

Perspective from
**Franklin Equity
Group**

“Colossal Tech” spending and the multiplier effect

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Executive summary

The capital expenditures (capex) from the Magnificent Seven¹ are 4x-8x larger than the Marshall Plan, Apple’s Foreign Direct Investment (FDI) into China, US aid to all nations last year, and the gross domestic product (GDP) of around 75% of all countries.² It isn’t just “Big Tech;” it’s “Colossal Tech.” History has shown that spend at this level changes the course of nations. And the amount is growing. As economists weigh the impact of tariffs, interest rates and the national debt, the Colossal Tech spending may not merely be a factor but instead the factor in forecasting the US economy.

The difficulty of conceptualizing large numbers

In investing circles, it is increasingly popular to discuss how difficult it is for humans to understand exponential growth. Our minds work in a linear way, so it is counterintuitive that doubling a small number again and again leads to a very large number very quickly.

What is less often discussed is the human brain’s difficulty with the extremely large numbers themselves. My guess is that, over the course of history, we as humans didn’t spend a lot of time imagining what a *billion* of anything looked like. In today’s modern, industrialized society, we contend with large numbers frequently, so we have begun to normalize them, even though we lack the true ability to conceptualize them. As a result, these numbers can feel unanchored and even meaningless.



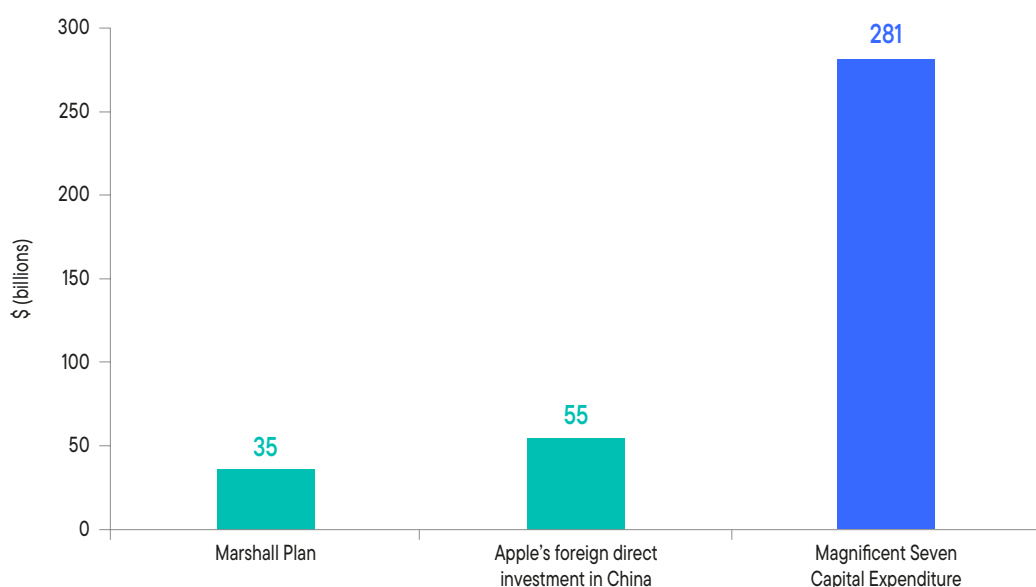
“This spend is likely to drive economic growth for decades and permanently change the US economy.”

Take, for example, the social media company Meta, which discloses monthly users every quarter. It last reported 3.2 billion users, a very large number.³ To put that in context, if the Pope were to have quarterly calls, he would report less than half the number of Meta users, as there are approximately 1.4 billion Catholics in the world.⁴ Similarly, it is challenging to grasp the full magnitude of today’s capital spend on the infrastructure for artificial intelligence (AI). The expenditures to build data centers, design and manufacture chips, networking equipment, power stations, backup power, cooling technology and transmission lines are so large that they are about 5x the size of the Marshall Plan, which helped rebuild all of Western Europe after World War II.

This spend is likely to drive economic growth for decades and permanently change the US economy. It dwarfs the amount the United States spent on all foreign aid in 2024 and is so large that it may become the single most important factor for economists to consider when forecasting the health and growth of the US economy. Yet those directing this spend have little regard for geopolitical grand strategy. The decisions that guide this money are made not by elected leaders but by chief executive officers who prioritize the best return on investment. This is not history; it is happening right now.

**Exhibit 1:
Magnificent
Seven capital
expenditure
versus historically
notable spends**

Yearly spend (US\$ billions, inflation-adjusted)



The Marshall Plan

In 1948, the United States introduced the Marshall Plan, which sought to rebuild the war-torn economies in Europe after World War II. Publicly, the chief administrator billed the plan as “the most generous act of any people, anytime, anywhere, to another people.” Sixteen nations, including the United Kingdom, France, Germany and Norway, all received aid.

It wasn't a completely selfless act. Harry Truman, the US president at the time, had multiple goals. With Russia on the ascendance, he hoped to stop the spread of communism. He also wanted to create stable trading partnerships with historically friendly nations and to promote a strong and economically integrated Europe. The thought was that greater entanglement would make future internal wars less likely. All three of these objectives furthered American interests.

The Marshall Plan was considered massive at the time. The US earmarked US\$13.5 billion per year over four years. In today's dollars, that is estimated to be US\$130 billion to US\$150 billion, or US\$32.5 billion to US\$37.5 billion per year.⁵ Each one of those dollars is estimated to have produced around 3x-4x of additional economic activity.⁶

Most historians today regard the Marshall Plan as a success.⁷ The aid established strong democracies for US allies and formed the foundation of geopolitics for the next 75 years, up to the present time. Today, the European Union (EU) is the largest economic bloc in the world, an ally of the United States, and a partner in defense and the economy.



“... we would not be surprised to learn that China also enjoyed a 3x-4x multiplier of economic activity as a result of Apple's FDI.”

Apple in China

In 2016, Apple Computer agreed to spend US\$275 billion over the following five years to enhance its manufacturing in China.⁸ That was US\$55 billion per year, about twice the size of the Marshall Plan in today's dollars. In making this investment, Apple also agreed to share a tremendous amount of its intellectual property regarding the production of high-quality consumer electronics at scale. The goal of this investment, at least as expressed to shareholders, was simple and pure: generate a strong return on investment for the company.

It is not unreasonable to argue that CEO Tim Cook's investment decision had a similar effect on China as the Marshall Plan did on Europe. Over the past decade, China has thrived as a manufacturer not only of Apple devices but also of most leading-edge consumer products, including robotics, drones, switches and semiconductors. Preliminary data suggests that Chinese value added from manufacturing grew from US\$3.2 trillion to US\$4.7 trillion between 2016 and 2024.⁹ Because of this, although other data from China is limited, we would not be surprised to learn that China also enjoyed a 3x-4x multiplier of economic activity as a result of Apple's FDI.

“If the Marshall Plan changed Europe, Apple’s investments changed China, and the spend on AI is 5x-8x of these programs, it then follows that AI will likely change the US economy for the better.”

The AI multiplier effect

One of the most common questions we receive these days is: “When will we see the effects of AI?” We would argue that today’s capital expenditure (capex), which is a proxy for overall spending, is happening right now. Over the last year, the Magnificent Seven invested US\$281 billion on capex.¹⁰ That is 4x the size of the annual US aid budget, 5x the size of what Apple invested in China, and 8x the size of the Marshall Plan. And this number is **growing**.

If the Marshall Plan changed Europe, Apple’s investments changed China, and the spend on AI is 5x-8x of these programs, it then follows that AI will likely change the US economy for the better. Furthermore, that spend is a driving force in the US economy **right now**, which means we are seeing the effects of AI right now as well. In fact, we anticipate a multiplier on par or greater than these other investments from this AI spend.

Like the spending itself, many of the signs of the multiplier effect are already here. Today, advertising, e-commerce and software engineering are all becoming more effective and cost efficient. We are seeing improvements in customer service and call centers. In-house memory, robotics and automated driving are all on the near-term roadmap. In addition, we expect new native applications¹¹ to emerge. Mobile phones created over US\$1 trillion in market cap of mobile native companies, and we suspect multi-trillions to be a conservative estimate for AI’s potential.



“... we can confidently say that we are experiencing one of the biggest investment cycles in human history ...”

The importance of AI spend

It is our view that AI spend may be **the** thing to watch to track the health of the US economy.

The Marshall Plan was implemented when there was no EU. It succeeded despite the complexity of 16 different currencies, border patrols, controlled immigration and tariffs between countries. Similarly, the story of China during the years of the FDI from Apple was not uncomplicated. There was a fear of a housing bubble, the re-education of highly successful internet CEOs, and a large rise in international concern over technology sharing, including western bans of certain products. And yet China continued to make massive economic and manufacturing gains.

As these other examples show, the most accessible way out of many economic problems is growth. Yes, the US economy has some issues today, including tariffs, debt levels, housing starts, student loans and many other legitimately concerning trends. But we believe the sheer size and potency of today’s AI spend should not be overlooked.

We do not consider ourselves experts in economics. However, we *have* studied technology and tech spending for over 25 years. And we can confidently say that we are experiencing one of the biggest investment cycles in human history, one that dwarfs the largest successful spending plans of the past. The United States and the West stand to be massive beneficiaries of this investment. Thus, what happens with AI capex may very well be the most important driver of the US economy and markets going forward, and, on that basis, we believe the future looks bright.

In investing, there are so many different and important data points. The objective of an investor is to have a clean and clear thought and to distill which of many data points matter. In our view, although tariffs, debt levels and inflation are very important to forecasting the US economy right now, the big thing to watch is capex spend.

Endnotes

¹The Magnificent Seven comprises Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla.

²Source: “GDP by Country,” Worldometers. Accessed July 14, 2025. US government foreign aid in 2024 was around US\$52 billion.

³Source: “Meta’s First-Quarter Results Show More Users, Strong Ad Sales,” CNBC, April 30, 2025.

⁴Source: “Worldwide Catholic Population Hits 1.4 Billion,” Catholic News Agency, July 8, 2025.

⁵Source: Steil, Benn, and Benjamin Della Rocca. “It Takes More Than Money to Make a Marshall Plan,” Council on Foreign Relations (blog), April 9, 2018.

⁶Source: Francisco, J. Antonio Montes. “The Marshall Plan: Altruism or Mutual Gains?” Palgrave Encyclopedia of Imperialism and Anti-Imperialism, edited by Immanuel Ness and Zak Cope (Palgrave Macmillan, 2021).

⁷Source: Ferguson, Niall. “Dollar Diplomacy,” The New Yorker, August 27, 2007.

⁸Source: McGee, Patrick. “Apple in China: The Capture of the World’s Greatest Company” (New York: Simon & Schuster, 2024).

⁹Source: “Manufacturing, Value Added (Current US\$) – China,” World Bank. Accessed July 22, 2025.

¹⁰Source: Company filings. Trailing 12 months as of first quarter of 2025.

¹¹A native application is a software program built specifically to run on a particular operating system or device, like iOS or Android.

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