Opinion

Three Exaggerations About the US Economy Right Now

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Sometimes there are economic narratives that don't quite deserve a debunking – they have more than a kernel of truth to them – but rather demand an appropriate level of skepticism. Three such stories are widespread today.

The first is the idea that artificial intelligence is driving a surge in US GDP growth. The second is that AI is weakening the labor market. And the third is that the recent expansion of consumer spending is concentrated at the top. None of these stories is false, exactly, but each is drenched in uncertainty, so we need to be cautious in how we interpret them and precise in what we do and do not know.

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When it comes to GDP, there's little question that investment in artificial intelligence has grown substantially. At the end of 2021, businesses invested $1 trillion annualized in software, information processing equipment and data centers. By the second quarter of 2025, that figure was $1.4 trillion – a 40% increase over 4 years.

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There's a crucial caveat, however: a significant portion of this AI investment was imported, and that means that the role of AI investment on GDP growth is not quite as big as meets the eye (remember: GDP is a measure of the value of output produced within US borders). The final use of imports in real time cannot be tracked with absolute certainty, but the circumstantial evidence is strong. Since the beginning of 2024, overall imports of information

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impact of imports, AI-related commodities – software, information processing equipment and data centers – accounted for 1.3 percentage points of the 1.6% annualized real GDP growth over the first half of 2025 across consumer spending, business investment and exports, a staggering amount. But netting out the jump in AI-related imports, that contribution falls to 0.5 percentage point.

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That's still impressive, but less extraordinary than first meets the eye. To put that 0.5 percentage points in perspective, that's about the magnitude of the negative effect on 2025 growth that the Yale Budget Lab expects from tariffs in 2025.

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Moreover, it's clear that even if AI is affecting the labor market, it's far from the only story. The 12-month moving average of the unemployment rates reached a trough in June 2023 at 3.5%; since then, it's risen 0.6 percentage point. The biggest increases in occupational unemployment rates since then have been among jobs with both the highest *and* lowest exposure to automation from AI. This suggests that even if AI actually is a culprit in the recent labor market slowdown, it's not the only one.

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But I would advise extreme caution with estimates of the distribution of consumer spending, especially when they come from single private sources. While the government produces solid aggregate consumer spending data each month, reliable spending data, with the necessary detail to track different households and validate private data, is often lagged by years.