The Terminal Condition: Why AI Breaks Capitalism's Core Circuit

Capitalism is a contingent system that presupposes scarce, valuable human cognition. Zero-marginal-cost cognition removes that scarcity, breaking the wage-demand circuit. This is not a paradox, but a terminal condition.

What This Thesis Actually Claims

The Discontinuity Thesis doesn't argue capitalism faces logical impossibility, like Russell's Paradox destroyed naive set theory. It argues something more specific: **functional non-viability under empirically observable conditions**.

Three converging constraints eliminate the wage-demand circuit that sustains mass market capitalism:

P1: Unit Cost Dominance (Empirical)
AI + minimal verification achieves lower unit costs than human workers across cognitive domains. This isn't projection—GDPval measurements show AI matching or exceeding expert performance at 6-63% of human costs across 250+ professional tasks. Cost curves continue downward while capability accelerates.

P2: Coordination Impossibility (Game-Theoretic)
Multiplayer prisoner's dilemma dynamics make collective restraint unsustainable. Each actor's dominant strategy—adopt AI for competitive advantage—remains optimal regardless of systemic consequences. Nash equilibrium: universal automation.

Boundary Collapse (Computational)
Regulation requires definable boundaries. AI integration occurs along continuous gradients where "assistance" bleeds imperceptibly into "replacement." No enforceable line exists between legal augmentation and illegal automation. The problem is formally undecidable.

Together these produce practical inevitability of wage-demand circuit collapse, not logical necessity.

Why Coordination Cannot Save Us

Historical counterexamples exist: Bretton Woods, OPEC, nuclear arms control. Why can't coordination work here?

Verification Impossibility

Nuclear arms control succeeded because warheads are countable objects. Satellites detect fissile material. Production facilities are observable. "No more than 100 warheads" creates unambiguous, verifiable constraints.

AI adoption operates through 8 billion individual cognitive decisions across continuous gradients. You cannot verify "no economically meaningful AI use" without monitoring internal thought processes. The verification problem scales from ~200 nation-states to ~8 billion individuals making countless daily tool choices.

Individual-Level Defection

Bretton Woods coordinated nation-states—countable, sanctionable entities. AI coordination requires preventing every worker from using spell-check, grammar assistance, research tools, content generation, decision support systems. Each adoption appears incrementally beneficial while collectively eliminating the profession.

Workers who accept the next level of "assistance" gain immediate productivity advantages. Universal adoption makes everyone economically unnecessary. No individual can identify where to draw the line or afford to be the only holdout.

Defection cascades occur at every organizational level simultaneously.

Acceleration Mismatch

Previous coordination operated on multi-year cycles with stable technological baselines. AI produces quarterly capability jumps and exponential cost reductions. Democratic institutions process information linearly. Exponential technology versus linear governance creates structural mismatch—not "too fast to regulate" as metaphor, but specific incompatibility between update frequencies.

By the time institutions formulate responses, the technological landscape has shifted three generations forward.

Why This Is Different From Past Disruptions

"Capitalism adapts" assumes this is another round of creative destruction. It isn't.

Previous disruptions preserved the comparative advantage hierarchy:

- **Industrialization:** Eliminated manual labor → workers moved to cognitive roles
- **Computerization:** Eliminated routine cognition → workers moved to judgment/creativity
- **Internet:** Eliminated information gatekeeping → workers moved to curation/synthesis

Each wave eliminated lower rungs but left higher rungs intact. Workers climbed the value ladder.

AI eliminates the ladder itself:

When cognition becomes abundant and near-zero cost, there's no "higher rung." Machines don't just automate specific tasks—they automate the capability to perform cognitive work at all. The comparative advantage that justified human wages disappears across domains.

This isn't "jobs shift to new sectors." It's "cognitive labor loses exchange value."

The Gödel Parallel (Properly Framed)

This is structural analogy, not mathematical proof:

Just as Gödel showed formal systems face completeness/consistency tradeoffs, regulatory systems face coverage/enforcement/effectiveness tradeoffs. You cannot simultaneously achieve:

- **Complete coverage** (all edge cases)
- **Consistent enforcement** (across all actors)
- **Effective preservation** (of human employment)

Not a theorem—a heuristic insight showing why every regulatory approach encounters fundamental limitations. The parallel illuminates structure but doesn't prove necessity.

Open Variables and Limitations

Adoption Speed

The logic doesn't demand immediacy, only inevitability under current trajectories. If AI adoption is patchy, partial, or bottlenecked by energy/compute/trust, collapse slows. Timeline varies; destination doesn't.

Fast collapse versus slow erosion affects preparation time but not outcome.

Residual Advantages

Humans may retain edges in specific domains: embodied presence, cultural authority, governance legitimacy, trust relationships. Valid observation.

These niches cannot sustain the wage-demand circuit at scale. A system requiring 150 million employed workers cannot function when only 5 million hold irreplaceable positions. The math doesn't work.

Niche preservation doesn't alter systemic collapse when the majority cannot contribute economically valuable labor.

What Replaces It

The thesis resists prescriptive solutions because they require violating the constraints. But the replacement must decouple consumption from wage labor—that's definitional.

UBI, AI rent taxation, data commons, platform cooperatives—all face identical MPPD dynamics and political capture risks. Each preserves consumption while severing productive participation. That's replacement, not survival.

The wage-demand circuit either persists (requires showing escape from P1+P2+boundary collapse) or dies (requires acknowledging systemic termination).

The Real Test

Can capitalism survive without the wage-demand circuit?

If yes: Show the alternative mechanism maintaining mass consumption without mass productive employment—and demonstrate it survives MPPD defection plus political capture.

If no: Acknowledge functional collapse isn't "fixable through adaptation" because the foundation (scarce human cognition creating exchange value) no longer obtains.

Why The Russell Analogy Still Matters

Russell's Paradox didn't just find a problem—it showed naive set theory's foundational axiom (unrestricted comprehension) becomes self-terminating when applied universally.

The Discontinuity Thesis shows capitalism's operational principle (competitive efficiency maximization) becomes self-terminating when applied to zero-marginal-cost cognition.

Both systems looked stable until someone examined what happens when the foundational rule encounters its limiting case. Both collapse not through external attack but through internal exhaustion when core assumptions no longer hold.

The difference: Russell produced logical impossibility. The DT produces functional non-viability.

The parallel is heuristic but precise—it shows the shape of the failure without claiming mathematical proof.

Conclusion: Terminal Conditions

This isn't techno-determinism or Luddite panic. It's constraint analysis:

- Empirical evidence shows cost dominance
- Game theory predicts coordination failure
- Computational limits prevent regulatory solutions

Together they produce practical inevitability of the wage-demand circuit collapse under continuation of current trajectories.

Not axiom-level logical failure. Function-level practical termination.

The system doesn't crash because it's "badly designed." It terminates because the conditions that made it viable—scarce, valuable human cognition—cease to obtain when cognition becomes abundant and near-zero cost.

Capitalism isn't breaking the rules. The rules have changed.

And unlike previous adaptations, there's no higher rung to climb when machines think faster, cheaper, and better across every domain that once justified human wages.

The question isn't whether this happens. The question is what we build in the time remaining.