



Epsilon Theory
World War AI

November 20, 2025



Scott Bessent says AI capex will create a Golden Age of productivity, lower deficits, non-inflationary growth, employment boom.



Elon Musk says his Optimus robots will 'eliminate poverty' in speech after his \$1 trillion pay package was approved.

How's that whole golden age thing going for you so far? That golden age of human leisure and wealth awaiting us in a world optimized for the thinking machines.

Are you working a bit less today, enjoying the early fruits of all this 'AI productivity'? Or are you somehow working longer, more stressful hours than ever?

Is it your sense that life is getting a little bit easier for the poor or the middle class or anyone other than the very rich as the 'AI revolution' arrives? Is it your sense that young people are a bit more hopeful about the future now that it's an 'AI economy'? Is it your sense that 'AI friends' are beginning to enrich our social lives? Is it your sense that goods and services are becoming more plentiful and cheaper as 'AI deflation' kicks in? Is it your sense that news is more informative and shows are more entertaining as 'AI content' spreads? Is it your sense that job prospects are improving as we enter an 'AI employment boom'?

Yeah. Same.

Honestly, I don't see how the carrot was ever going to work. It's just too at-odds with our actual lived experience, even here in Fiat World where our reality is declared and announced to us. They're going to need the stick. They're going to need to tell us that national survival is at stake, that our enemies will triumph if we don't make the 'necessary sacrifices' to win this 'AI arms race'.

They're going to need a war.

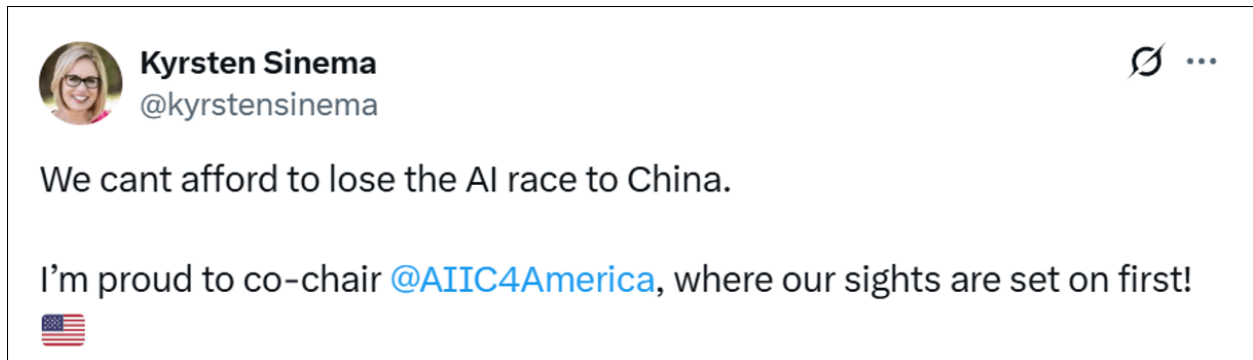
Oh, maybe not an actual war, but the functional equivalent thereof, full of threats real and imagined and adversaries foreign and domestic. They're going to need World War AI.



We're already seeing it in our narrative tracking data on [Perscient Pro](#), this growing drumbeat for World War AI. From our [AI Pulse report on November 10](#):

Perscient's semantic signature tracking narratives that big AI capex is needed to compete with China rose by 0.83 from the previous week to reach an all-time high z-score of 3.96, reflecting unprecedented narrative density around this justification for infrastructure spending.

The Techno-Oligarchs know what they're doing. They've got their Wall Street Renfields to dangle the bags of money and their Washington stooges to play the patriotic duty song. You will know them by their fruits:



Bah! Yes, China is our geopolitical adversary. No, this is not an AI arms race or an AI war.

First we see through the stories we are told. Then we take the fight to our true enemy.

The United States spent \$296 billion over a roughly four-year period to fight World War II, which would translate to about \$4 trillion in today's dollars.

At its peak (1943), the war effort accounted for 37% of US GDP, and no aspect of American life was untouched or unconstrained by the US government's reallocation of the three basic building blocks of economic activity -- **labor**, **capital** and **energy** (energy being my shorthand for all physical resources as well as the core input to mining, farming, manufacturing and transportation) -- and the enormous expansion of government's role in American society to carry out this reallocation. In particular, every aspect of consumer behavior was subordinated to the **political will** required to execute the war effort, a political will which created extreme shortages in the labor, capital and physical resources available to the consumer economy.

I think it's hard for Americans today to grasp both the level of consumer sacrifice that was required during World War II and the level of government ~~propaganda~~ 'nudge' involved in enforcing that consumer sacrifice.



I mean, I'm guessing that the mother and child in the poster above, dressed in their perfectly matching frocks and radiating Stepford Wives aura, maybe did *not* have enough food the winter before? And if you think that it's 'encouraging political violence' to call someone a Nazi today for supporting fascist policies ... in 1943 the government would call you a Nazi if you didn't carpool.

I find these posters and broadsides from World War II pretty funny, like they're from some cartoon world, and I bet you do, too. But when you read the memoirs and economic histories of the WWII homefront, there's nothing cartoonish about it. These were hard times! Shortages of food, energy and labor created extreme cost-push inflation, like our Covid-era supply chain inflation but on steroids, to which the government responded with draconian price controls on EVERYTHING. And when price controls didn't work, meaning that when even a suppressed market failed to distribute enough calories to enough people to prevent widespread hunger if not starvation, the government abandoned market mechanisms altogether and instituted outright rationing on food, energy and other necessities.

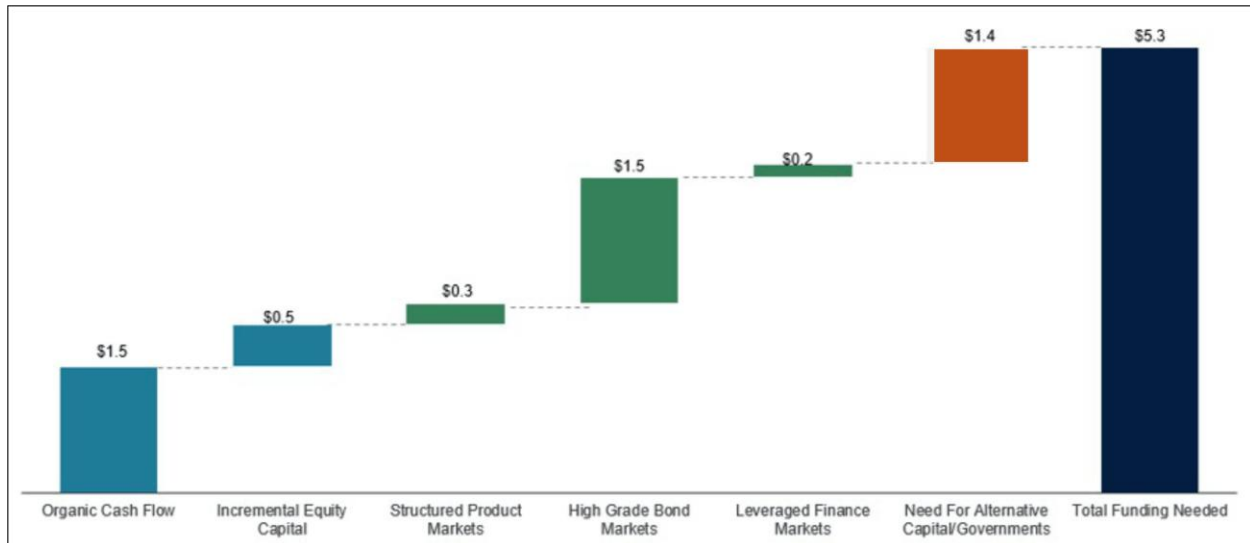
At the same time, every bit of available domestic investment capital and savings (which are the same thing) was absorbed by the federal government and unavailable for the consumer economy. That meant that in addition to the extreme inflationary pressures from widespread shortages, there was ZERO economic growth from small and medium businesses, which were an even larger portion of American GDP back then than they are today. The only thing that kept the American economy from collapsing into a stagflationary disaster was the \$4 trillion that the US government spent on manufacturing war materiel and -- hold this thought! -- *the enormous number of new jobs created from that.*

The same amount of inflation-adjusted money we spent on World War II -- somewhere between \$4 trillion and \$5 trillion -- is scheduled to be spent on AI and datacenter buildouts in the United States over the next four years.

Yes, our economy is proportionally bigger today, so this is 'only' something like 15% of US GDP (\$30 trillion in 2025), but an economic mobilization of this magnitude will require a similarly massive reallocation of our fundamental economic building blocks -- labor, capital and energy -- especially capital and energy.

On the capital side, it's difficult to communicate how much money this is over such a short period of time. As JPMorgan puts it in their magisterial research note on AI Capex financing, "The question is not which market will finance the AI-boom. Rather, the question is how will financings be structured to access every capital market." Here's their chart for where they think the money will come from (slightly apples to oranges as this is global spend, not just US, but I figure 70-80% of this datacenter build is going to happen in the US, so it's essentially the same), and I'd call your attention in the \$1.4 trillion attributed to "Need for Alternative Capital / Governments", which

combines both our favorite financial topic du jour -- private credit -- with direct government subsidy/investment.



AI Capex - Financing the Investment Cycle (J.P.Morgan North America Fundamental Research, Nov. 10, 2025)

This is the necessary context for understanding OpenAI CFO Sarah Friar's recent comments at a Wall Street Journal conference that the company would 'welcome' a federal government 'backstop' on private debt financings of this datacenter buildout, as well as Sam Altman's unintentionally hilarious 5,000 word tweet to 'clarify' Friar's very clear and very correct and very intentional words.





Sam Altman  
@sama



I would like to clarify a few things.

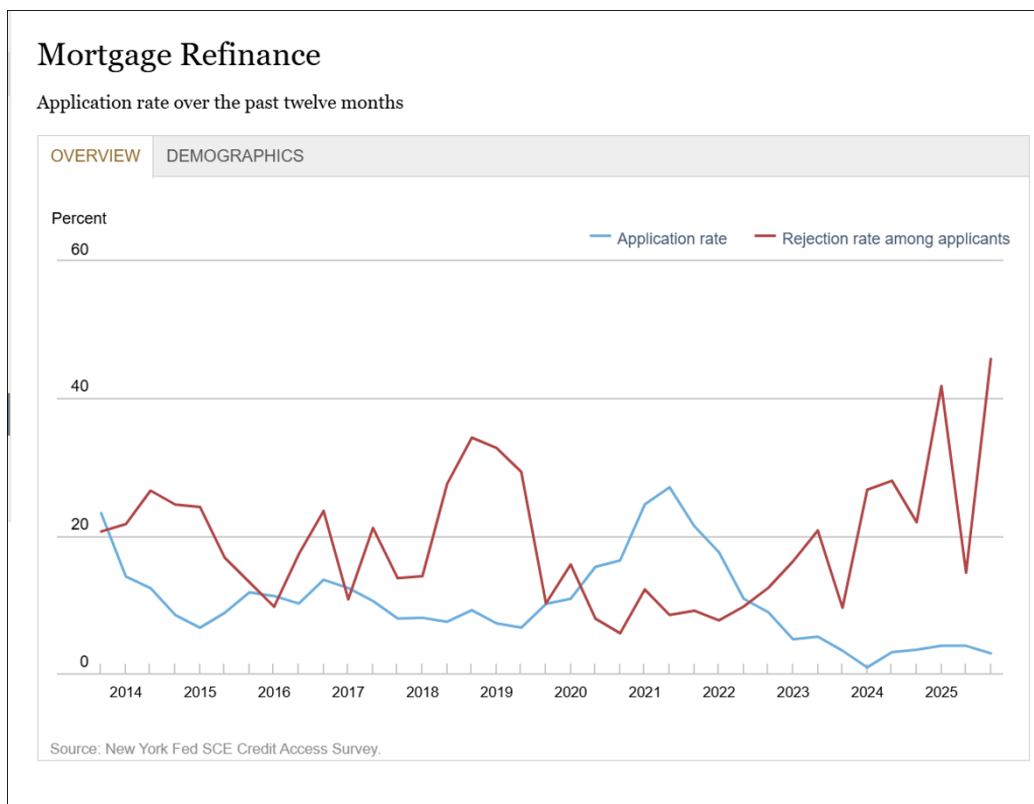
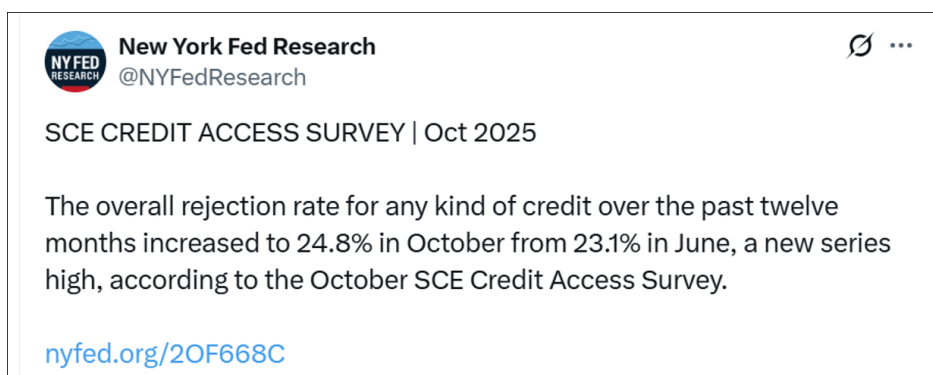
First, the obvious one: we do not have or want government guarantees for OpenAI datacenters. We believe that governments should not pick winners or losers, and that taxpayers should not bail out companies that make bad business decisions or otherwise lose in the market. If one company fails, other companies will do good work. What we do think might make sense is governments building (and owning) their own AI infrastructure, but then the upside of that should flow to the government as well. We can imagine a world where governments decide to offtake a lot of computing power and get to decide how to use it, and it may make sense to provide lower cost of capital to do so. Building a strategic national reserve of computing power makes a lot of sense. But this should be for the government's benefit, not the benefit of private companies. The one area where we have discussed loan guarantees is as part of supporting the buildout of semiconductor fabs in the US, where we and other companies have responded to the government's call and where we would be happy to help (though we did not formally apply). The basic idea there has been ensuring that the sourcing of the chip supply chain is as American as possible in order to bring jobs and industrialization back to the US, and to enhance the strategic position of the US with an independent supply chain, for the benefit of all American companies. This is of course different from governments guaranteeing private-benefit datacenter buildouts. There are at least 3 "questions behind the question" here that are understandably causing concern. First, "How is OpenAI going to pay for all this infrastructure it is signing up for?" We expect to end this year above \$20 billion in annualized revenue run rate and grow to hundreds of billion by 2030. We are looking at commitments of about \$1.4 trillion over the next 8 years. Obviously this requires continued revenue growth, and each doubling is a lot of work! But we are feeling good about our prospects there; we are quite excited about our upcoming enterprise offering for example, and there are categories like new consumer devices and robotics that we also expect to be very significant. But there are also new categories we have a hard time putting specifics on like AI that can do scientific discovery, which we will touch on later. We are also looking at ways to more directly sell compute capacity to other companies (and people); we are pretty sure the world is going to need a lot of "AI cloud", and we are excited to offer this. We may also raise more equity or debt capital in the future. But everything we currently see suggests that the world is going to need a great deal more computing power than what we are already planning for. Second, "Is OpenAI trying to become too big to fail, and should the government pick winners and losers?" Our answer on this is an unequivocal no. If we screw up and can't fix it, we should fail, and other companies will continue on doing good work and servicing customers. That's how capitalism works and the ecosystem and economy would be fine. We plan to be a wildly successful company, but if we get it wrong, that's on us. Our CFO talked about government financing yesterday, and then later clarified her point underscoring that she could have phrased things more clearly. As mentioned above, we think that the US government should have a national strategy for its own AI infrastructure. Tyler Cowen asked me a few weeks ago about the federal government becoming the insurer of last resort for AI, in the sense of risks (like nuclear power) not about overbuild. I said "I do think the government ends up as the insurer of last resort, but I think I mean that in a different way than you mean that, and I don't expect them to actually be writing the policies in the way that maybe they do for nuclear". Again, this was in a totally different context than datacenter buildout, and not about bailing out a company. What we were talking about is something going catastrophically wrong—say, a rogue actor using an AI to coordinate a large-scale cyberattack that disrupts critical infrastructure—and how intentional misuse of AI could cause harm at a scale that only the government could deal with. I do not think the government should be writing insurance policies for AI companies. Third, "Why do you need to spend so much now, instead of growing more slowly?" We are trying to build the infrastructure for a future economy powered by AI, and given everything we see on the horizon in our research program, this is the time to invest to be really scaling up our technology. Massive infrastructure projects take quite awhile to build, so we have to start now. Based on the trends we are seeing of how people are using AI and how much of it they would like to use, we believe the risk to OpenAI of not having enough computing power is more significant and more likely than the risk of having too much. Even today, we and others have to rate limit our products and not offer new features and models because we face such a severe compute constraint. In a world where AI can make important scientific breakthroughs but at the cost of tremendous amounts of computing power, we want to be ready to meet that moment. And we no longer think it's in the distant future. Our mission requires us to do what we can to not wait many more years to apply AI to hard problems, like contributing to curing deadly diseases, and to bring the benefits of AGI to people as soon as possible. Also, we want a world of abundant and cheap AI. We expect massive demand for this technology, and for it to improve people's lives in many ways. It is a great privilege to get to be in the arena, and to have the conviction to take a run at building infrastructure at such scale for something so important. This is the bet we are making, and given our vantage point, we feel good about it. But we of course could be wrong, and the market—not the government—will deal with it if we are.

Sarah Friar didn't 'misspeak' when she called for a federal backstop -- by which everyone means and intends a US Treasury guarantee -- on AI datacenter debt issuance, and she didn't need to 'phrase things more clearly'. She used *exactly* the right word to describe *exactly* the policy that OpenAI and Wall Street and every other participant in this \$10 trillion ouroboros ecosystem desperately wants and frankly requires for this massive reallocation of capital to have a chance of succeeding.

medium enterprises will be mostly shut out and consumer-facing enterprises are going to be completely shut out.

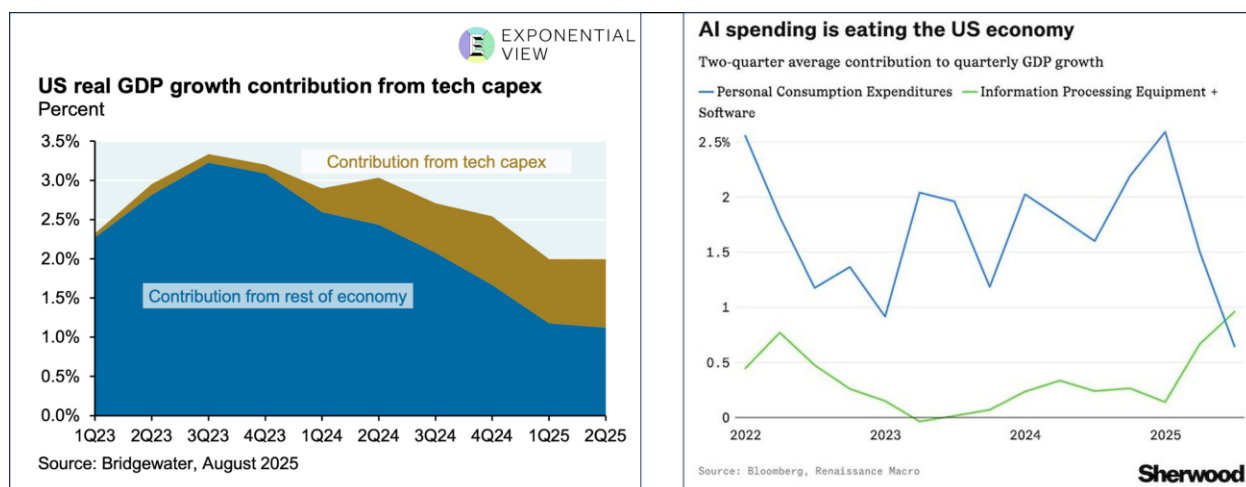
The inevitable impact of a massive reallocation of capital away from the consumer economy is that consumer credit becomes more expensive (if it's available at all), capital-intensive consumer services like health insurance and homeowners insurance become more expensive (if they're available at all), consumers stop spending (especially the bottom 50%), and consumer-facing businesses stop hiring (if they're not actively cutting back).

Sound familiar? That's because what I'm describing isn't some maybe-projection of some hypothetical future. This is all happening already. This is all happening NOW.



This is the latest data from the [NY Fed consumer credit access survey](#), which they update every four months and goes back about a dozen years. Credit applications regardless of type (credit cards, auto loans, mortgages, mortgage refis) are being rejected at the highest rate since they started the survey. Mortgage refi applications (so these are not the poors, these are middle class and up consumers who own their home) are being rejected at an especially high rate, north of 45%. This is what a consumer credit freeze looks like -- already! -- here in the first inning of the AI capital reallocation.

As for consumer spending ...

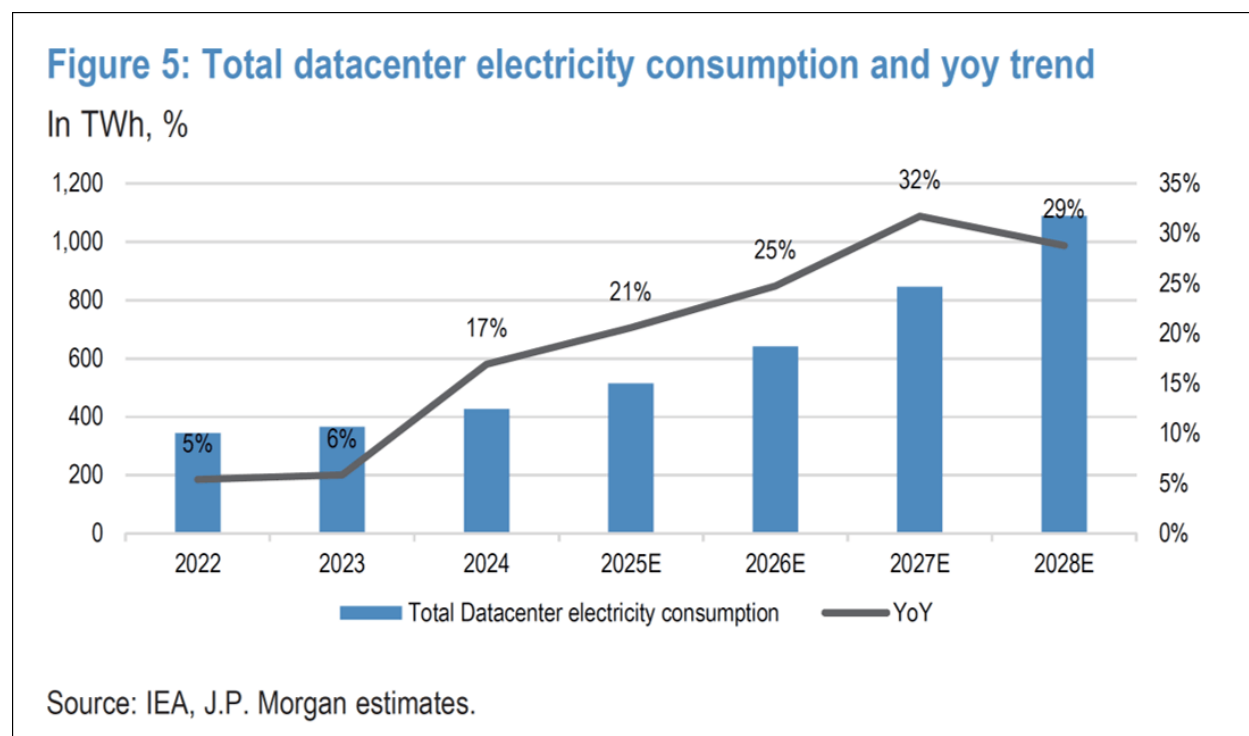


These charts show the drivers of US GDP growth for the first half of the year. The chart on the left shows that spending on tech accounted for almost half of US GDP growth in the first half of the year. The chart on the right shows that growth in tech spending (which is about 5-6% of the US economy) accounted for more GDP growth than all consumer spending (which is about 60% of the US economy). And this is only through June 30. We'll get Q3 data at some point in the next month, and I'll eat my hat if these trends aren't accelerating, even here at this earliest stage of World War AI.

But wait there's more. What I've described so far is what happens with a war-footing reallocation of capital. The impact of a war-footing reallocation of energy is even harder on the consumer economy.

Once again, I'll turn to my friends at JPMorgan to set the stage. This is projected datacenter electricity consumption globally (of which the US is the largest portion, but less so than in projected capital spending). I think it's quite thoughtful and is a good balance of top-down power consumption estimates (which tend to be lower because from a top-down perspective of how many power plants can be built there's just no way) and bottom-up power consumption estimates (which tend to be *much* higher because the appetite for more compute is limitless).

What you're seeing is annual terawatt-hours (TWh) of electricity consumed, which is the Godzilla-version of the same sort of kilowatt-hours information you'd get on your utility bill. I really like starting with the consumption projection -- how much electricity will all these data centers need -- before we start looking at where the electricity might come from.



AI Capex - Financing the Investment Cycle (J.P.Morgan North America Fundamental Research, Nov. 10, 2025)

JPMorgan is estimating that datacenters (globally) will consume about 1,100 TWh of electricity in 2028. My guess is that 70% of that electricity consumption will come from US datacenters, up from 60% in 2023 as the new construction will be predominantly in the US. Roughly speaking, let's say it's 800 TWh of projected electricity consumption by US datacenters in 2028. If that's growing by 25% per year (which would be a reduction from 2027 and 2028 growth levels of 32% and 29% respectively), then we're at US datacenter electricity consumption of 1,000 TWh in 2029 and 1,250 TWh in 2030.

To level-set a little bit, in 2023 the entire US economy consumed approximately 4,000 TWh, [per the US Dept. of Energy](#). Of that total, datacenters consumed 175 TWh, or right at 4.4% of the entire economy.

Now in a good year, the United States grows its total electricity consumption by 2-3%, *because electricity consumption is an effective proxy for GDP growth*. So let's be generous and take non-datacenter electricity consumption and grow it by 2% per year, and see where we end up in terms of relative power consumption between datacenters and the rest of the US economy. We're not

even thinking yet about whether or not it will be possible to build enough new power plants to satisfy both datacenter growth and non-datacenter economic growth. I'm just curious what the mix of electrical demand will be.

With 2% electricity consumption growth (i.e. economic growth) in the non-datacenter economy, datacenters will have a 15.9% electricity consumption share of 5,023 TWh in 2028, 18.8% share of 5,308 TWh in 2029, and 22.1% share of 5,644 TWh in 2030.

With 1% electricity consumption growth in the non-datacenter economy, datacenters will have a 16.6% electricity consumption share of 4,820 TWh in 2028, 19.8% share of 5,060 TWh in 2029, and 23.4% share of 5,350 TWh in 2030.

With 0% electricity consumption growth in the non-datacenter economy, datacenters will have a 17.3% electricity consumption share of 4,625 TWh in 2028, 20.7% share of 4,825 TWh in 2029, and 24.6% share of 5,075 TWh in 2030.

Up from 4.4% of 4,000 TWh two years ago.

That's a lot of numbers, but it's a simple conclusion:

The datacenter slice of the US electricity consumption pie is growing much larger and much faster than the pie itself can possibly grow.

Datacenters go from a rounding error in 2024 to consuming close to one-quarter of our electricity by 2030.

It is impossible to build enough new power generation supply to support both projected datacenter growth and growth in the rest of the US economy.

Ignore interconnects and transmission and all that stuff. Ignore the 3-year wait for new gas turbines from Cat or GE. Ignore all of the wind and solar projects that this administration has killed. Pretend -- and it's totally pretend -- that we can add 100 gigawatts or whatever the number is of new power generation to support the required electricity demands of the AI 'war effort'. It still doesn't work.

Even if you succeed in building all the power generation facilities required for the AI datacenters, there's a remaining deficit of *hundreds* of terawatt hours for the electricity consumption (i.e. economic growth) of the rest of the economy. That deficit cannot be jawboned away. That deficit must be *rationed* to the rest of the economy, first by price -- which is why your utility bill has gone up so much already -- and then by allocation, i.e. scheduled brownouts and price controls.

The kicker, of course, is that higher electricity prices filter into everything. This IS cost-push inflation, and the same story arc from World War II -- first rationing through price increases, then rationing through allocation and price controls -- will repeat itself in World War AI.



But here's what's different.

Unlike World War II, there will be no net new jobs created by World War AI.

Most of the readers of this note work for a non-tech company that is 'trying to figure out how to use AI'. Let me guess how that's going for you. At the vague direction of your board or CEO or EVP, your company has spent a not-small amount of money on AI 'projects' that started with some sort of chatbot running over internal documents or knowledge base and have now graduated into some sort of pseudo-agentic junior analyst or junior coder or copywriter or update provider. This has been going on for about two years now. There have been some modest process improvements in your products or services which, over time and over enough processes, may or may not add up to noticeable margin expansion. The jury's still out on that. AI has allowed you to delay or scale back some hiring plans, which is definitely a plus for your bottom-line, but you haven't seen much impact from these AI projects on your top-line revenue growth.

I'm sorry to say this, but that's all there is. AI can generate process improvements and margin expansion, principally by reducing headcount, but it's not going to open up new revenue opportunities or create new products and services. That's just not what inference does. AI doesn't discover new economic vistas into which human cogs may be inserted/hired as 'jobs'. AI takes existing economic activity and replaces human cogs with itself.

In fact, the best way to understand World War AI is that the 'war aims' are not directed at another country, no matter what you may hear about China, but are directed at human labor itself. The goal here -- not the unfortunate side effect but the intentional goal! -- is to eliminate much of human labor, both white collar / symbolic manipulation jobs today with AI virtual agents and blue collar / physical manipulation jobs tomorrow with AI-supported robots. Or in the words of Elon Musk, in the same speech where he accepted his \$1 trillion pay package from Tesla:

"There's a limit to much how much AI can do in terms of enhancing the productivity of humans, but there's not really a limit to AI that is embodied."



The Techno-Oligarchs intend to optimize our world for the thinking machines over humanity.

They're not confessing. They're bragging.

Okay, Ben, you've got my attention. So what do we DO about it?

First we refuse to be a useful idiot for the Techno-Oligarchs. We maintain a critical distance when these messages of World War AI wash over us by asking: *Why am I reading this now?* We understand the messages for what they are: *an intentional effort to hijack our autonomy of mind and our collective political will.*

And then we fight back.

We fight back, not by a frontal assault on the Techno-Oligarchs and their billions and their well-established power centers on Wall Street and in Washington, not by being against 'technology' or 'progress' or 'national security', but by being FOR three policies that support the American people over the Techno-Oligarchs' machines.

1) We are FOR the rapid domestic reshoring of manufacturing of all types.

Yes, Apple should absolutely be pressured/required to bring significant pieces of iPhone manufacturing back to the United States, as should every behemoth American company that has offshored vast swaths of its operations. Will this hurt their margins? Sure, couldn't care less. Will robots eventually take some of those jobs? Eventually, sure. But eventually works for me. Will iPhone prices go up? A bit, sure. But I bet they'll swallow most of it, just like they did tariffs. Trump is totally right to make reshoring a cornerstone of his economic policy, and it's beyond pathetic that his predecessors for the past 25 years -- in both parties! -- have done everything possible to accommodate wanton offshoring.

Reshored manufacturing facilities are 'good' economic growth drivers and 'good' electricity consumers, meaning that they generate a broad ecosystem of jobs and small/medium enterprise entrepreneurialism. This is the economic activity that deserves a bigger slice of the energy pie!

2) We are FOR the rapid buildout of power generation projects from all sources.

Power generation growth IS economic growth. Yes, we need wind and solar. Yes, we need nuclear. Yes, we need gas. Yes, we need coal. Do I care about carbon? Of course I care about carbon. I care more about the Blade Runner future we are creating in this country, with a permanent underclass and a fascist techno-oligarchy. I am done with the woke-left on energy, and I am even more done with the woke-right on energy, like Trump's insane jihad against wind because it's bad for whales and the view. Build it ALL, and use every possible government carrot and stick to build it all NOW, because massive energy production over the next three years is the only path out of this mess that doesn't end up with either the AI authoritarianism of Proconsul Vance or the AI backlash of Comrade Mamdani.

You hear a lot about 'abundance philosophy' in political circles these days, and I get why it's struck such a powerful chord. The positive energy of abundance philosophy is exactly what I'm getting at when I say that the key to what we DO is to be FOR policies rather than just be anti- everything the Techno-Oligarchs do. *Friends, the key to abundance is energy.* Period. Full stop. If we achieve abundance in energy, abundance in every other economic and social good -- housing, jobs, incomes, healthcare, education, you name it -- will follow.

3) We are FOR a strict allocation limit of 10% of a state's electricity generation capacity to datacenters.

This is the big one. The other two policies will get at least lip-service acquiescence from the Techno-Oligarch stooges, but this one will be fiercely fought because it actually bites. It actually contains them.

The problem to solve isn't just how to grow the power generation pie, it's how to prevent AI datacenters from taking an insanely large slice of that pie.

The point of this consumption cap isn't to prevent AI ecosystem growth. It's to prevent AI ecosystem growth from swallowing up every watt of available energy and starving the rest of the American economy. It's to place an allocated energy ration on the thinking machines before they put one on us.

The beauty of a 10% cap is that it doesn't bite them yet. I'm pretty sure that datacenter power consumption in every state is currently under 10%, so while it dramatically diminishes the economics of future projects (which is the whole point!), it's not taking anything away from current players. In fact, it probably makes current datacenters more valuable because they've already got an allocation, although state regulators can handle the allocation process any way they choose.

I'll tell you right now what the main talking point against a hard cap will be: "If we're building the power generation facility, we should get all the electricity from it". To which I say: "Not if you're connected to the grid or public utilities, which of course you are". Look, the entire purpose of having a government in the first place is to solve problems of the commons, to provide for the common defense, the common clean water supply, the common electricity supply, etc. If you build a power gen facility then sure you can have claim on a big chunk of what it produces, say 50%, subject to peak loads and all that other grid management stuff, and yes, that can be a variance on the hard cap, but you're either part of this country and it's whole-of-country effort to secure the national welfare or you're not. We already went through this privatized-gains-socialized-losses crap with the Bankers, and we're not doing it again with the Techno-Oligarchs.

This is the way.

MAKE energy abundant in the United States.

PROTECT the American people by limiting the energy available to datacenters.

TEACH that the most powerful adversaries of the American people are the Techno-Oligarchs,
not the Chinese.

Make / Protect / Teach

This is the *why* of Epsilon Theory

- Make more informed decisions as an investor and voter.
- See through the nudges of Big Politics, Big Media and Big Tech.
- Resist propaganda.
- Become a better consumer of news.
- Maintain an autonomy of mind in a sea of narratives.

Please join us!

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