

Are CEOs Using AI to a Build Demand Destruction Trap?

By Don Sutherland

On Friday, [CNBC reported](#):

Artificial intelligence adoption could lead to significant job struggles for entry-level workers as companies boost productivity, according to ServiceNow CEO Bill McDermott...

Palantir CEO Alex Karp previously told CNBC that he wants to grow revenue by 10 times while reducing headcount...

McDermott told CNBC that ServiceNow's tools will help businesses slash hiring costs, adding that the software firm has already taken out 90% of the use cases that previously relied on humans in customer service. It also allows businesses to maintain headcount while growing free cash flows and revenue.

The thinking reflected in these CEOs' comments is shortsighted because it treats labor mainly as a cost to be eliminated while overlooking labor's central role in sustaining the very markets from which firms earn revenue. Companies do not generate sales in a vacuum. Revenue depends on customer demand, and customer demand depends on people having both the willingness and the ability to buy goods and services. The ability to buy, in turn, depends heavily on income, job security, and access to resources. If AI-driven strategies result in widespread job loss, especially among entry-level workers and recent college graduates, then the same firms celebrating efficiency gains may be dismantling the consumer base on which their future growth depends.

This is especially troubling because entry-level employment is not a marginal part of the economy. It is a crucial on-ramp into adult earning, spending, and wealth-building. Young workers use wages to pay rent, buy food, purchase technology, travel, form households, and participate in the broader economy. When those opportunities shrink, the effects do not stop with the individuals who lose out. Lower employment and lower wages reduce aggregate consumption.

Businesses may initially enjoy lower payroll expenses, but if enough firms pursue the same strategy, the result can be a broader contraction in demand. In that sense, aggressive AI substitution can become self-undermining: firms cut labor to increase margins, yet by weakening household purchasing power they also slash the revenues those margins are built upon.

History makes this danger easy to recognize. During recessions, and especially severe ones, unemployment reduces consumer spending, which hurts business revenues, investment, and hiring. That dynamic is one reason downturns can become self-reinforcing.

The CEOs quoted in the article appear to assume that productivity gains automatically translate into durable prosperity, but that is only true when the benefits of productivity are distributed in ways that preserve purchasing power across society. If AI allows firms to produce more with fewer workers while millions face underemployment or joblessness, then society may experience a paradox of greater productive capacity alongside weaker effective demand.

A more far-sighted view would recognize that firms operate within an economic ecosystem, not apart from it. CEOs should be asking not only how AI can reduce headcount, but also how it can augment workers, create new kinds of jobs, expand opportunity, and support long-term market stability. Entry-level jobs matter not simply as training grounds for young professionals, but as mechanisms by which people gain income, experience, and purchasing power.

A business strategy that celebrates rising free cash flow while dismissing the social and macroeconomic consequences of mass displacement is narrow and ultimately unsustainable if imitated widely. If too many workers lose the means to consume, companies may discover that they have optimized costs while undermining the demand that makes growth possible in the first place.