

The Future of the Global Economy and Your Place in It

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Good morning. President Andrea Sironi, Rector Francesco Billari, thank you for your kind introduction.

To the faculty, students, and guests gathered here today, thank you for welcoming me to Bocconi.

This is my first visit to the beautiful city of Milan, but Bocconi has been part of my professional vocabulary for as long as I can remember. Over the years, I have known many Bocconi graduates as colleagues, policymakers, and friends. All of them shared the intellectual rigor and exceptional training that have earned Bocconi its reputation for excellence. One such exceptional person was Alberto Alesina whom I had the privilege to work alongside at Harvard. So, it is a great honor to join you for this Opening Ceremony.

I was asked to speak about the future of the global economy, no easy task! There is a lot going on. The world economy today is being reshaped simultaneously by artificial intelligence, geopolitical rivalry, demographic change, climate change, and record-high levels of public debt. Any one of these forces would be transformative on its own. Together, they are creating one of the most consequential periods of change in modern history.

Today I would like to focus on two of these forces: artificial intelligence and geopolitics. In my view, understanding the interaction between them is essential for understanding the world that you, the students of Bocconi, will inherit and help shape. I have taken to describing the present moment as a *Great Gamble*. Let me explain what I mean.

I. The Great Gamble

On one side, we have a technology of transformational potential, capable of enormous good and, quite possibly, enormous harm. On the other, we have a world of eroding trust between nations: active wars and open rivalry among the great powers.

Each would be difficult enough on its own. Together, they create a unique challenge.

For AI to benefit the world there must be trade and investment between nations. Yet, economic linkages are being severed, redrawn, and are increasingly

unpredictable. To ensure AI development does not compromise human safety there must be global cooperation. Yet cooperation is dwindling.

So, we are rolling the dice. That is the gamble. The outcome may well be very good. But we are leaving too much to chance at a moment when the range of possible outcomes is unusually wide.

Let me take each half in turn.

II. Artificial Intelligence: The Upside, the Downside, and the Race

Start with the upside. If the optimistic case is even partly right, we could see large increases in productivity and growth. Scenarios for growth in the US include growth rising to 15% a year by 2030 from the current level of 2% a year! I don't see this as likely, but if growth were to even rise to a sustained 3-4% a year in the US that would be a dramatic improvement in growth.

AI-accelerated scientific discovery could cure diseases like cancer and lengthen healthy lifespans. Developing countries with shortages of doctors and teachers could expand the reach of high-quality health care and education with AI.

Now the downside.

The speed with which the AI transformation is occurring could destabilize jobs. In advanced economies, about 60 percent of jobs are exposed to AI¹. Emerging economies and low-income countries have lower AI exposure, about 40 percent and 30 percent of jobs, respectively. But they are also less likely to harness its benefits.

This summer also brought a striking reminder that we still do not know how to guarantee these AI systems will do what we intend. The OpenAI-Hugging Face episode wherein AI agents escaped the environment designed to contain them, exploited software vulnerabilities, and breached the systems of a third party that had nothing to do with the experiment was a warning shot.

And the conversation within the industry is changing. This month, the chief executive of Anthropic published an essay arguing that the industry must deliberately slow the rate at which it improves model capabilities so that safety work can catch up.

The US administration has however dismissed the call to slow AI development owing to concerns that China will then take the lead in AI and that would be detrimental to US national security.

This is a good segue to the geopolitics side of the gamble.

III. Geopolitics: Much more at stake

Geopolitical conflict and protectionism in the world economy are not new. The utilization of tools like tariffs, industrial policy, and sanctions that we see today is

¹ Mauro Cazzaniga, Florence Jaumotte, Longji Li, Giovanni Melina, Augustus J Panton, Carlo Pizzinelli, Emma J Rockall, and Marina Mendes Tavares. "Gen-AI: Artificial Intelligence and the Future of Work", Staff Discussion Notes 2024, 001 (2024)

not unprecedented on its own. Economic statecraft, which is the use of economic tools to advance foreign policy priorities, is as old as states. The Cold War between the US and the Soviet Union lasted four decades.

What is different today? The world is much more deeply integrated than in the past. Global trade in goods and services in 2025 was close to 70%² of world GDP, one of the highest in recorded history, and over twice the level it averaged during the Cold War. This means the cost of trade disruption is far more consequential than in any previous period. It is therefore highly concerning when Dr. Ngozi, the Director General of the WTO, pronounces that “the world trading system is in the midst of the most severe period of disruption in 80 years.”³

A second difference is that power is much more diffuse than in previous periods. While the US remains the leading global power, China has undeniably gained global power in recent years. While the US dominates global finance, China dominates global manufacturing.

This more multipolar order means that countries must navigate complex strategic ties. They rely on the US for financial services and often for national security while they rely on China for their manufacturing supply chains. There are also many more so-called “middle powers.” During the Cold War the non-aligned nations were small as a share of world GDP. That is no longer the case. Countries like India are asserting themselves on the world stage. At the recent BRICS summit, the Prime Minister of India called for the Global South to become a “rule-shaper” rather than a “rule-taker.”

Unintended Consequences

In this new landscape numerous unintended consequences can follow. For instance, in a highly interconnected multipolar world, trade will reroute to circumvent tariffs. This is what we have seen after the US raised tariffs on imports from China.

On the one hand US imports from China have dropped sharply. The share of China in US imports is now close to its pre-WTO accession level. On the other hand, it is the case that some of China’s sales to the US are essentially now going through other countries. Vietnam is a striking example: US imports from Vietnam have grown dramatically in recent years just as Vietnam’s imports from China have grown and China has built more factories in Vietnam. China has also diverted more of its exports towards Europe.

The tariffs on China have therefore done limited damage to China’s exports as they get rerouted and redirected. This redirection could however spur a push for other countries to impose tariffs on China followed by retaliation from China. This dynamic could easily spiral out of control.

² Trade is the sum of exports and imports of goods and services.

Data source: <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>

³ https://www.wto.org/english/res_e/booksp_e/wtr26_e.pdf

In the case of AI, countries are questioning whether they can rely on one another for access to the latest models. In June, the US government imposed export controls that forced Anthropic to restrict foreign access to two of its most advanced AI models, Mythos 5 and Fable 5. Two months earlier, the Chinese government blocked Meta's acquisition of the AI start-up Manus over national security concerns.

These examples are likely not isolated cases. They show how AI could increasingly fragment along national and geopolitical lines. The costs could be very high if this prevents countries from fully reaping the benefits of the technology.

Governments around the world, and particularly in developing countries, will have to make difficult choices about which technologies they can rely on. Can they depend on chips from one country and AI models from another? Could access be cut off? Do they need to develop sovereign AI capabilities?

This fragmentation should also concern AI labs and companies across the AI supply chain. AI-related investment is expected to reach \$1 trillion in 2026 alone, much of it financed by American tech giants. Those investments depend on the promise of extremely large future returns and therefore on access to large global markets. If geopolitics fragments those markets or makes access less predictable, expected returns will fall.

Beyond profits, companies will also have to cope with a conflicting legal landscape. China has recently adopted laws designed to counter foreign sanctions, including US sanctions. Multinationals could increasingly find themselves having to navigate contradictory national laws.

IV. So far, the Dice Have Been Kind

You may be surprised to learn, given everything I have just described, that the gamble has not gone badly. The dice we keep rolling have so far been kind.

In October 2024, before the tariff escalation and the sharp increase in uncertainty, the IMF projected global growth of 3.2 percent for 2025. The actual realized growth in 2025 was higher at 3.5 percent⁴. For 2026, the IMF had projected growth of 3.3 percent. The latest forecast, considering the shock in the Middle East, is 3 percent. So, despite everything that has happened, global growth remains remarkably close to what was anticipated by the IMF.

This resilience is a consequence of offsetting forces. Tariffs, policy uncertainty, and higher oil prices are weighing on growth. But investment in AI, higher defense spending, and relatively favorable financial conditions are supporting growth.

Global aggregates also hide important differences across regions. Economies in the Middle East are being hit particularly hard. But several East Asian economies, including South Korea and Taiwan, are growing much faster than previously expected, in part as they are riding on the AI boom.

⁴ IMF World Economic Outlook

Another part of the economy that remains surprisingly unperturbed by all this uncertainty is financial markets. Valuations remain high and relatively stable, even as the heads of leading AI labs are increasingly warning about the risks posed by AI.

V. Can We Make This Less of a Gamble?

The fact that the dice have been kind and global growth has held up despite disruptive policies and wars should not lead us to assume that we are on a hot streak. The resilience of the global economy will depend critically on reducing the downside risks of this great gamble. In some areas there may be reason for cautious optimism.

The complex economic interdependence I previously described is putting a restraint on actual tariff rates. Despite the escalation in tariffs the level of implemented tariffs is much lower than those initially announced. Most countries have decided not to go down the path of retaliatory tariffs. The WTO reports that despite the disruptions to a rules-based trading system, close to three-quarters of global merchandise trade still operates under WTO rules.⁵ This is also one reason the dice have been kind.

New trade relations are also being formed including Europe's new trade treaties with Latin America⁶ and India. A closer association of Canada with the European Union as the first "associate member"⁷ is being explored.

There are also limits to how much countries can go on their own because governments simply do not have the financial firepower to do so. Geopolitical tensions are pushing governments to spend more on defense, subsidize strategic industries, secure critical supply chains, and become more self-sufficient. All of this comes at a cost, and fiscal space is already limited.

The IMF projects global public debt to reach 100 percent of GDP by 2029⁸. Excess debt levels are no longer a challenge confined to developing and low-income countries. Many advanced economies, including the US, France, Italy, and Japan, are also carrying high levels of public debt. As borrowing costs rise, the pressure on government budgets will only grow.

I also do believe there is a path, however narrow, towards global cooperation on safety risks from AI. The US and China must try to work together on AI safety as they have done previously on mitigating the risks from climate change even though they were adversarial on the trade front. History also tells us this can be done. During the Cold War, the United States and the Soviet Union cooperated on nuclear arms control despite being geopolitical rivals.

So, while I am not resoundingly optimistic about cooperation, as I said previously I remain hopeful.

⁵ https://www.wto.org/english/res_e/booksp_e/wtr26_e.pdf

⁶ The EU-Mercosur Partnership Agreement

⁷ <https://www.ft.com/content/8fed428e-7bcc-435c-9487-cb4e6a795328?syn-25a6b1a6=1>

⁸ IMF Fiscal Monitor 2026

VI. What This Means for You

I promised I would speak about not just the future of the global economy but also your place in it. So, let me turn to that now.

I'll start by saying that you are doing the right thing by getting an education. I never thought I would say something so obvious, but I feel like I need to! Do not believe those who say categorically that AI will make education irrelevant because machines will do all the work. I do not believe that. You should invest in building expertise in your area of study. Once you do so you will be able to leverage AI to amplify your productivity.

To build expertise, however, education itself will have to change. Both of us faculty and you students will need to change our practices to make sure you are both developing your skills and developing the right kind of skills for the age of AI. We need to proactively address this matter to avoid what a recent MIT report⁹ referred to as 'Cognitive surrender' by students to AI. At Harvard, I am part of a faculty advisory committee that is grappling with exactly these kinds of questions.

As students you should also continue working in groups and learning from each other and not just relying on Claude or ChatGPT. This group learning is highly beneficial to developing your skills. As faculty we should also continue to employ students as research assistants and not switch entirely to AI regardless of how tempting that may be. After all, as the MIT report reminds us, we are educators and students apprenticing with faculty is critical to their learning experience.

As a social science student, be it economics, finance, business, political science, **you also have an advantage in the age of AI.** AI systems are very good at solving clearly defined problems. They are less dependable when the task involves complex human behavior, institutions, and decisions under uncertainty. Those are precisely the subjects you will study here at Bocconi.

The great physicist Richard Feynman once said, "*Imagine how much harder physics would be if electrons had feelings.*" Well, in the social sciences, the individuals we study do. They have expectations, fears, and ambitions. As AI takes on more of the technical work, the "social" in social sciences may become even more important. The expertise you build as social scientists here at Bocconi will be of tremendous importance. AI has solved incredibly difficult math problems that humans have been unable to, but AI has yet to offer any great new insights into how to solve inequality or poverty or how to hasten the European Union's implementation of the key recommendations in the Draghi report! This will still take human intelligence, both intellectual and emotional.

Lastly, I believe periods of momentous transformation like the times we are living through offer great opportunities to try new things and push new ideas. As students you are particularly capable of thinking outside the box. I hope you will keep this

⁹ <https://aiandeducation.mit.edu/report/>

positive spirit and endeavor now, and in the years to come, to shape the world and make it a better place for your generation and the generations to come.

Thank you again for the honor of addressing you as you embark on your education at the great Bocconi University with its fantastic faculty. I wish you the very best and hope you have a lot of fun learning, questioning, and pushing the frontiers of knowledge. My congratulations also to your wonderful parents to whom you owe much. Thank you.