UNBOUNDED WEALTH

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The CEO's Dilemma

Artificial intelligence is dominating nearly every conversation on Wall Street. Companies are announcing multi-billion-dollar investments. Data centers are being built at a staggering pace. Every earnings call seems to include a discussion of AI strategy, and investors eagerly reward management teams that convince the market they have a plan.

Whether AI ultimately changes the world is almost beside the point.

It probably will.

The more interesting question is this:

If you were the CEO of a large public company, could you afford not to invest?

Imagine sitting in the boardroom. Your competitors have committed billions of dollars to artificial intelligence. Analysts are asking about your AI roadmap. Investors want to know how your company plans to capitalize on the next technological revolution. Your board of directors expects answers. Every financial news network is discussing AI as though it's the only thing that matters.

What do you do?

The honest answer is that you probably invest.

Not because you're certain the return will justify the expense.

Because doing nothing may be even riskier.

One lesson I've learned over the years is that investment decisions aren't driven solely by economics. They're also driven by incentives. Public company executives aren't just trying to maximize shareholder value. They're also managing expectations from investors, analysts, employees, customers, and their own boards. Those incentives usually point in the same direction. Occasionally they don't.

Today's AI spending reminds me that career risk often influences decision-making as much as financial risk.

If every major company invests heavily in artificial intelligence and the returns disappoint, few CEOs will be singled out for criticism. They were simply following the direction of the industry. But if one CEO chooses not to invest and competitors ultimately gain a meaningful advantage, that decision could define an entire career.

That's a very different calculation.

History offers plenty of examples. Railroads transformed transportation. The internet transformed commerce. Fiber-optic networks transformed communications. In every case, the underlying technology changed the world.

Not every company investing in that technology rewarded shareholders.

That's an important distinction investors sometimes overlook. A revolutionary technology doesn't automatically produce revolutionary investment returns. Companies can overpay for growth. They can invest too early. They can invest too aggressively. Or they can simply fail to earn an adequate return on the capital they've committed.

History suggests that we're still in the early innings of the AI revolution. That's exciting, but it also calls for humility. At this stage, nobody knows which companies will ultimately earn attractive returns on the billions of dollars they're investing today. Some will build lasting competitive advantages. Others will spend enormous sums only to discover they were chasing an opportunity that never produced the returns investors expected.

We've seen this movie before.

The railroads transformed America, yet many railroad investors lost fortunes. The internet changed the world, but countless dot-com companies disappeared while only a handful created extraordinary shareholder wealth. More recently, investors poured billions into fiber-optic networks, clean energy, and other transformative technologies. Some companies became tremendous successes. Many more faded into history.

Every technological revolution creates enormous economic value.

It doesn't create enormous shareholder value for everyone.

In fact, history suggests that while a great deal of money will be made during the AI revolution, even more money may be lost by investors who assume every participant will become a winner. Revolutionary technologies often attract too much capital, too many competitors, and unrealistic expectations. Eventually, reality separates the winners from the rest.

As individual investors, we have an advantage that many CEOs don't.

We don't have to make investment decisions based on quarterly conference calls or the expectations of Wall Street analysts. We don't have to announce a bold strategy because our competitors did. We don't have to decide today who the ultimate winners will be. We have the luxury of patience. We can let the competitive landscape evolve and allow time to reveal which companies are creating genuine economic value rather than simply participating in the latest corporate arms race.

The technology may be obvious.

The winners are not.

That's why I find it more productive to focus on process than prediction. Rather than trying to identify the one company that will dominate artificial intelligence, I'd rather watch the evidence unfold. Markets have a remarkable way of revealing the winners over time. Patience is often a better investment strategy than confidence.

The lesson isn't to avoid AI.

Far from it.

The lesson is to remember that a revolutionary technology and a successful investment are not always the same thing.

History has taught us that those are two very different bets.

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