

The Financial Impact of Re-electrification of the U.S.

By Dr. Perry Daneshgari & Dr. Heather Moore

The U.S. and world economies have seen many bubbles in the past two centuries. Many have been caused by unsupported economic hypergrowth, driven by the rapid and largely unregulated flow of capital across all industry segments. These cycles can cause severe economic damage and social hardship.



The last two big bubbles were in 1929 and 2007-08, characterized by economic meltdowns due to unregulated banking and financial activities. With the lessons and data from both, this article outlines how the current data center and AI market race could create bubble-like conditions.

Building on the introduction published in the November/December 2025 issue of *CFMA Building Profits*,¹ examine the financial and economic implications of re-electrification, with the premise that those who study historical patterns can better anticipate what lies ahead.

COMMONALITIES OF ECONOMIC MELTDOWNS

When market growth originates from indirect derivatives of activities that don't transfer value — defined here as manufacturing, construction, and services — the market becomes highly susceptible to a bubble.

Not all bubbles carry broad macro-economic consequences. Some have a more contained local or regional impact, affecting employment, social stability, and economic wellbeing.

Local bubbles — such as those generated by large-scale construction of power plants, refineries, or data centers — tend to have a more limited impact unless their effects propagate beyond state or regional boundaries.

There are several common indicators that signal the onset of a bubble:

1. Unlimited capital flow into a specific market
2. Unsubstantiated collateral and derivatives of them
3. Extreme and unfounded profitability among service providers, particularly in construction
4. Uncontrolled debt accumulation
5. Shortage of skills needed to support project buildout

Activities that are not grounded in increased economic production — but are instead connected to monetary expansion or the creation of derivatives based on assets and collateral — generate inflation and, therefore, economic instability. These activities include monetary easing, the infusion of unfounded capital into the economy, and the creation of government-funded programs such as COVID-19 pandemic relief.

Instruments such as mortgage-backed securities, collateralized debt obligations, and credit default swaps can become detached from underlying economic activity and were among the primary contributors to the 2007-08 collapse.² In other words, when money stretches too far away from a source of commerce, the market becomes vulnerable.

Although the crises of 1929 and 2007-08 were caused by different reasons, both shared a common driver: the financial markets leveraged tangible products and services as collateral to inflate market value without corresponding productive output. Exhibit 1 shows the various impacts of the 1929 and 2007-08 crises.

Many of these conditions are present in today's market and economy, with 2025 marking a turning point as technology companies and data center development began to reshape the financial landscape in the U.S. and globally.

The potential for a bubble is substantial. Construction companies that are drawn into this cycle without adequate preparation risk significant disruption when the market corrects. If conditions reverse quickly, then the contractors most exposed to a single market segment could feel the correction first.

On the other hand, re-electrification will drive economic expansion — similar to how the first electrification did. The first electrification triggered a massive productivity boom with help from power at the machine level, flexible factory layouts, higher reliability, and less

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downtime. The critical question is when these two events will occur and how far apart they will be.

The economic impact of new technology, such as AI, typically operates on a longer cycle than the growth and collapse of a bubble. If sufficient productive output is generated from the data center and AI industry, then the effects of a bubble correction and the gains from economic expansion may offset one another.

LOCAL BUBBLES & THEIR IMPACT

The behavior of these local bubbles is visible through the market studies MCA, Inc. has conducted across the country.

When a large project enters the market, independent of its cause, there are common results, including:

1. Reported labor shortages³

2. Wage increases attributed to labor shortages

3. Customers outside the bubble industry becoming unserved or underserved, resulting in their departure from the market or adoption of alternative delivery methods

4. Decline in union market share after the bubble subsides

5. Expansion of the local economy to support the new or rebuilt market.

Exhibits 2 and 3 show a sample of this in a local market in the Pacific Northwest, where a large semiconductor manufacturing facility was built over a two-year period.

The project nearly doubled the market size and placed significant demand on local contractors.

In response, local union leadership worked with contractors to develop a strategy for retaining customer relationships beyond the single Hi-Tech project.

Although some market share decline in conventional work was observed (as shown in Exhibit 3), the plan to recover that work when the bubble subsided – around 2014 – enabled the group to maintain its overall market position.

The broader takeaway is that the same approach applies at scale. In the context of the data center and AI buildout, construction companies should plan for this work as a market anomaly rather than a permanent condition on which to scale their businesses.

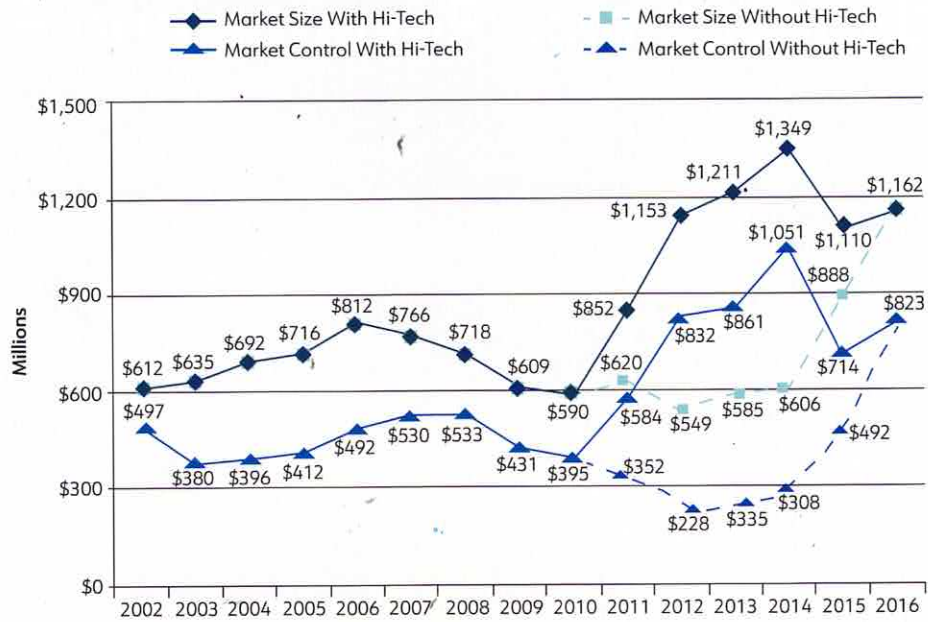
The infrastructure required for re-electrification will remain, as will the underlying non-data-center workload.

Exhibit 1: Comparing Economic Crises

Impacts	1929 Economic Crisis	2007-08 Economic Crisis
Banking/Financial Collapse	9,000 U.S. banks failed Depositors lost savings Credit markets froze	Major financial institutional failures Sharp lending restrictions
Wealth Destruction	Stock market fell ~90%	Stock market fell ~50% Household net worth fell by more than \$16 trillion Increased wealth inequality
Housing Collapse	New housing construction fell by ~80%	House prices dropped 20-30% Millions of foreclosures/forced sales
Unemployment/Labor Collapse	Rose from ~3% to ~25% 12 million out of work Wage decrease	Rose from ~4.6% to ~10% 8 million jobs lost
Global Economic/Trade Collapse	U.S. imports/exports fell by ~60%	World trade fell by ~10% U.S. federal debt doubled over time Overseas debt crises
Long Term Economic Structural Changes	Creation of federal programs Separation of banking segments Expanded federal role	Creation of federal programs Cut in interest rates Stricter banking rules Creation of system stress testing/oversight
Public Psychological & Behavioral Effects	Risk-averse generation Distrust of stock market Delayed consumer spending	Distrust in financial institutions
GDP/Income Contraction	GDP fell by ~30% Income fell by ~40%	Prolonged slowing of GDP growth
Industry Collapse	Industrial production fell by 50% Factory closures Farm prices fell by 50-60% Overall prices fell by ~25%	

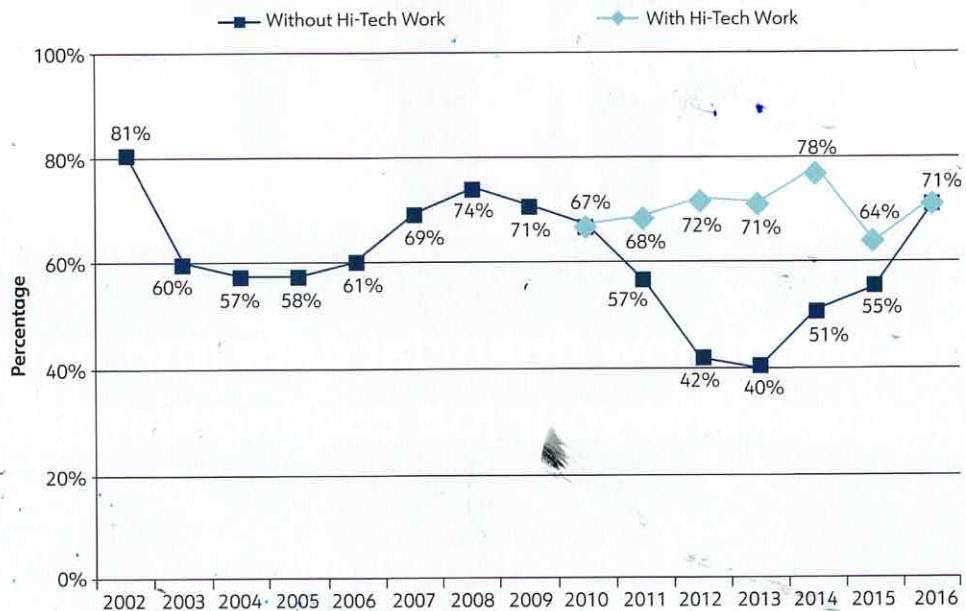
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Exhibit 2: Market Size – Impact of a Local Megaproject



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Exhibit 3: Market Trends – Impact of a Local Megaproject



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The capacity to plan and manage this period strategically will be a critical differentiator.

RE-ELECTRIFICATION'S IMPLICATIONS FOR CONSTRUCTION FINANCIAL MANAGEMENT

Managing a business through the re-electrification period requires recognizing that current conditions are not a new baseline. They represent a market inflection point with a defined trajectory.

Every construction business today has two dimensions to plan for: the opportunities available now and the opportunities that will exist on the other side of this cycle. Whether a company is working directly in the data center market or not, the broader market shifts will affect every construction business.

For those working – or bidding – for data center owners, the following areas require deliberate planning in 2026.

Managing Surplus Capital

Data center work is currently generating strong margins, and many contractors are experiencing record revenue and profitability. A plan for the additional cash is critical to ensuring financial stability when this cycle ends.

Work with your executive team to develop a cash plan over the next one to two years that accounts for the anticipated conclusion of large-scale projects. This analysis will identify how available capital can be invested to generate returns that provide a buffer during a market correction. Holding excess cash without a deployment strategy is not a sound financial position.

If the income on data center work is building up in your bank account, it's important to consider some alternatives for investing and using that money to generate more outcomes in the short term. It can also be used to help offset a cash crunch later.

For example, the added cash could be used to pay off debt, invest in instruments or assets that will yield

returns above bank interest rates, and invest in the company (research and development, training and employee development, facility improvements, or expansions).

Equally important is avoiding complacency – allowing capital to sit idle in low-yield accounts or erode through poor operational discipline. Strong margins should not signal an absence of financial urgency.

Separating Data Centers on the Profit & Loss Statement

While 2025 financials may reflect strong top- and bottom-line growth, companies in which a significant portion of revenue was derived from a single data center project should run a parallel profit and loss statement excluding that project to get an accurate picture of underlying operational performance.

Although data center work may represent a durable market segment, individual megaprojects remain an anomaly for most contractors and should not serve as the basis for long-range planning.

Strengthening the Contract Review Process

Many data center projects carry contractual structures that differ materially from conventional work due to their scale. Executive and project teams should evaluate and respond to these differences proactively.

Due to labor requirements and bonding constraints, it is common for multiple contractors to represent a single trade, with preliminary agreements in place before a formal bid to address labor allocation and risk distribution.

These arrangements should be documented and executed explicitly, whether structured as a time and materials agreement or a full joint venture.

Safety and scheduling requirements on data center projects also tend to be more demanding than on conventional work. The contract review process

Strategic Planning for the Future of Construction

To be ready for the future of construction in relation to the shifts happening in the industry, contractors have to start building new:

1. Job management strategies
2. Labor management
3. Pipeline and backlog prediction
4. Separation of work from installation sites
5. More accurate scheduling capabilities
6. Modeling and simulation
7. Cost estimations of non-installation activities
8. Large project management strategies
9. AI strategies
10. Better projection, prediction, and prevention of risks

should be clearly defined — ideally documented in a flowchart — with an established policy for escalating identified risks to the finance team.

Planning the Pipeline & Backlog

Given the constraints on labor, bonding capacity, and cash planning, companies should take a selective and disciplined approach to project pursuit. Current market conditions make pipeline management not just a planning tool, but also a strategic necessity.

A previous *CFMA Building Profits* article addressed the importance of maintaining a visible pipeline and backlog.⁴ AI agents can now be deployed to assess the likelihood of award and model the probability of profit gain or fade for projects in a company's pipeline, removing reliance on intuition alone.

Market Considerations of Capital

Beyond the data center projects singularity, macro-level trends will also

impact financial decision-making. These include growing interest in private equity and contractor consolidation, both of which were anticipated in MCA, Inc.'s *Industrialization of Construction*[®] research.⁵

DATA, DATA EVERYWHERE, THOUGH NOT REPLACING SKILL

As financial professionals contend with this accelerated market, project-level elasticity is being stretched by the pace and volume of data center construction. MCA, Inc.'s article from the July/August 2025 issue of *CFMA Building Profits* examined the foundational role of data in enabling faster, more cost-effective construction.⁶ Without the capacity to bridge that gap, the industry will remain vulnerable to a structural shift — one that a more process-disciplined competitor could eventually exploit.

Responding to a labor-intensive market by increasing headcount without improving underlying processes is like

addressing a financial problem by increasing expenditure. The predictable result is waste and eventual deterioration of margins.

Despite sustained efforts to industrialize construction, reducing the reliance on craft labor for a given output in the current industry boom is leading many contractors to prioritize finding skilled laborers to do the work rather than managing productivity.⁷

A recent *Wall Street Journal* article documented the demand conditions in this market.⁸ Workers in roles ranging from electricians to project managers are commanding compensation 25-30% above comparable roles in other markets.

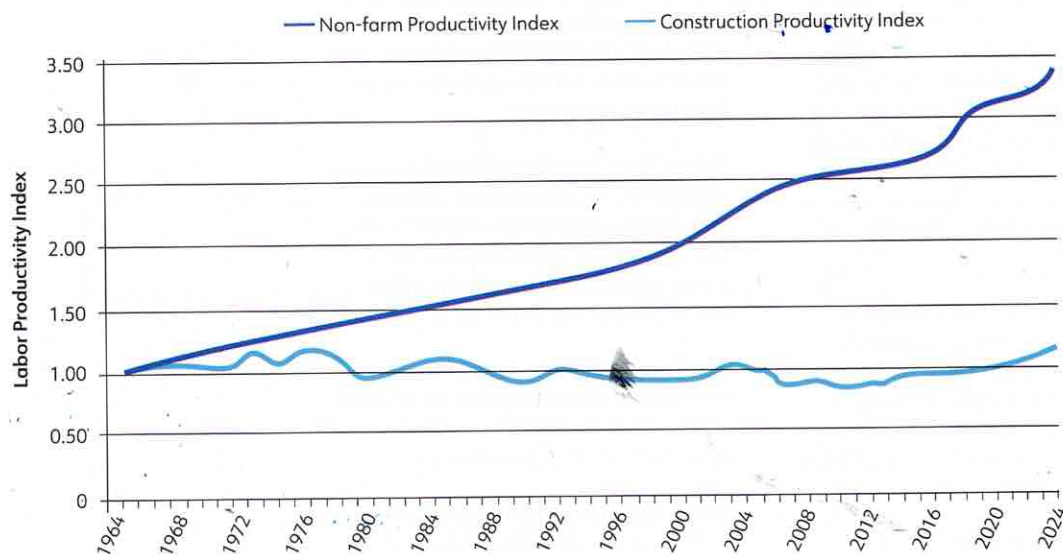
The preference among contractors is for candidates with prior data center experience rather than investment in process development that would enable consistent performance across project types

Exhibit 4: Construction Productivity vs. Other Industries

Labor Productivity (1964-2024)

Non-farm Index as derived by U.S. Bureau of Labor Statistics (BLS)

Construction Index as derived from Total Value of Construction Put in Place at 1964 Constant Dollars and Hours Worked Construction (BLS)



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and workforce configurations. One foreperson quoted in the article noted that, early in his career, periods without work were a routine financial reality that required planning. Today, that same individual fields regular outreach from recruiters seeking to hire him away.⁹

Synergy Research Group found that Amazon, Google, and Microsoft operate 522 data centers, with 411 additional facilities in development. The Associated Builders and Contractors (ABC) estimates that the industry is short approximately 439,000 workers – the majority of whom are skilled tradespeople like electricians, pipefitters, and others in the technical trades.¹⁰

CONCLUSION

The re-electrification cycle will place the economy, financial markets, and construction companies under compound exposure.

The financial pressures generated by the heavy capital commitments of technology companies competing in the AI market – nationally and globally – could ripple across the broader economy if those pressures culminate in a correction.

Meanwhile, if process improvement and productivity remain secondary (Exhibit 4), construction risks losing ground relative to other industries, with consequences for job markets and inflation. Even if the current cycle is not strictly debt-driven, stock market instability can still reshape project economics and contractor profitability.

Re-electrification's pace and form will continue to shift as factors such as quantum computing, labor shortages, and the evolution of AI and primal (human) intelligence accelerate demand.

One thing is clear: the need for electricity and construction will grow far beyond historic norms. Contractors that plan for volatility, protect their balance sheets, and build stronger operating processes will be positioned to capture the upside – and survive the correction. **BP**



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