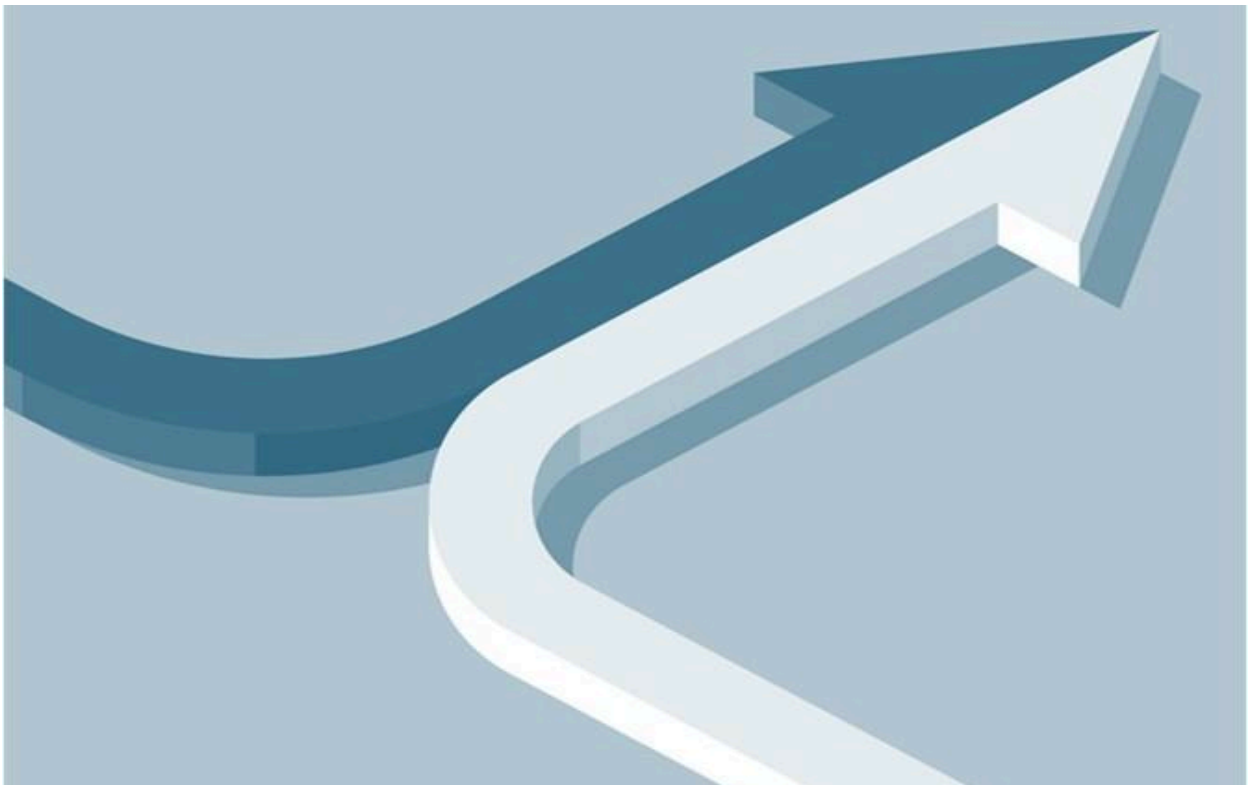
The Convergence Economy

The Repricing of Intelligence and Transactions: Impact on Organizational Structure and the Economy



Institutional Research

By Barry M. Eisenberg | March, 2026

Introduction

The global economy is entering a structural inflection unlike any in living memory — not because of AI alone, and not because of blockchain alone, but because both are compressing simultaneously.

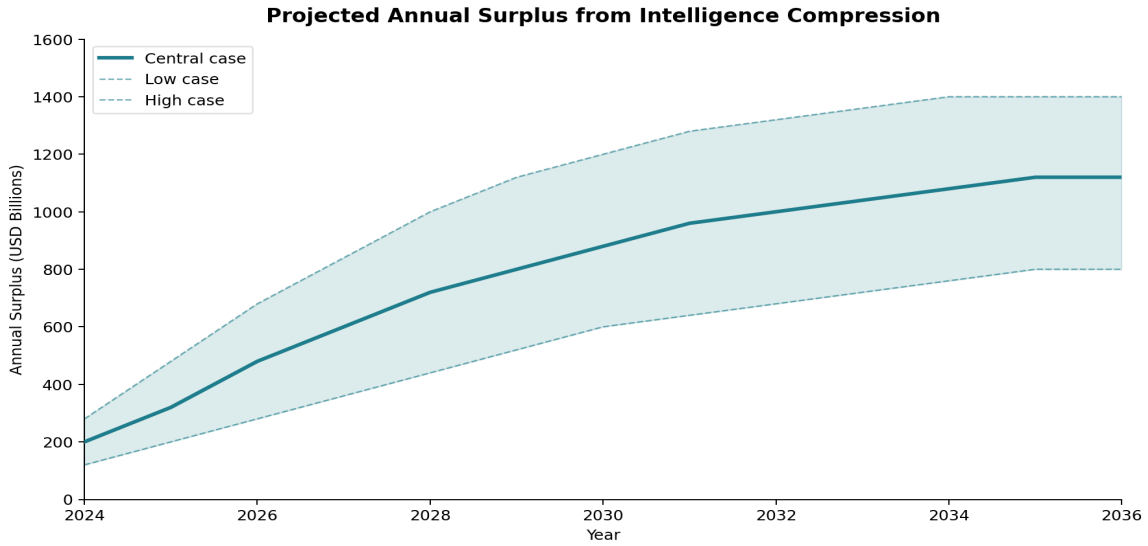
The cost of generating cognitive output and the cost of coordinating exchange/transactions are falling at the same time, and their interaction is producing effects that are non-additive. The result is what I call the **Convergence Economy**: a macro-institutional environment in which the foundational logic of the firm, the distribution of income, and the architecture of entire industries are being repriced from the inside out.

This synopsis distills the core arguments from a longer institutional research paper my firm wrote. The full paper develops the formal economic framework in detail; what follows here is a synopsis of the core thesis, analysis and implications for businesses and the labor market.

The Core Thesis

Two cost inputs that have historically defined the structure of the firm — cognitive labor and transaction coordination — are being compressed faster than output prices in competitive markets can adjust. AI is driving the first compression. Programmable settlement infrastructure — smart contracts, stablecoins, tokenized payment rails — is driving the second. Together, they generate a structural surplus: economic value that is real, persistent in the medium term, and contested.

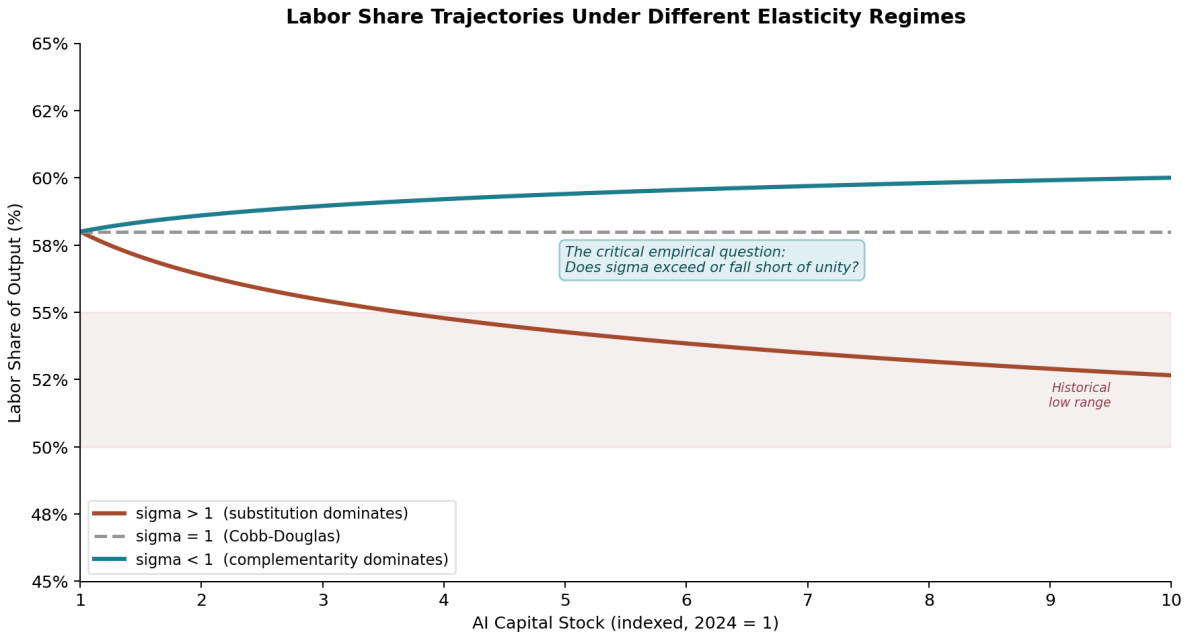
That surplus can be modeled simply. Let C_0 represent the addressable knowledge-sector wage base — approximately $4 trillion in the U.S., derived from Bureau of Economic Analysis GDP-by-Industry compensation data across professional/scientific/technical services (~$2.0T), finance and insurance (~$1.2T), and information (~$0.8T).[1] Let LC represent the effective labor compression coefficient. The annual surplus is $S = LC \times C_0$. McKinsey Global Institute estimates that generative AI can deliver 20–45% productivity gains across knowledge-work functions, with 60–70% of employee time addressable by current models.[2] Calibrating against these benchmarks and current enterprise pilot data, central-case estimates place this surplus in the range of $400 billion to $1.1 trillion per year, with a midpoint near $720 billion.



The S = LC x C0 model projected from 2024-2036, showing low, mid, and high scenario bands as intelligence and coordination costs compress. The estimated annual surplus ranges from ~$400B to ~$1.1T by the mid-2030s.

The more consequential question is not how much surplus is generated, but who captures it. The distribution identity $S = \alpha P + \beta M + \gamma I$ decomposes the surplus into three channels: corporate profit

(α), micro-enterprise income (β), and infrastructure rent (γ). These three coefficients — not the aggregate size of the surplus — are the decisive macro variables for the decade ahead. They will determine the trajectory of labor's share of national income, the degree of corporate concentration, the viability of new enterprise models, and the political sustainability of the transition.



Trajectories of labor's share of output under three elasticity of substitution regimes. When sigma > 1 (substitution dominates), labor share declines significantly; when sigma < 1 (complementarity dominates), labor share rises modestly. The critical empirical question our research raises is which regime will prevail.

Why This Is Different from Prior Technology Waves

Every major technology transition — mechanization, electrification, the internet — repriced a single input category over an extended period. Mechanization compressed the cost of physical force. Electrification compressed the cost of energy deployment. The internet compressed the cost of distributing information. Each wave left the others largely intact and diffused over decades, allowing institutions time to adapt.

Bresnahan and Trajtenberg's foundational work on General Purpose Technologies identifies the pattern: pervasiveness, capacity for improvement, and innovational complementarities characterize each wave — but historically these waves operated on sequential timescales.[3]

The present inflection differs in three critical respects:

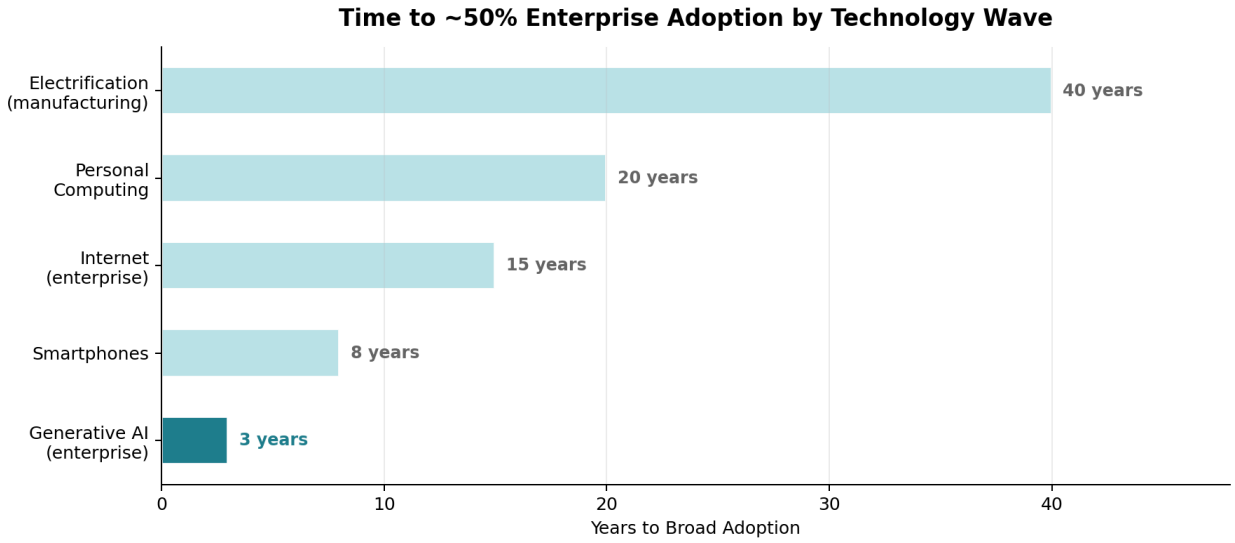
1. It extends substitution to high-skill cognitive tasks — the very destination sector that absorbed displaced workers in every prior transition. The task-based framework developed by Autor, Levy, and Murnane demonstrates that prior computing waves substituted for

routine tasks while complementing non-routine analytic work; the current wave disrupts both categories simultaneously.[4]

2. Intelligence cost and coordination cost are compressing concurrently rather than sequentially, removing both primary barriers to the modularization of the firm at the same time.

3. Diffusion is measured in quarters, not decades. ChatGPT reached 100 million users in two months;[5] enterprise adoption of generative AI doubled within ten months of its commercial availability, with 65% of organizations using GenAI regularly by early 2024.[6]

These distinctions are not rhetorical. They change the structure of the adjustment problem. When the destination sector for displaced labor is itself the object of compression, and when the adjustment window is compressed from decades to years, the historical pattern of smooth absorption becomes a substantially less reliable guide.

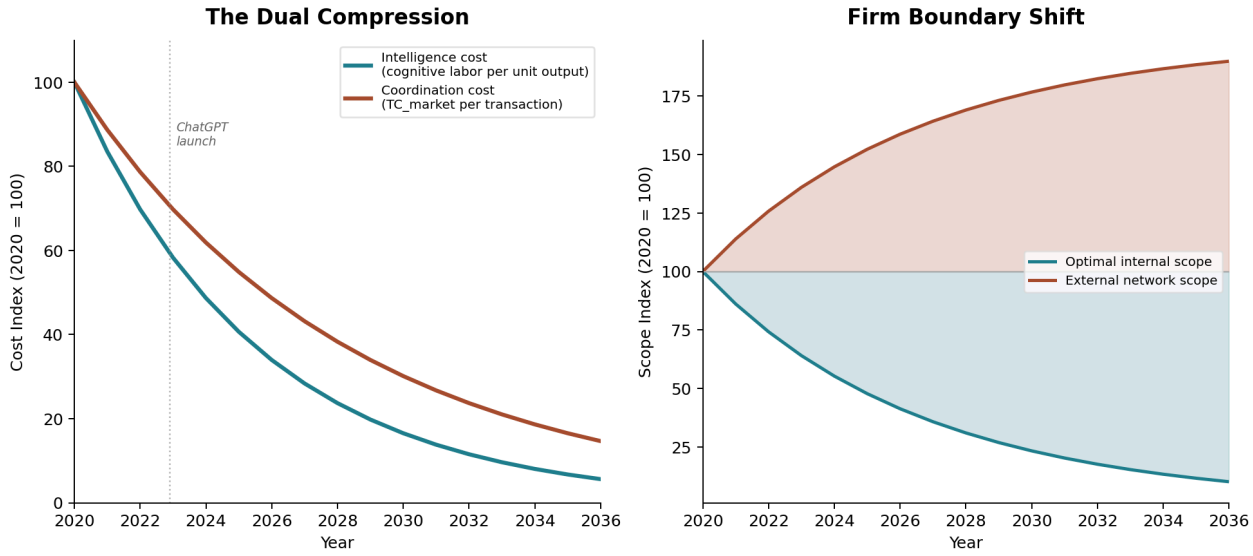


Comparison of time-to-broad-adoption across major technology waves, from electrification (~40 years) to generative AI (~3 years) — underscoring the unprecedented pace of the current transition.

The Firm Is Being Reconstituted, Not Destroyed

The transaction-cost economics pioneered by Coase (1937) and operationalized by Williamson (1985) provide the right lens.[7] [8] Firms exist because the cost of coordinating activity through markets (TC_market) historically exceeded the cost of organizing it internally (TC_internal). AI reduces TC_internal for knowledge-intensive activities. Programmable settlement reduces TC_market by lowering search, negotiation, enforcement, and reconciliation overhead. Together, they narrow the inequality that justified the large integrated employment structure.

The firm does not disappear in this logic — it reconstitutes as an orchestration layer. Its strategic core — proprietary judgment, irreplaceable relationships, regulatory accountability — remains internal. ***Its prevailing cognitive outputs migrate to external networks of AI-enabled operators. The result is not the "end of the firm" but a structural shift in the optimal ratio of internal to external production, with significant implications for headcount, organizational design, and competitive strategy.***

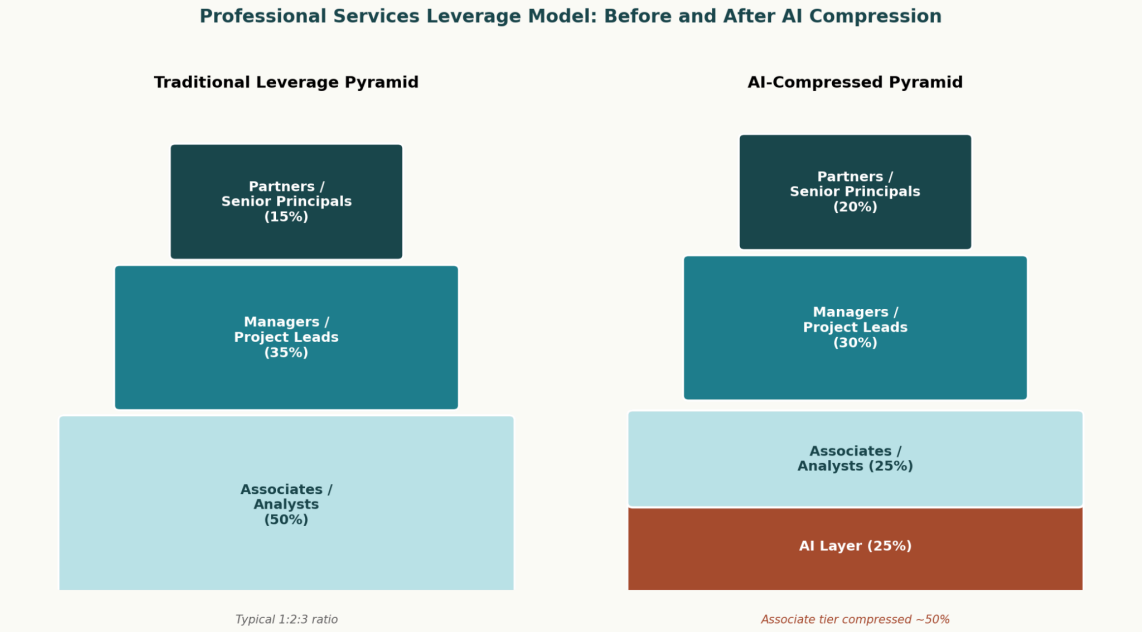


Two-panel view: the left panel shows intelligence and coordination costs declining from their 2020 baselines (indexed to 100), while the right panel shows the corresponding firm boundary shift — optimal internal scope shrinking as external network scope expands.

This dynamic is particularly acute for professional services. The leverage pyramid — the model formalized by Maister (1993) in which senior practitioners' judgment is amplified through layers of junior labor performing analysis, drafting, and synthesis — faces direct structural pressure.[9]

A BCG field experiment with 758 consultants found that AI users completed 12.2% more tasks, were 25.1% faster, and produced 40% higher quality output — effects concentrated in precisely the junior-tier work that the leverage model depends upon.[10] ***When AI can perform 30 percent or more of the work that occupies junior associates, the optimal pyramid ratio falls. Revenue per senior FTE rises; demand for junior headcount does not.***

Boston Consulting Group projects 10–20% shrinkage in technology services delivery pyramids within 24 months as agentic AI absorbs entry-level analytical work.[11] Consulting, legal, financial advisory, and software services all face variants of this same compression.

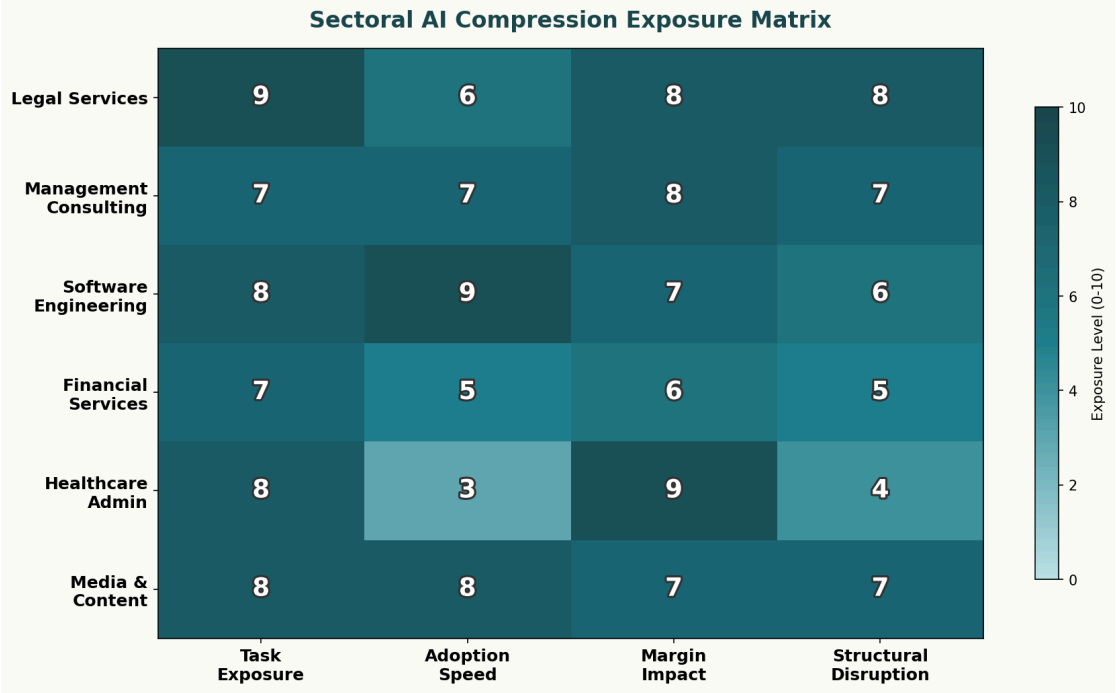


Side-by-side comparison of the traditional professional services pyramid (1:2:3 ratio) versus the AI-compressed version, where the associate/analyst tier is cut roughly in half and replaced by an AI layer — the structural transformation at the heart of the consulting and legal deep dives.

Sectoral Implications

The surplus is not distributed evenly across the economy. Financial services face compression across compliance, reporting, and advisory functions, but regulatory constraints create adoption friction. Consulting and professional services confront a fundamental challenge to the leverage model that generates their margins. Legal services, with 44 percent of tasks exposed to AI automation — the highest of any major profession, according to Goldman Sachs Economic Research — face both efficiency gains and existential questions about the associate-driven pyramid.[12]

Software engineering, where GitHub Copilot studies demonstrate 55 percent task-completion speedups in randomized controlled trials, is being repriced in real time.[13] Healthcare, burdened with administrative overhead consuming 34.2 percent of total national health expenditures ($812 billion in 2017 dollars), represents one of the largest efficiency opportunities — but regulatory gatekeeping via the FDA's AI/ML Software as a Medical Device framework and clinical safety requirements will gate adoption more tightly than in other sectors.[14] [15]



Scoring six sectors across four dimensions (task exposure, adoption speed, margin impact, structural disruption) on a 0-10 scale. Legal services and healthcare admin show the starkest contrasts between high task exposure and slower adoption.

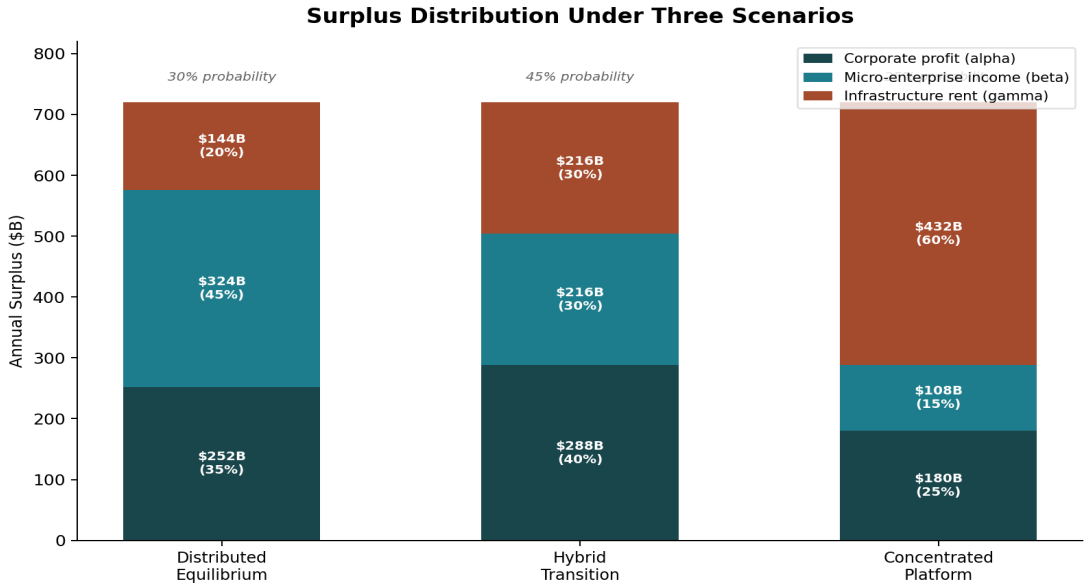
Scenarios for the Decade Ahead

Three scenarios frame the distributional space over 2026–2036:

1. **The Distributed Equilibrium (30% probability)**
   Open-source models proliferate, micro-enterprise (what I previously dubbed "micro-business") formation accelerates, and independent operators capture the largest share of surplus. Labor share stabilizes or improves as displaced wage workers convert to self-employment income. This is the most transformative and, arguably, the most optimistic outcome — but it requires robust open-model ecosystems, accessible infrastructure, and mature procurement markets for micro-enterprise output.

2. **The Hybrid Transition (45% probability)**
   Corporate incumbents and micro-enterprises split the surplus, with infrastructure providers extracting a meaningful but not dominant rent. Firms modularize selectively; labor markets bifurcate between high-autonomy knowledge workers who thrive and routine cognitive workers who face sustained wage pressure. This is the most likely near-term trajectory and the one for which most strategic planning should be calibrated.

3. **The Concentrated Platform Economy (25% probability)**
   A small number of compute and model providers extract the dominant share of surplus through pricing power, API monopoly, and network-effect moats. Corporate profits are compressed by high AI input costs; micro-enterprise formation is dampened by thin economics on expensive proprietary infrastructure. Labor share declines structurally — extending the secular trend documented by Karabarbounis and Neiman (2014), who find a ~5 percentage point global decline since the early 1980s driven substantially by falling capital goods prices.[16] This outcome most directly mirrors historical patterns of industrial platform consolidation and is the default trajectory absent deliberate countervailing policy.



How the surplus splits across three recipients (corporate profit, micro-enterprise income, infrastructure rent) under each of the paper's three scenarios: Distributed Equilibrium, Hybrid Transition, and Concentrated Platform.

What Should Be Done

The policy architecture required for this transition rests on four levers:

1. **Measurement Reform** - Current GDP and productivity statistics will systematically undercount AI-driven surplus, particularly in the micro-enterprise channel — the same mismeasurement dynamic identified by Brynjolfsson (1993) in the original IT productivity paradox);[17]

2. **Portable Benefits Infrastructure** - Decoupling health insurance, retirement, and worker protections from full-time employment status, as outlined in the Aspen Institute's 2025 roadmap for a renewed work-related safety net);[18]

3. **Open-Model and Interoperability Mandates** - Controlling infrastructure rents and preserving competitive access, building on precedents such as the EU's PSD2 open banking directive);[19]

4. **Adaptive Regulatory Frameworks** - that accommodate the speed of technological diffusion without sacrificing accountability, including the EU AI Act's risk-based tiered approach as a reference model.[20]

For corporate leaders, the strategic imperative is clear: ***the firms that capture enduring advantage are not those that adopt AI earliest, but those that use the early adoption window to build orchestration capabilities, proprietary data moats, and service architectures that are difficult to replicate.***

For investors, the transition is structural rather than cyclical: ***portfolio construction should reflect the repricing of knowledge-work output, the emergence of AI-native enterprise models, and the concentration dynamics shaping infrastructure returns.***

A Final Observation

There is a natural tendency, in periods of rapid technological change, to oscillate between utopian enthusiasm and dystopian alarm. The Convergence Economy warrants neither. What it warrants is analytical precision about the mechanisms at work, honest acknowledgment of the uncertainties involved, and strategic frameworks calibrated to the specific structural properties of this transition rather than borrowed from prior eras.

The surplus is real. The compression is underway. The question that remains genuinely open — and that will define the economic and institutional landscape of the next decade — is how that surplus is distributed. That distribution will not be determined by technology alone. It will be determined by the institutional, regulatory, and strategic choices made in the next several years. The framework presented here is intended to inform those choices.

This synopsis is drawn from "The Convergence Economy: Intelligence, Settlement, and the Re-Architecture of the Firm," a comprehensive institutional research manuscript compiled by BE Global Advisors (March 2026). The full paper, including formal economic modeling, sectoral deep dives, scenario architecture, capital allocation frameworks, and a complete reference appendix with 66 sourced citations, is available upon request.

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Notes/Citations

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