

Mike Harris Barron's Article on AI recession

The Following is the late January proposal for an article that was published in [Barron's on February 11, 2026](#):

I wanted to propose a piece that argues that the Fed will find it incredibly difficult to avoid a large recession associated with AI uptake (before we eventually get the massive growth associated with demand for consumer, service industry and industrial AI robotics that will power growth as we replace most all existing means of production). This is not a jobs Armageddon view, rather an argument that the Fed will have to adjust to prolonged mixed signalling from the jobs market and by the time the signal is clear, a deep recession rather than just a correction will probably be underway.

Historically major tech innovations have been universally growth positive driving massive demand for new manufactured products and services almost immediately as the new tech becomes widespread. For AI the initial investment is front loaded re chips/data centers & power and is supporting growth now. But the positive impact on macro wide growth will lag quite considerably as it'll only come through in size when AI driven industrial robotics, service robotics and consumer manufactured AI robotics (which don't risk jobs but drive growth) are about to go mass market. That'll be a long time coming.

For consumer, we need to wait for manufacturers to deliver that AI home help robot that everyone needs and can afford. For Service industries, it'll be gradual and very long dated before bartenders, baristas, flight attendants etc are heavily using robotics or indeed replaced by them. The more obvious one is AI industrial robotics, but unless a manufacturers' competitors have all made the switch, they will likely only gradually make the upgrades as and when they need new capacity / old capacity becomes redundant. It would be different if AI robotics delivered better outcomes (as was the case with computer vs typewriter, electric vs kerosene, rail vs canal, ICE vs Horse etc). However, AI manufacturing robotics will be less about better outcomes and more about higher returns/lower marginal cost requiring an initial fixed cost outlay that allows you to cut variable labour. That's not a decision everyone makes at the same time. The timing to upgrade your manufacturing production capacity to AI robotics will probably be discretionary/demand driven and will probably play out over a decade rather than a few years.

The Fed and other central banks traditional toolkit is not built to deal with a labour market that softens because of the quick AI technology uptake, rather than demand weakness. As labour pressures will only improve corporate profitability and as those who remain employed will be the strongest positioned, we may go for a long while with the Fed saying (as they did yesterday) that demand is still pretty good even though there are signs of labour market weakness. As we all know, white collar job volumes will come under pressure (if AI can't cut white collar job needs by 15-20% by 2030 the excitement is massively overdone). However, for those who stay, wages will be well supported if not rising sharply on the corporate profit/ productivity gains. That's unique as usually job cuts are driven by weaker demand which also means corporates become stingier with wages for those who remain employed. So white collar wage growth will be a feature for some time (and so too in services as migration outflows from the US are relevant to

services that will take a long time to be impacted by AI robotics). So despite the job shrinkage, we'll see decent wage growth at both the bottom and top of the pyramid for some time.

So for the coming quarters/years, the Fed will probably see limited labor force growth, but strong fiscal and strong demand driven by the AI build out and the strength of wages for those who keep their jobs (college grads who don't find jobs never had income to begin with). The likelihood is in a year or two we get to a tipping point where job losses start to overwhelm the resilience of demand of those who remain employed. This then leads to recessionary cost cutting rather than just efficiency gains from corporates and we probably get one of the bigger non-crisis recessions we've seen in years. With less fiscal capacity to make the Fed's job easier, we could be stuck in recession for quite a long while as the labor recovery will be less driven by interest rates, and more awaiting the mass production and deployment of robotics.

The job market will eventually recover as production/deployment of industrial and service robotics rises tremendously while household robotics become ubiquitous (which does not have a negative job impact). So still a strong AI growth future out there (before the existential threat to jobs when robots are making those robots).

Conclusion, no matter the existential long-term questions re AI and jobs, the start of this super cycle is likely to be much more challenging for both the Fed and the US/global economy than past technology transitions.

Mike Harris is the founder of Cribstone Strategic Macro. He spent 24 years as a market facing analyst, strategist and research manager where he covered scores of companies, dozens of industries and 20 economies. With 22 number 1 rankings, he was among the highest ranked sell-side research specialists in the history of the Institutional Investor Survey. He currently advises selling shareholders and companies on IPO feasibility and optimising equity stories, he advises on macro and geopolitical issues for public and private funds, he has appeared on many panels and as a keynote speaker for corporate offsites. He is the Director of the Syracuse University Whitman School of Management London program. He has appeared on many panels and as a keynote speaker for corporate offsites. He is frequently interviewed in the media and has been published by Barron's, the Financial Times, the Guardian, the Royal United Services Institute, and The National of Scotland.

The National Scotland: [Mike Harris on UK policy re Israeli settlement expansion](#)

Barron's: [What an AI Recession Will Mean for Future Fed Chair Warsh](#)

Barron's: [Trump effort to fire Fed Gov Cook more important than fight with Chair Powell](#)

CNBC Europe: [Mike Harris on why Fed independence is the biggest market risk in 2026](#)

Royal United Services Institute: [Mike Harris on Saudi scope to elevate Mid-East Peace prospects](#)

CNBC: [Middle East: Why Israel wants Security over Peace and what that means geopolitically](#)

The Guardian: VAT on private schools: [Choose Low Income Bursaries over VAT](#)

Financial Times: [Why the Bank of England has little flexibility to sound dovish](#)

CNN: Frequent Flyer Miles: [Why corporate frequent flyer miles reduce productivity](#)

Financial Times: [Why US Restaurants can Handle a Minimum Wage Rise](#)

Middle East Institute: [Understanding the Turkish Economy Pre & Post Erdogan](#)

CNBC: [Why the UK is one of the world's most vulnerable economies May 2022](#)

The Economist Letters: [A better, simple way to measure a more inclusive GDP](#)