

Newsletter | The Everything Risk

## AI's Beneficial Disruption: Lower Costs, Lower Inflation

AI is not a doomsday device. It's a boon for the stocks of firms with high barriers to entry due to large capital investment. Eventually, as inflation comes down, bonds will benefit too.



By [Edward Harrison](#)



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Artificial intelligence will undoubtedly reshape business and the broader economy—but not in the apocalyptic way some predict. Over time, AI-driven efficiency will push costs lower and help ease inflation. That dynamic favors industries with high barriers to entry, supports the bond market, and ultimately benefits consumers.

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Even more eye-catching: Gartner expects over 40% of agentic AI projects to be canceled by 2027. Not only are companies unlikely to make immediate and wrenching company-wide changes, they won't even be able to extract enough benefits from the projects they have in place any time soon. Just as with the personal computer and Internet revolutions before AI, it will be years before households and companies work out how to get benefits from the new technology.

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## **Disinflation is a boon**

Once we're able to make good use of AI, like the Internet, it will be disinflationary. We're not talking about the slash and burn cost-cutting that leads to people losing work, cutting consumption and dipping into their retirement savings in a way that upends markets in Citrini's scenario. Instead, businesses will be able to cut costs and improve productivity while consumers will gain large amounts of price discovery, booking vacations, finding goods, buying cars and getting services cheaper.

It won't happen immediately. The initial Internet boom ramped inflation up so high the Federal Reserve had to raise rates aggressively, eventually causing a recession. But, once it became embedded it helped to bring average inflation this century down to 2.2% from an average 4.0% through 2000.

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