challenger report: Highest Q4 layoffs since 2008; lowest YTD hiring since 2010*. https://www.challengergray.com/blog/2025-year-end-challenger-report-highest-q4-layoffs-since-2008-lowest-ytd-hiring-since-2010/

across the economy, and because in real time people are making decisions based on future projections of what AI will look like, rather than what it is today.

For this reason, Congress shouldn't wait until an economic crisis is at hand to take steps to manage AI's destabilizing effect on the economy. These effects take multiple forms: a perpetual transfer of wealth from the public to AI firms, resource misallocation that may depress the economy, devaluation and dislocation in the job market, and rising prices that serve to depress consumer demand.

Congress must stop the bailout of the AI sector already underway.

As a first step, Congress should use its oversight authority to investigate the significant measures recently taken by the federal government to derisk the portfolio of AI firms.[51] In November of 2025, OpenAI CFO Sarah Friar called for a government backstop for AI investment—a taxpayer funded guarantee that would allow companies like hers to continue their unprecedented spending on data centers and other AI investments.[52] She was met with vocal backlash and CEO Sam Altman distanced himself from the assertion. But, in many ways, these firms are quietly getting what they asked for.[53]

The subsidies that AI firms have received are extraordinary, ranging from federal backing of a $1 billion loan to bring the Three Mile Island nuclear plant back online to power Microsoft's A.I. data centers,[54] to offering up $1 billion in AI funding through the Big Beautiful Bill,[55] to allocating federal lands for data center construction,[56] outlining new 'private public partnerships' at national laboratories that house treasure troves of genomic data that can be leveraged for

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[51] U.S. Senate Committee on Banking, Housing, and Urban Affairs, Minority Staff. (2025, November 18). *Warren presses Trump administration on plans to prop up OpenAI and Big Tech with taxpayer dollars at the expense of working class Americans*. https://www.banking.senate.gov/newsroom/minority/warren-presses-trump-administration-on-plans-to-prop-up-openai-and-big-tech-with-taxpayer-dollars-at-the-expense-of-working-class-americans

[52] Wall Street Journal. (2025, November 5). *OpenAI CFO would support federal backstop for chip investments* [Video]. https://www.wsj.com/video/openai-cfo-would-support-federal-backstop-for-chip-investments/4F6C864C-7332-448B-A9B4-66C321E60FE7

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commercial use,[57] to its Export AI initiative, which leverages the apparatus of the federal government in support of deal-brokering on behalf of AI firms.[58]

Looking at the evidence, a bailout of the AI sector has arguably already begun, before Congress has meaningfully acted to protect the public and the economy from the risks introduced by the industry. The public is already aware of the risks that they're being asked to assume, and this is fueling the generalized antipathy they're expressing toward AI. If the end goal is to promote American innovation and to build an economy that works for everyone, Congress must act. It can start by focusing on measures that alleviate the economic burdens already being felt by the public, shedding light on AI industry financing structures through use of its oversight authorities, and most importantly, by committing to stop the bailout before it deepens any further.

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