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Strategic Outlook for the 2026 Economy: Prospects and Risks

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The rapid pace of both the positive and negative impacts of artificial intelligence (AI) and other scientific and empirical advances has created vast potential consequences for the discipline of economics and its applications in 2026. This context has established an urgent priority for research centers, a central mission for scholars and academic journals, and a new responsibility for policymakers and economic leaders. The scientific and practical conditions at the dawn of 2026 embody both hope for progress and the risk of uncertainty. Among the notable theoretical developments are the emerging findings of interdisciplinary economics, the propositions of the *London Consensus*, and the insights of the 2025 Nobel laureates. Empirically, the global economic landscape is being shaped by an unprecedented trade war (linked to President Trump's policies), persistent inequality, and major political economy crises—including ongoing conflicts in Ukraine and the Middle East. Proponents of the *London Consensus* advocate a reformist doctrine that broadens the purpose of economics

beyond production and growth to encompass welfare, quality of life, and social dignity alongside financial capital. They argue that while growth remains a necessary condition for development, it must be integrated with poverty reduction and equality-driven strategies. The findings of the 2025 Nobel laureates further underscore the foundational importance of innovation and new ideas for sustaining growth and welfare, calling for renewed institutional frameworks. Consequently, governments are now expected not only to stabilize economic fluctuations but also to address environmental crises and social disparities. In this evolving context, the state must be linked to the "idea–innovation–productivity" chain. Innovation begins with ideation, which depends on fundamental research—an area typically supported by public institutions. Governments, at a minimum, fulfill their role by promoting economic freedom, strengthening institutions, and expanding research and development budgets. The central duty of governance, therefore, is to cultivate an innovative-oriented culture and reinforce the infrastructure that supports it. Another critical insight is the growing interdependence between economic and political governance, which is increasingly recognized as a prerequisite for sustained growth and development. Looking ahead, the economic implications of accelerating AI adoption, volatile growth patterns, trade wars, and the rise of the green economy will be especially significant. The targeted and ethical use of AI can enhance productivity, transform labor markets, create new skill demands, and support strategic decision-making. However, rapid and unregulated deployment also entails substantial risks—such as job displacement, heightened inequality, financial instability, regulatory gaps, data misuse, and environmental degradation. Ultimately, the economic outcomes of AI adoption depend on its governance. Effective management leads to growth and prosperity, while mismanagement generates unemployment and instability. Evidence suggests that sectors strategically utilizing AI have achieved productivity gains exceeding 4%, compared to less than 1% in sectors that have not. Conversely, studies have shown that unregulated AI use correlates with rising inequality, workforce

disengagement, privacy violations, and weakened analytical thinking. To mitigate these risks, coordinated macro-, sectoral-, and micro-level strategies are essential. At the macro level, employment, education, environmental, and regulatory policies must be reformed, supported by stronger international cooperation. At the sectoral level, small and medium-sized enterprises should receive targeted assistance, antitrust policies must be reinforced, and transparency and trust prioritized. At the micro level, investment in upskilling and mental health initiatives is vital. In short, AI must be approached not only as a technological tool but also from national and humanistic perspectives. Given the interdisciplinary advances in economics, increasing demand–supply complexity, widening inequality, and ongoing wars and trade disputes, novel research and analytical frameworks are urgently required.

In sum, several critical considerations stand out. **First**, the issue of *interdisciplinary integration and AI synergy* is paramount. The fusion of interdisciplinary economic research with AI algorithms holds substantial potential for advancing knowledge; however, unregulated use poses significant risks. Current estimates suggest that approximately 40% of global employment is AI-driven, yet large-scale, unregulated AI deployment could reduce global employment by nearly 6%. **Second**, *governance and inequality* remain major concerns. Weak governance, rising inequality, and the erosion of civil society have deepened polarization between the rich and the poor. Surveys indicate that nearly half of Americans believe economic polarization is intensifying. Global data also confirm a shrinking middle class—with roughly 120 million fewer people in 2025 compared to 2024. In Iran, the middle class has contracted by about 20%, primarily due to poor governance and ongoing international sanctions. **Third**, *productivity and inflation trends* present a mixed outlook. Although higher productivity growth offers promise for 2026, projections also point to inflation rates exceeding the natural level, accompanied by elevated risk. Technological acceleration has widened income disparities: high-skilled specialists and

investors capture most of the benefits, while low-skilled workers experience increasing instability. **Fourth**, *poverty and neurodevelopmental impacts* deserve urgent attention. Research conducted in 2025 revealed that poverty and inequality exert profound effects on children's brain development—a trend expected to worsen in 2026. Effective economic governance could mitigate this crisis, yet current conditions raise serious public health concerns. **Fifth**, *political economy and global stability* are deeply interconnected. Evidence from the 2025 Nobel Prize findings, the London Consensus, behavioral economics, and recent field studies underscore the intricate links among economic, political, social, and cultural systems. Wars, populism, authoritarianism, inequality, public discontent, and social disruption all influence key economic variables—particularly supply chains, inflation, and interest rates. Without prudent governance, rising inflation, declining purchasing power, mounting public debt, and deteriorating public services appear inevitable. **Sixth**, a *new political economy* is emerging. Global, national, and regional transformations are giving rise to an economic order shaped by AI integration, innovative policy ideas, expanded state functions, tariff conflicts, and the growing influence of radical groups on digital economic platforms. Governments must redefine regulatory frameworks to address these evolving dynamics effectively. **Seventh**, *Iran's economy* faces acute challenges due to weak domestic governance, sanctions, and regional conflicts. Inflation has surpassed 40%, the middle class has contracted by 20%, and more than 35% of citizens now live below the poverty line. Environmental degradation, energy imbalances, and inadequate public services have further intensified public dissatisfaction. Overcoming this crisis requires a national commitment grounded in rational policy making and structural reform.

The *International Journal of the New Political Economy* provides a scholarly platform for disseminating cutting-edge research in economics. It is hoped that scholars, recognizing the gravity of current global and national conditions, will renew their professional commitment and contribute

innovative research to inform economic policy and strategy during this critical juncture.

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