



READING THE AI HYPE CYCLE · LANTERN LABS · OCTOBER 2026

Other People's Money

Who pays for the AI build, and who keeps the gains?

More of AI's build now runs on other people's money. Three of the six warning signs that came before earlier busts are clearly present, and two are borderline.

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Thematic research for information only. Not investment advice.

We borrowed Brandeis's 1914 title because AI's build, like the railways', increasingly runs on other people's money

WHY THIS TITLE

Louis Brandeis's *Other People's Money* (1914) showed how bankers financed America's railways and utilities with their depositors' money. Those builds changed the country, and 89 of 364 US railroads went bankrupt after the 1873 panic.

AI's build is moving the same way: new debt funded 32% of big-tech capex in the year to June, up from 9%, and chip makers are financing their own customers.

WHAT THIS DECK DOES

It shows a capital allocator where returns in AI depend on the build paying for itself, and what would show that the next phase has begun.

We take six warning signs from the main studies of booms and check them against five booms that busted and five cases that didn't. Then we apply them to AI's technology and use, then to its financing and share prices, and look for who keeps the gains.

WHAT WE FOUND

Use is spreading faster than the PC or the internet did: 55% of US adults three years after launch, 62% by May 2026.

The five largest spenders put 99% of operating cash flow into capex last quarter.

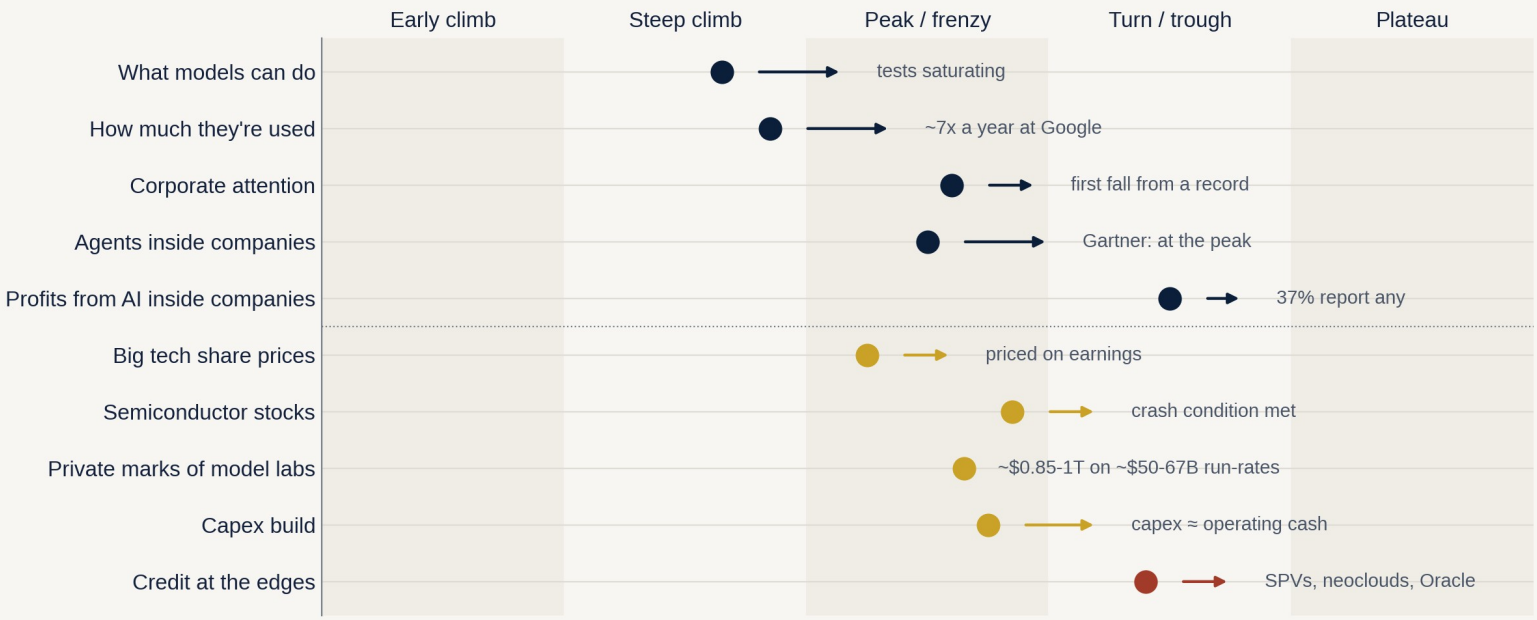
Three warning signs are clearly present; two are borderline.

Our weights to end-2027: 45% turning point (30% a capital-cycle turn, 15% a chip-stock fall alone), 35% stretch, 20% catch-up.

In past booms the gains went to firms outside the spotlight, like Walmart in the 1990s. Our first screen finds two candidates, neither proven.

AI can win while its financiers lose, so watch who pays for the extra compute and who keeps the gains

The risk is that the marginal dollar going into AI infrastructure earns less than investors and lenders expect, even while adoption keeps growing. We hold this with medium confidence as of October 2026.



Technology

Is AI becoming more capable, cheaper and more widely used?

Economics

Are those capabilities producing productivity gains and profitable revenue?

Investment

Do returns on the capital committed justify its cost and risk? Success at one step doesn't guarantee the next.

Lantern placement from the warning signs on slide 4 and the evidence in Parts 3 to 6; Gartner placement [S24]. Arrows show which way each layer was moving in October 2026. Next review after Q3 cloud earnings, late Oct 2026.

AI clearly shows three of the six warning signs that came before earlier busts, and two more are borderline

Warning sign	UK rail 1840s	US rail 1873/93	Electricity 1920s	Telecom 1990s	AI today
Prices and plans that need far more revenue	Yes	Yes	-	Yes	Yes, at the labs. OpenAI \$852B on ~\$50B run-rate; Anthropic \$965B on ~\$67B
Credit and complex structures fund the build	-	Yes	Yes	Yes	Yes. A third of capex borrowed
Suppliers finance their customers	-	-	-	Yes	Yes. Over \$150B signed
One industry's shares far ahead of earnings	Yes	-	-	Yes	Borderline. Semis +104 points
Distress first at the most indebted	-	Yes	Yes	Yes	Borderline. CoreWeave notes <80c
Accounting abuse or fraud	Yes	-	-	Yes	None found
A crash or turning point	1845-49	1873, 1893	1929-32	2000-02	Not yet

Four questions run from earlier booms to where the profits go

01	Earlier booms showed the same warning signs and ended in one of five ways	1 · Who got paid before?
02	In five earlier booms the technology won and most of its financiers lost	1 · Railways to telecom
03	AI's technology and use are still climbing, even as corporate attention cools	2 · Is AI paid for the same way?
04	AI's build is paid from cash at the core and from debt and suppliers at the edge	2 · Cash, debt, suppliers
05	Semiconductors cross the run-up threshold and private valuations have run ahead	2 · What prices expect
06	So far chip makers take most of AI's profit while users' gains arrive slowly	2 · Breakers now live
07	The case against us is real, and four readings due within two quarters will test it	3 · What would prove us wrong?
08	If the build disappoints while use spreads, we search among quiet reorganisers	4 · Who keeps the gains?

Each evidence slide carries a grade at top right. Reported means filings or market prices. Estimate means surveys or forecasts. Judgment is Lantern's own. History is the historical record.



PART 1

Earlier booms showed the same warning signs and ended in one of five ways

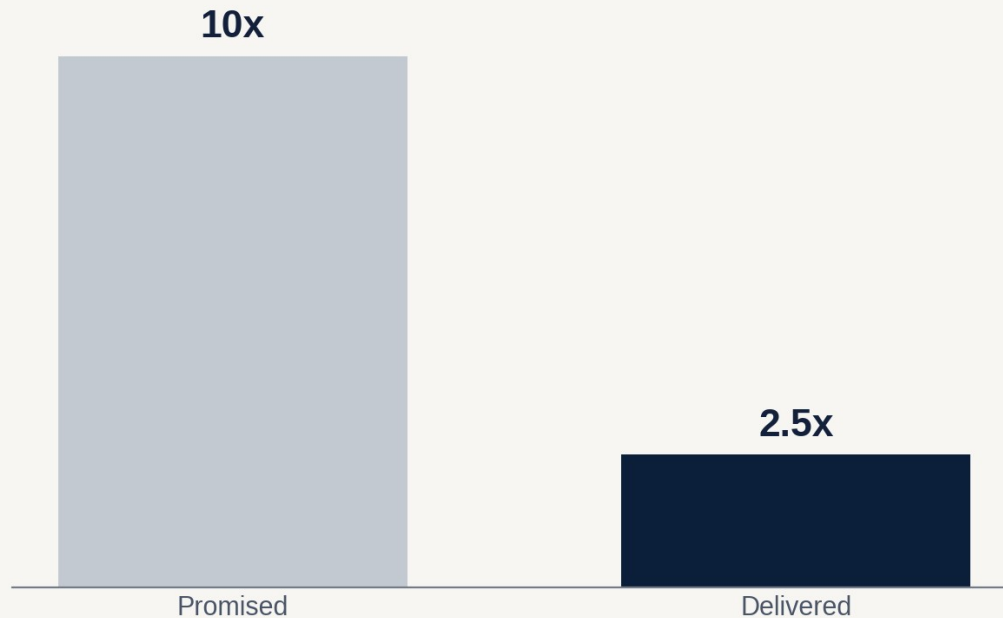
Gartner's hype curve is a wave of attention laid over a slower adoption curve, and its record as a forecast is poor. The studies of booms are more useful: they say what creates one, what breaks one, and which signs show up first.



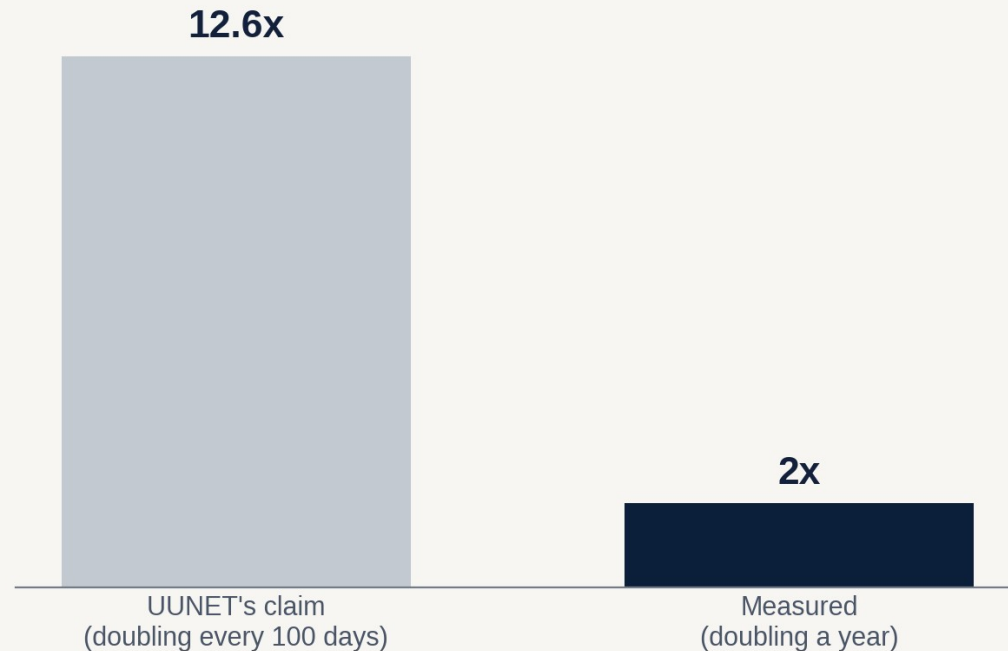
Booms are sold on promises: railway revenue and internet traffic both came in far below what was claimed

UUNET, WorldCom's internet arm, said traffic was doubling every hundred days. It was doubling about once a year, and the claim set the capex.

UK railways: revenue by 1852, as a multiple of 1845



Internet traffic growth a year, late 1990s



Odlyzko (2010), British Railway Mania [S27]; Odlyzko, 'Internet growth: myth and reality', and Light Reading on UUNET [S29]. UUNET's claim converted to a yearly rate ($2^{365/100}$), Lantern arithmetic.

Earlier booms ended in five ways, usually several at once

Borrowing decided how far the fall went: Insull's utility pyramid and Durant's borrowed GM shares lost almost everything on a modest decline underneath.

How it broke	Where	What happened
The cash doesn't arrive in time	UK railways, 1840s	Promoted on about ten times 1845 revenue; earning about two and a half times by 1852
Money gets dearer, or stops	US railroads, 1873	European investors sold US railroad bonds after the Vienna crash; Jay Cooke couldn't fund the Northern Pacific
The build is cut	Telecom, 2000-01	Equipment orders fell from \$13.3B a month in June 2000 to \$3.6B in September 2001
A glut drops the price of the service	Fibre, 2000s	Capacity laid for traffic doubling every hundred days met traffic doubling once a year; bandwidth prices fell
Something is revealed	UK railways; telecom	Hudson paid dividends from capital; WorldCom misbooked \$3.8B of expenses, later about \$11B



PART 2

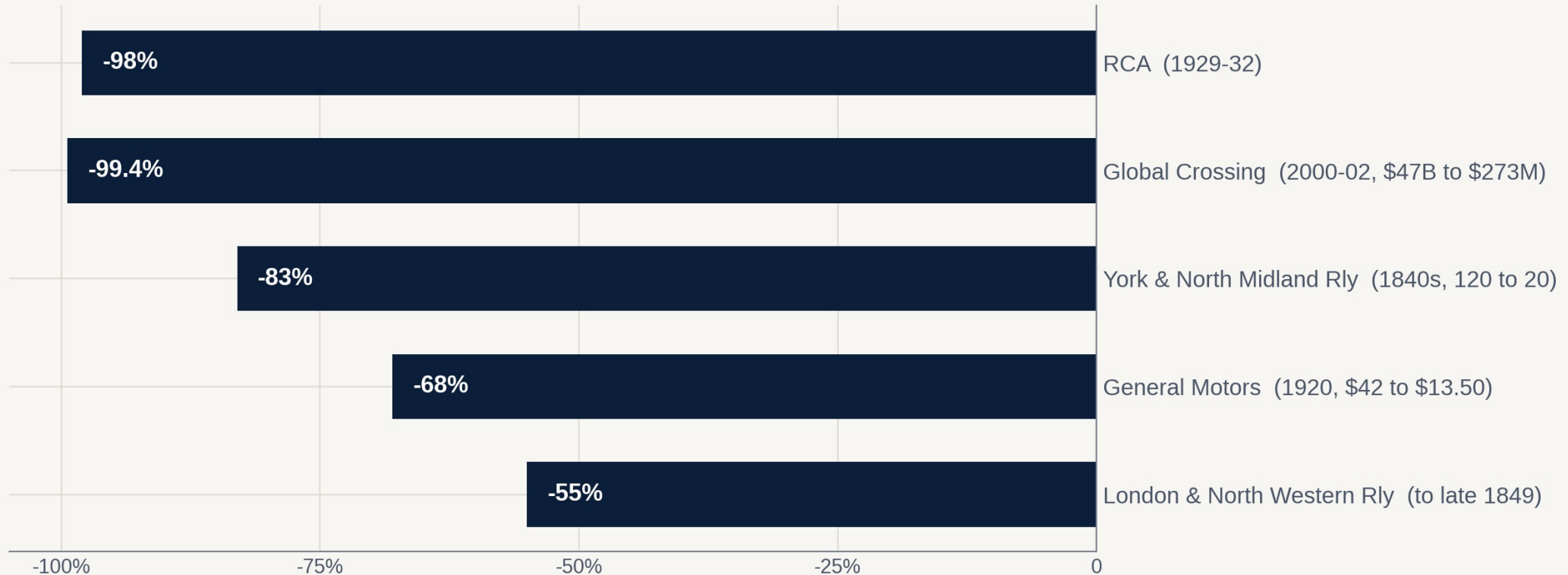
In five earlier booms the technology won and most of its financiers lost

British and American railways, electricity, the car, radio and the internet each went through the cycle. The cases are illustrative, chosen because the boom, the bust and the later winners are all visible.



Investors in earlier booms lost 55% to 99% even where the technology won

British railway shareholders lost about £80M, roughly what the Crimean War cost Britain. Telecom shareholders lost about \$2 trillion.

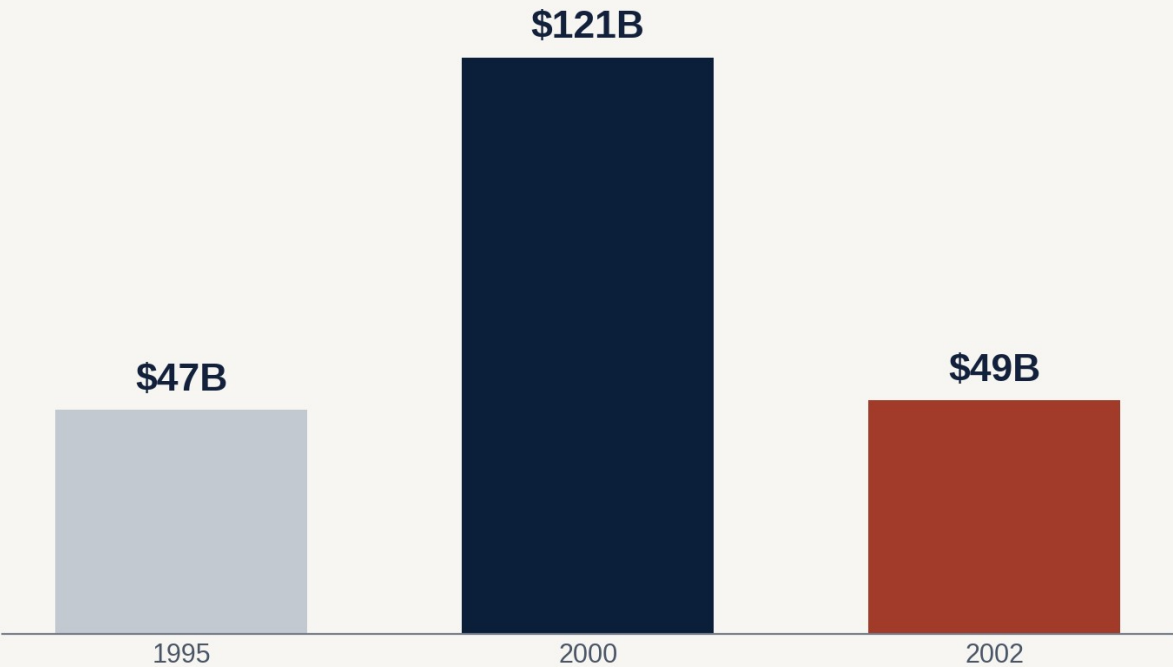


Global Financial Data [S28]; CNN Money, 28 Jan 2002 [S77]; Odlyzko (2010) [S27]; American Heritage [S72]; Litan, Brookings (2002) [S76]. Falls from peak share price or market value; GM and Global Crossing computed from the stated prices.

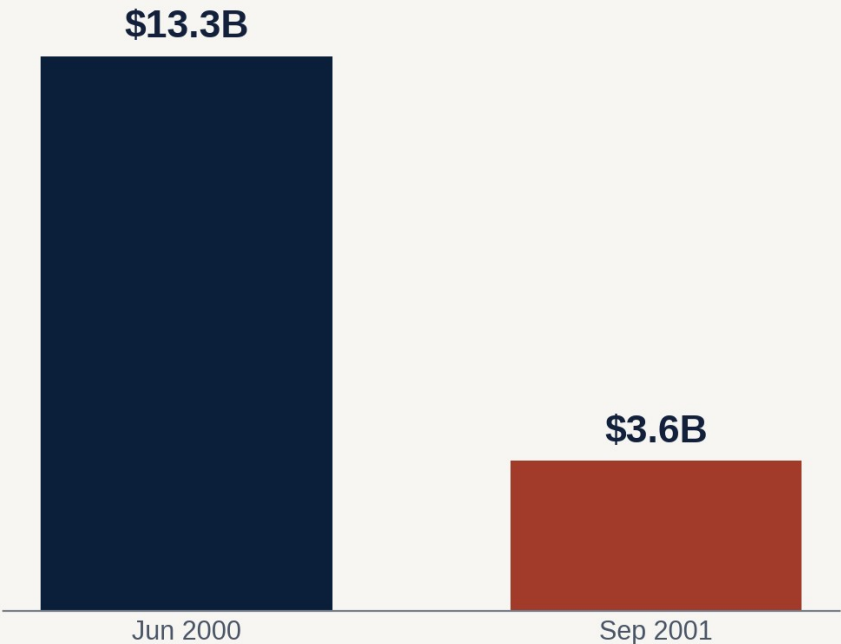
The telecom build was cut from \$121B to \$49B in two years, which is what ended the closest precedent

Carriers short of revenue stopped ordering, and equipment orders fell by three-quarters in fifteen months.

US telecom capital spending a year



Telecom equipment orders a month



Mark Doms, FRBSF Economic Review (2004) [S75]; FDIC Bank Trends 02-05, Jun 2002 [S22].

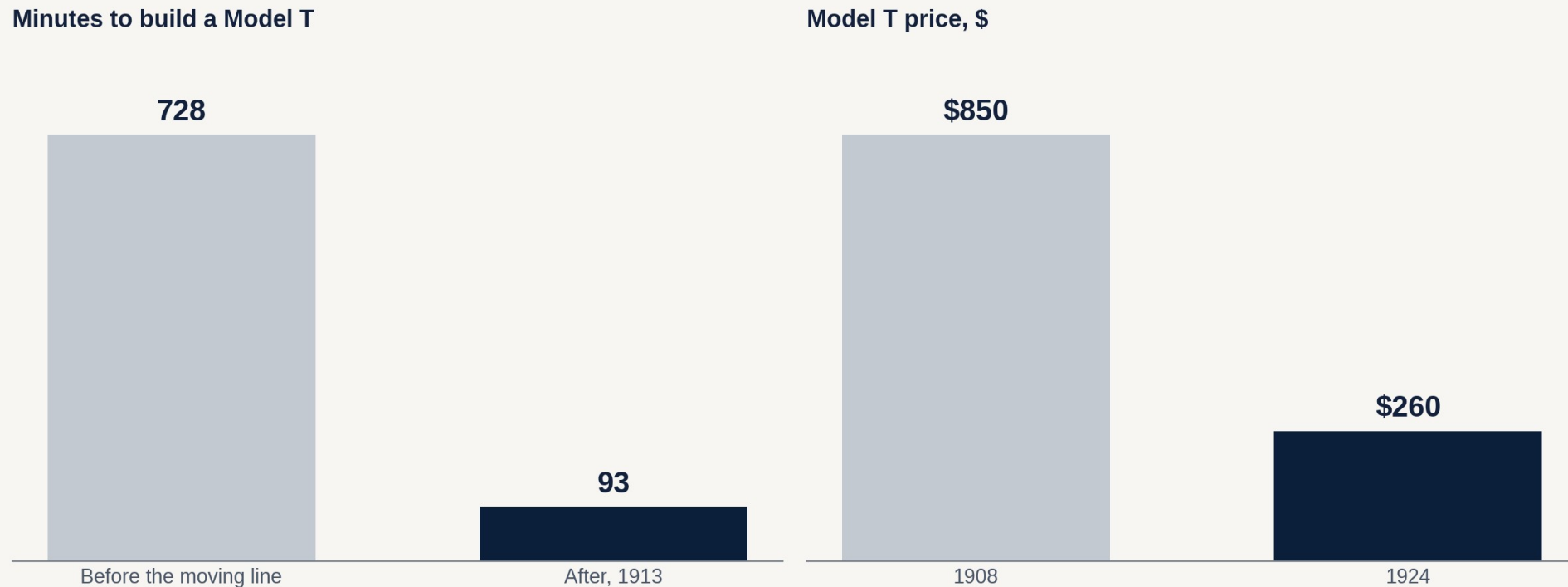


The gains went to four kinds of company that stood outside the spotlight

Kind of company	Examples	What they earned
Users who reorganised around the cheap new input	Swift; Sears and Ward; Walmart	Swift grew from \$300,000 in 1885 to \$125-135M by 1903; Sears and Ward sold over \$400M a year by 1925; Walmart drove most of retail's 1995-2000 productivity gain
Toll collectors at a standard	NBC	Earned \$22.3M in 1926-38; by 1938 its annual earnings equalled 80% of its tangible investment
The cheapest producer or best consolidator	Ford; GM under Sloan	Ford cut the Model T from \$850 in 1908 to \$260 by 1924
Second owners who bought the wreckage	J.P. Morgan; Level 3; Hutchison	Foreclosures covered 40,503 miles of US track in 1894-98; Level 3 bought Genuity's network for about \$137M

The gains reached users late, as when Ford's rebuilt factory cut a Model T from 728 minutes to 93

About half of manufacturing's 1920s productivity gain came from electric motors, forty years after the first power stations. Nordhaus puts innovators' profits at about 2.2% of the social return to innovation in 1948-2001.



National Park Service, Highland Park Ford Plant [S70]; Paul David (1990) [S20]; Nordhaus, NBER w10433 (2004) [S81].

In our counter-cases, builds paid from own cash ended without a bust, and Amazon and Meta survived overspending

Five cases can't make a rule, but the clearest difference is who paid: in the busts, debt, outside equity or suppliers; here, the spenders' own cash. AI has the first at the edge and the second at the core.

Case	What it shows	Evidence
Cloud, 2010-19	Build without a bust	Capex of Amazon, Microsoft and Google rose ~8x to \$54B, at 18-44% of their operating cash flow
Smartphones and 4G, 2010-15	Build without a bust	Smartphone ownership 35% (2011) to 77% (2018); carriers spent \$25-33B a year; Verizon Wireless ~50% EBITDA margin
Electricity after 1935	Build without a bust	Farms with power 11% (1935) to 94% (1956); REA loans largely repaid
Amazon, 2021-23	Company survived overspending	Capex above operating cash flow in 2021-22; shares -57%; capex cut in 2023, FCF - \$11.6B to +\$36.8B
Meta, 2022-23	Company survived overspending	Shares -76%; capex guidance cut, projects cancelled; FCF \$18.4B to \$43.0B



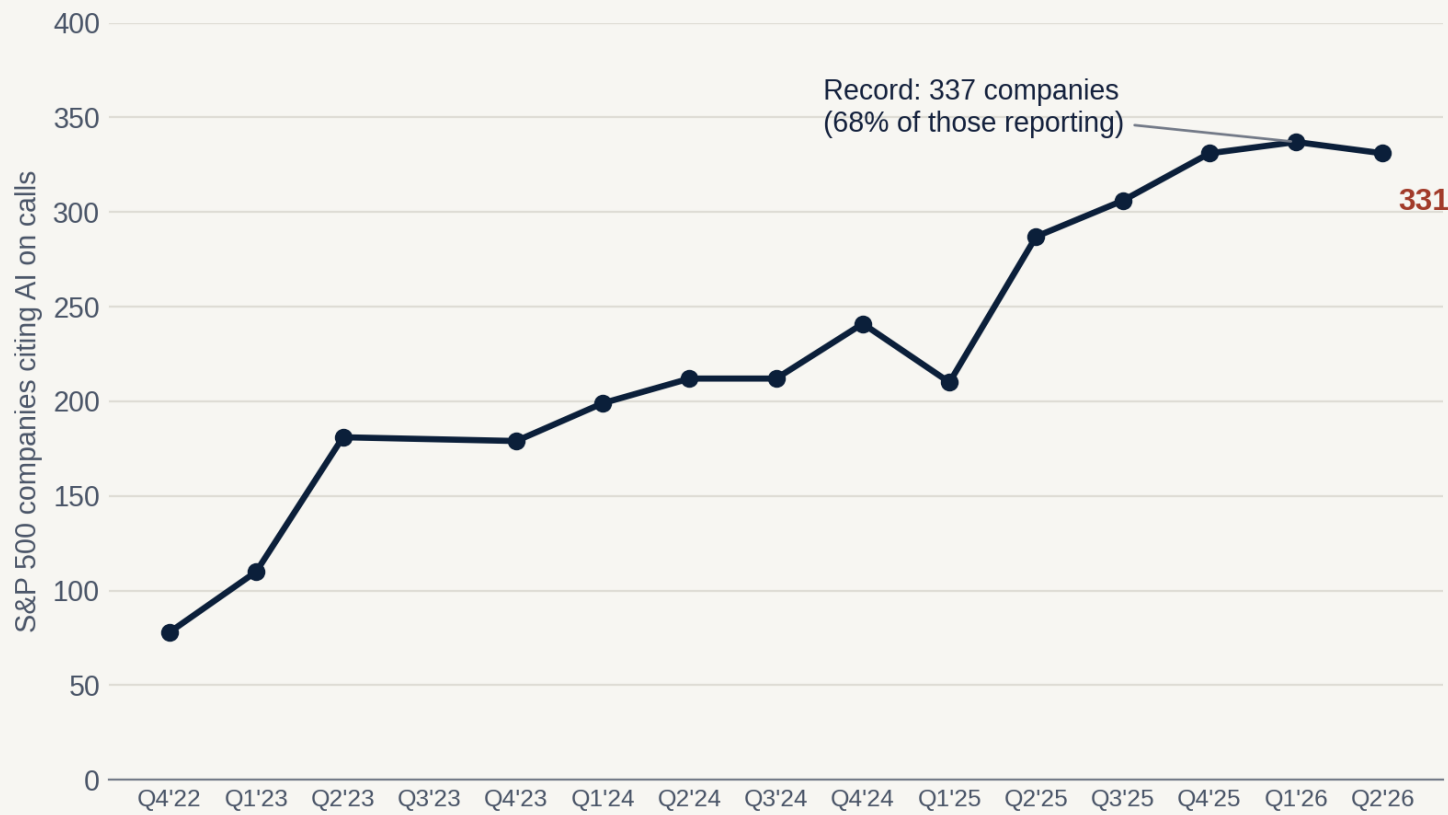
PART 3

AI's technology and use are still climbing, even as corporate attention cools

Part 2 found the technology winning while its financiers lost. Part 3 checks the first half for AI: attention and real use can be measured separately, and in 2026 they started to separate.



Corporate attention to AI has begun to flatten, with 331 S&P 500 companies citing it in Q2 against a record 337



68%

Share of companies reporting that cited AI in Q1 2026, the record.

2 more

Quarterly declines after Q2 2026 would make the case for a peak; one is not yet a trend.

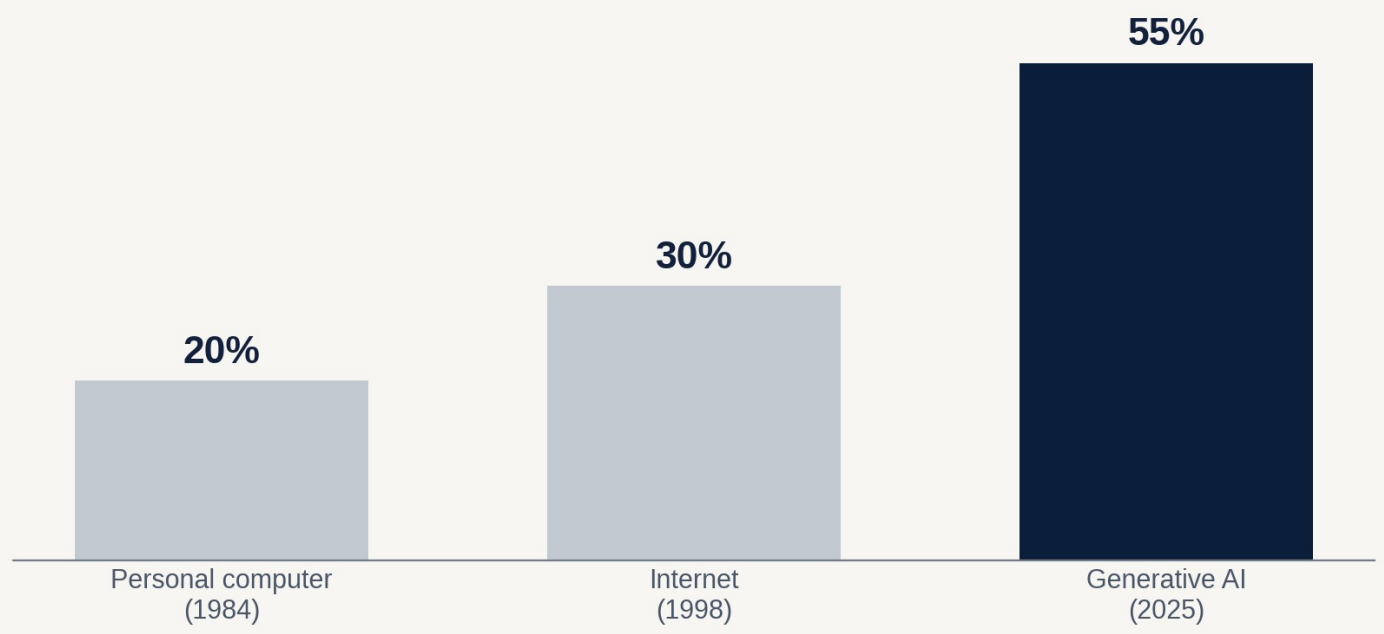
FactSet Insight (J. Butters), quarterly earnings-call counts as first published, May 2023 to 18 Sep 2026; Q3'23 not found [S1].



Generative AI reached 55% of US adults in three years, against 30% for the internet and 20% for PCs

ChatGPT reached about a billion weekly users by July, and Google processed about seven times more tokens in May than a year earlier [S23, S30, S31].

US adults using it three years after launch



62%

US adults using it by May 2026. The headline's 55% is the same survey at three years, as for PCs and the internet.

1 in 16

Work hours in which it is used, 6.3% in Q2 2026. The spread is wide and still shallow.

56%

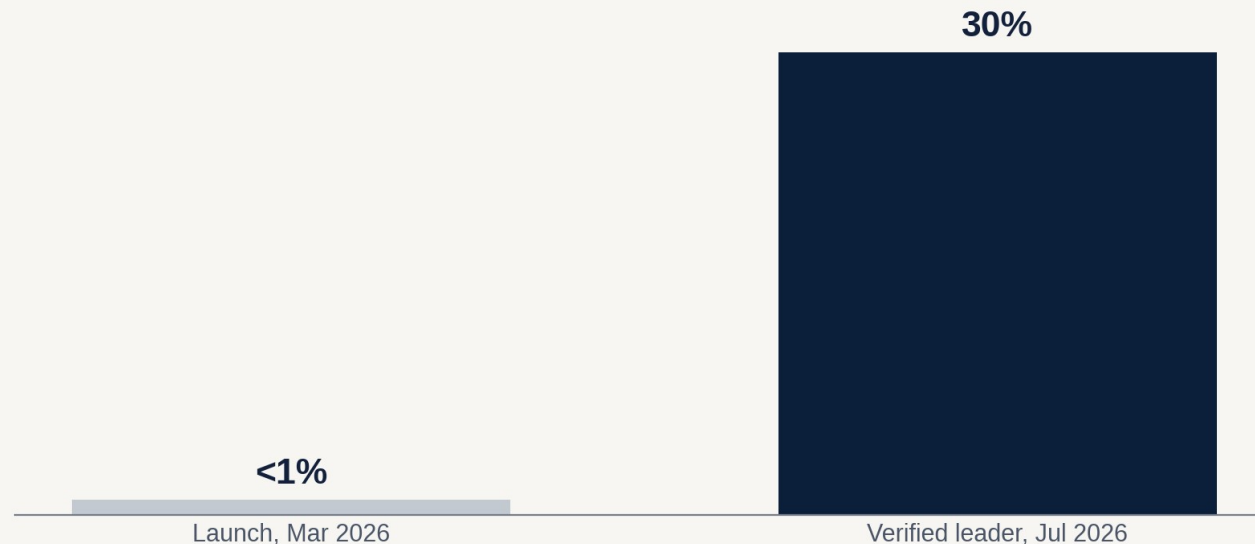
Of Ramp's business customers paying for AI tools in September, up from 44% a year earlier.

St. Louis Fed, Bick, Blandin and Deming, 13 Nov 2025, and WP 2026-017; FRED [S104]. Ramp AI Index via FRED [S105].

Models went from under 1% to 30% on a new reasoning test between March and July, so capability is still climbing

Open-weight models trail the frontier by about four months. In mathematics, OpenAI's unreleased Astra resolved ten decade-old open problems with machine-checked proofs (not yet peer reviewed) [S118]; Anthropic's own capability index bends upward in 2026 [S35].

ARC-AGI-3, share of tasks solved by the verified leader



ARC Prize launch and results posts, Mar-Sep 2026; verified table [S33]. Epoch AI, open versus closed gap [S36].



PART 4

AI's build is paid from cash at the core and from debt and suppliers at the edge

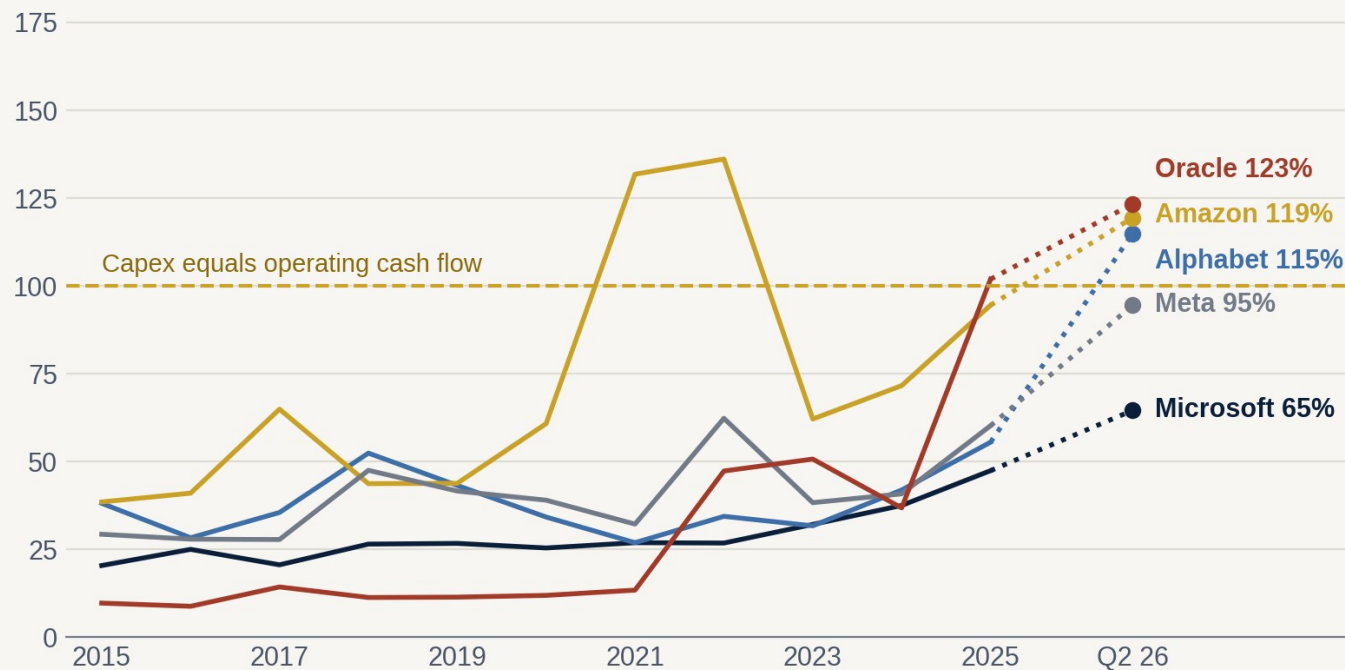
With use still rising, the question becomes how the build is paid for. Last quarter the five largest spenders put 99% of their operating cash flow into capex, a third of the spending is borrowed, and suppliers are financing customers.



The five largest spenders put 99% of their operating cash flow into capex last quarter, against 48% in 2024

The ratio leaves out commitments not yet on the books: Alphabet alone has \$85.2B of data-centre leases signed but not started [S93].

Capex as a share of operating cash flow, by fiscal year



27%

The five companies' combined capex as a share of operating cash flow in 2015. It stayed below two-fifths through 2020; 83% over the latest twelve months.

3 of 5

Alphabet and Amazon spent more than their operating cash flow in the June quarter, as did Oracle in its quarter to August. Amazon last did so in 2021-22, during its warehouse build.

Company cash-flow statements FY2015 to Q2 2026 (Oracle to Aug 2026), via StockAnalysis and Finboard; Lantern calculations [S100]. One quarter; cash capex only: Microsoft and Meta also report finance leases as capex, so their true share is higher.

Depreciation is up 18-134% on a year ago, and whether the build earns its keep depends on more than AI revenue

The cash-flow ratio shows how the build is paid for. Whether it pays depends on what the assets earn before they wear out, which no company discloses for AI alone.

+18% to +134%

Growth in depreciation in the June quarter: Microsoft 18%, Amazon 31%, Alphabet 42%, Meta 46%, Oracle 134%.

~\$200B

Disclosed AI revenue run-rates, gross: Microsoft above \$37B, AWS above \$25B, OpenAI and Anthropic near \$150B. Some dollars count twice, because the labs spend at the clouds.

~\$650B

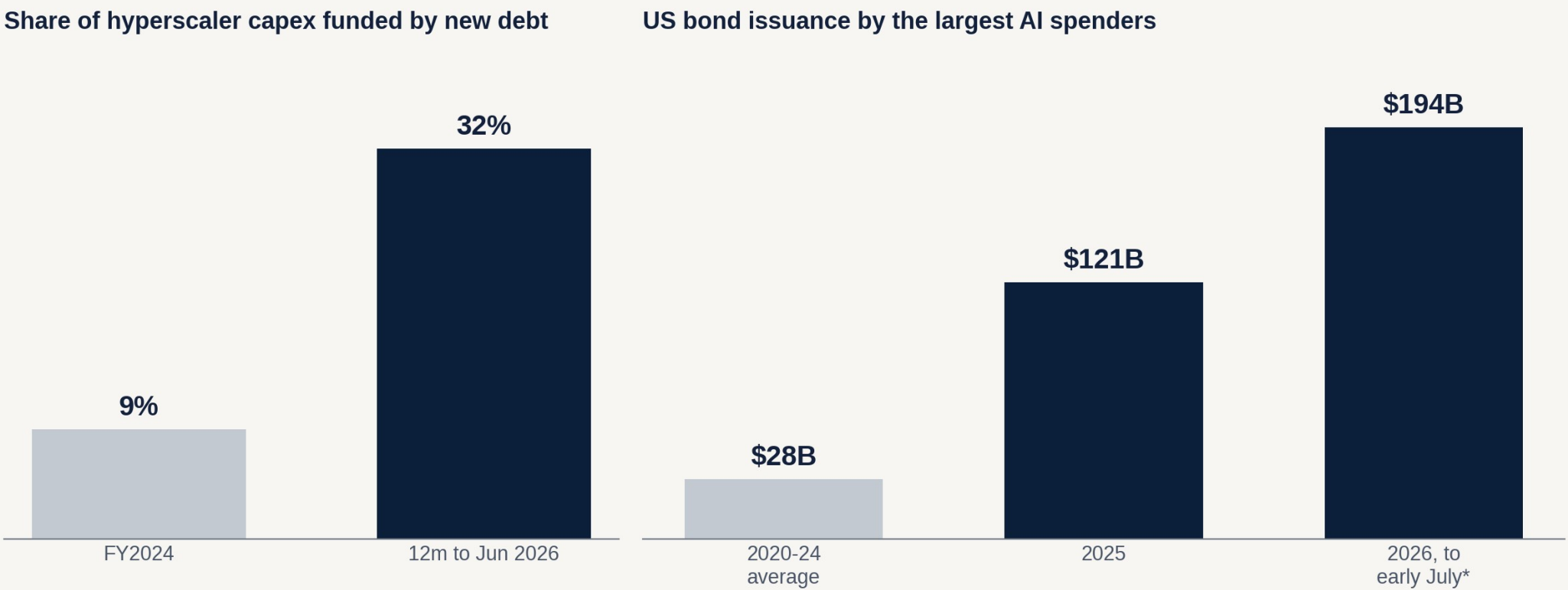
Illustrative: one sell-side estimate (JPMorgan, secondhand) of 2030 revenue for a 10% return. Not on the ~\$200B's basis; margins, depreciation and funding set the return.

6 to 5 years

Amazon's cut to its server lives in 2025, citing the pace of AI. The cost of the build reaches profits faster.

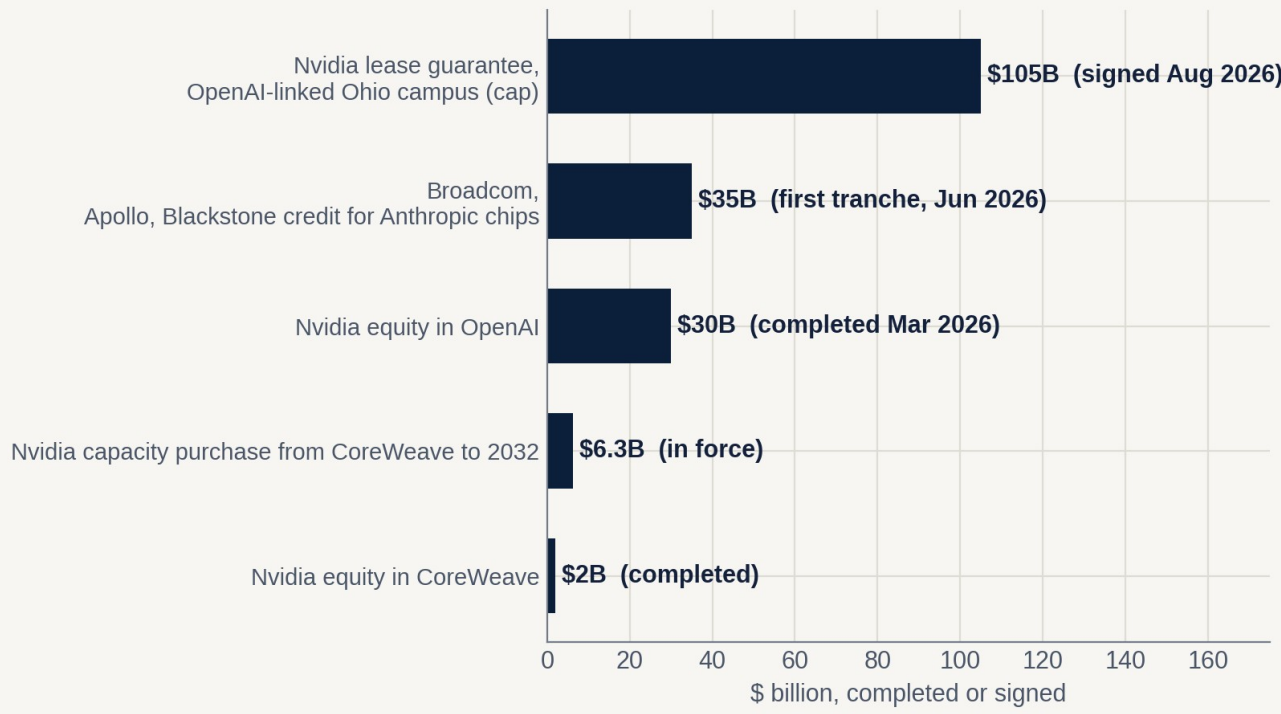
New debt funded 32% of hyperscaler capex in the year to June, up from 9% in fiscal 2024

The Bank of England, citing Morgan Stanley, expects about \$700B of data-centre spending in 2026-28 to come from private credit.



Suppliers have signed well over \$150B of financing for their own customers

The deals form a loop: rising private marks pay for the chips, and suppliers reinvest in the labs and their landlords. Nvidia held \$99B of investee equity by July, so a down round at a large lab would run the loop in reverse.



160M

Shares AMD has offered each of OpenAI and Meta as warrants at \$0.01, vesting with gigawatts deployed. None had vested by June.

\$7B

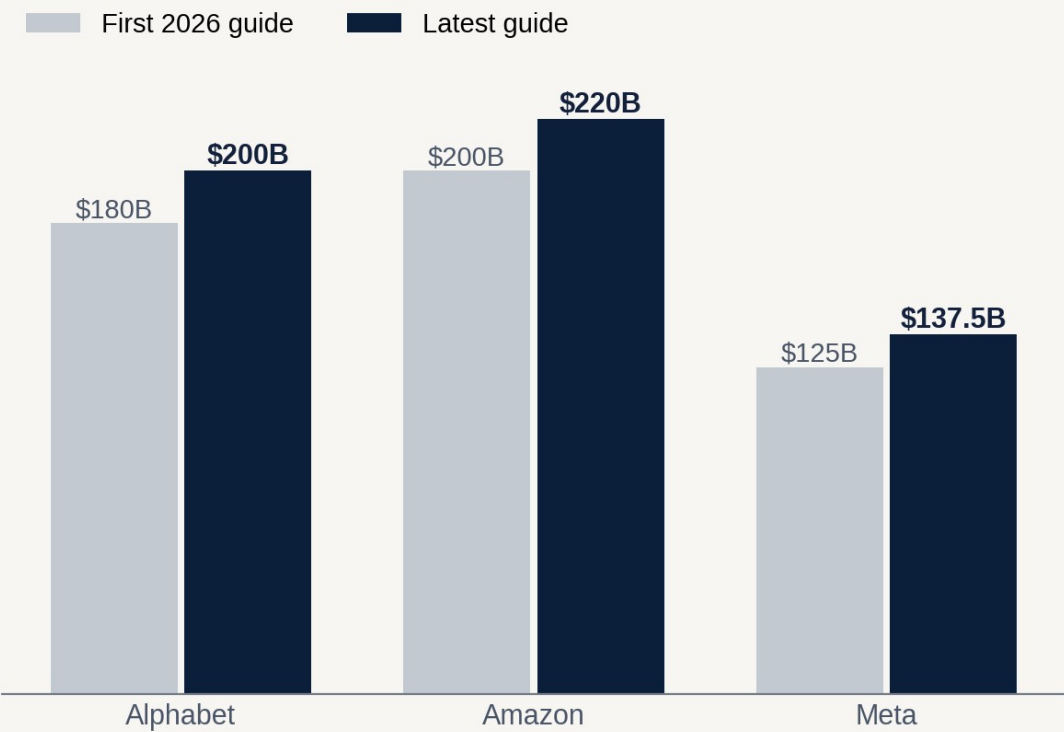
Lucent's financing commitments to its own customers in 2000, the telecom precedent.

NVIDIA 10-Q, quarter to 26 Jul 2026 [S90]; OpenAI, 31 Mar 2026 [S41]; Blackstone and Apollo, 9 Jun 2026 [S92]; AMD 8-K and 10-Q [S91]; Light Reading [S62]; Bloomberg via Investing.com, 28 Jul 2026 [S43]. The total includes the Apollo and Blackstone facility.

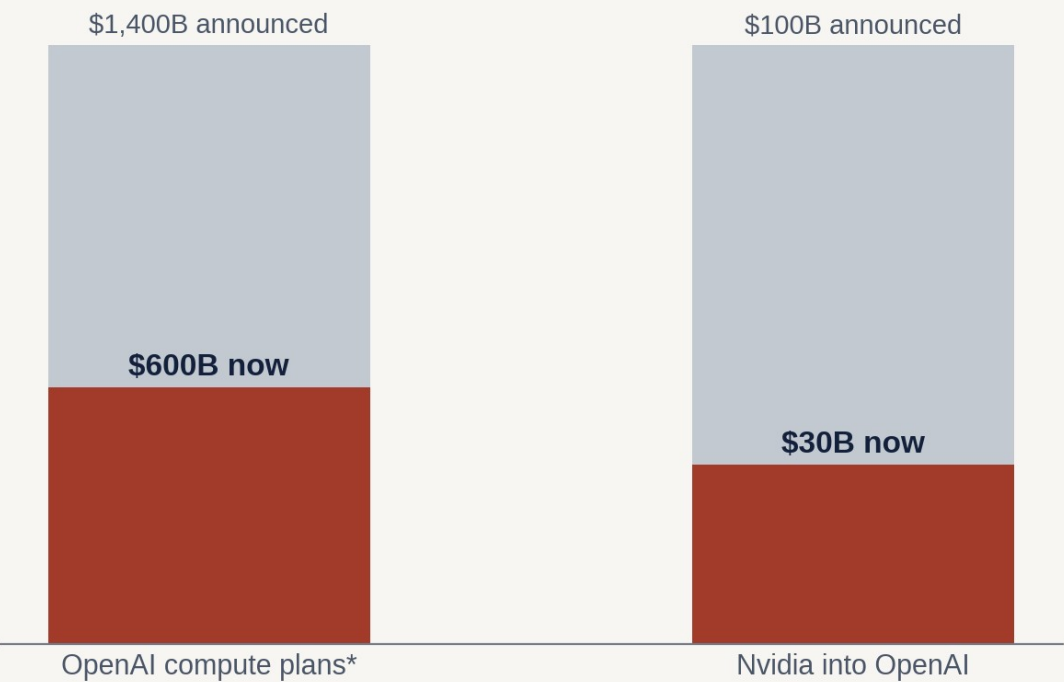


Supply guidance rose while the biggest demand commitments shrank

Supply: 2026 capex guidance (midpoints)



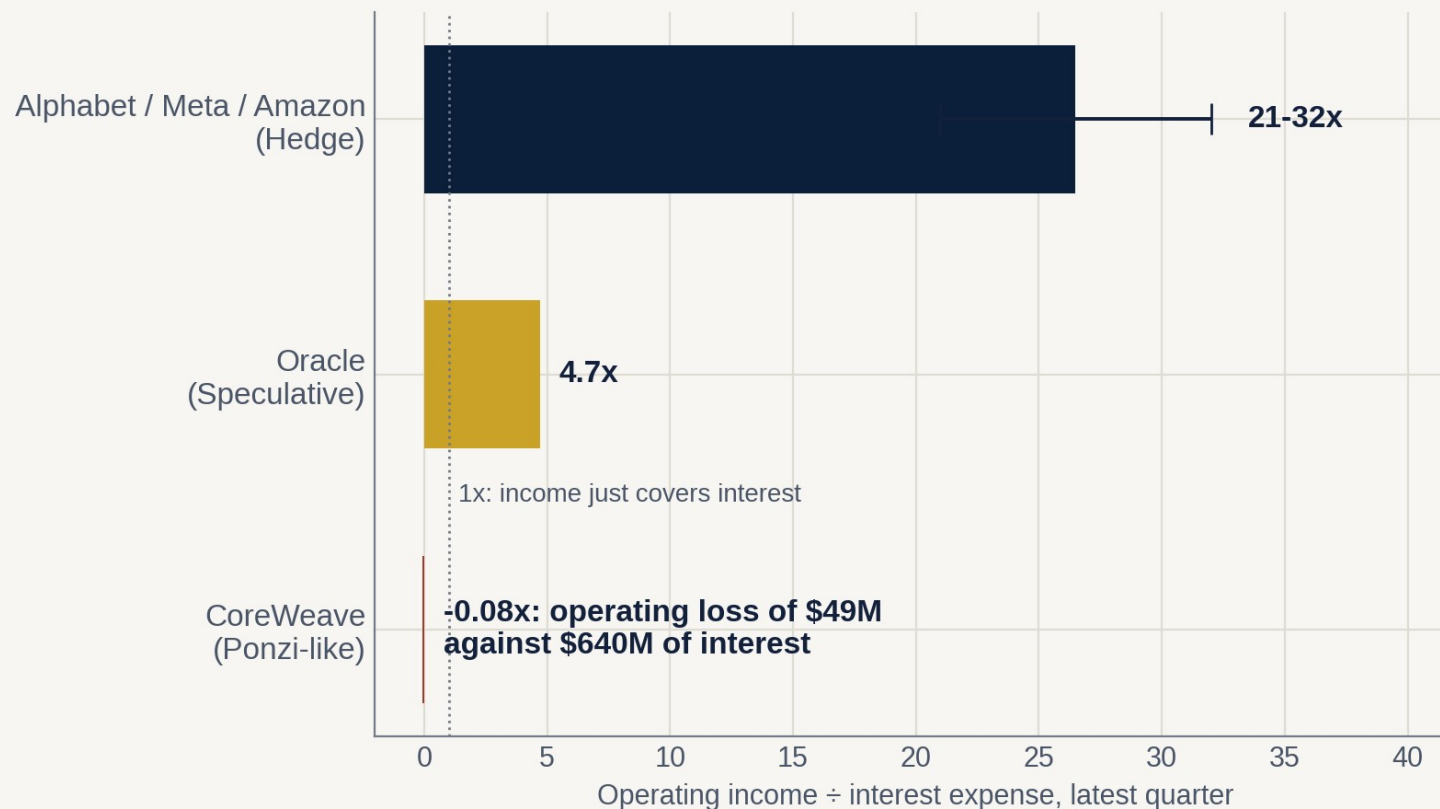
Demand: what was announced against what stands



Company guidance, Jan-Jul 2026 [S11]; OpenAI and Bloomberg Law [S41]; DataCenterDynamics and Altman, Nov 2025 [S42]. *The two OpenAI figures cover different horizons, so the comparison overstates the cut in annual terms.



Oracle's operating income covers its interest 4.7 times, and CoreWeave's covers none of it



Hedge

Income pays interest and principal. Alphabet, Meta and Amazon cover interest 21-32 times; Alphabet's was about 120 times a year earlier.

Speculative

Income pays interest, the principal gets rolled. Oracle: debt about \$125B, rated BBB-, one notch above junk.

Close to Ponzi (Minsky)

CoreWeave: a \$49M operating loss against \$640M of interest in Q2; a \$3B convertible in September. It relies on new financing; that alone doesn't show debt pays interest.

Stress so far sits with the most indebted borrowers, led by CoreWeave

Meta's Hyperion bonds (\$27.3B, due 2049) fund a campus Meta leases on terms it can renew every four years; they hit a record low of 94.4 on 23 September. The bonds finance the buildings; the chips inside are Meta's own, depreciated over five or six years, and the risk is whether Meta keeps renewing.

Meta Hyperion bond, price (record low)



<80c

CoreWeave's unsecured notes due 2032 on 14 October, a yield of about 15%.

2.45GW

Oracle's Project Jupiter campus in New Mexico, under a force majeure notice since 24 September.

39%

Of Blue Owl Technology Income Corp's shares put up for redemption in Q3.

6.3%

US private-credit default rate, a record (Fitch).



PART 5

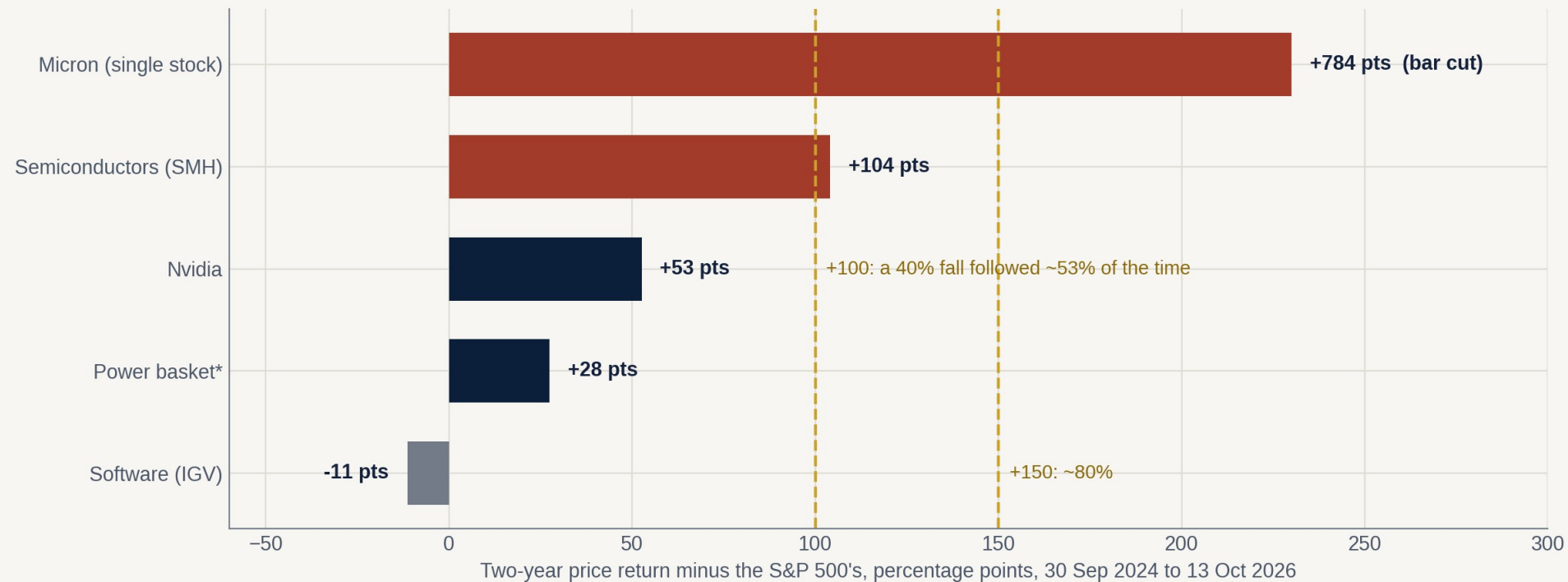
Semiconductors cross the run-up threshold and private valuations have run ahead

Greenwood, Shleifer and You looked at every US industry from 1926 to 2014. Industries that beat the market by more than 100 points in two years fell 40% or more within the next two about 53% of the time.



Semiconductors are 104 points ahead of the market over two years, past the line where 40% falls followed about half the time

The ~53% is a 1926-2014 base rate for industry portfolios; our ETF, price-only test approximates it. It marks the risk as high by historical standards, not a 53% chance of a fall now. The fund also rose 359% in five years, the paper's second condition.



Memory is two markets, and the glut that ended past memory booms is dated to the second half of 2027

~70%

Of Samsung's memory capacity reportedly committed on long-term contracts through 2031. Server and accelerator memory is largely contracted.

2H27

When new supply filed by all three makers ramps on TrendForce's forecast, with most of the extra output arriving in 2028.

12 to 8

Chip designers are weighing 8-high instead of 12-high memory stacks per accelerator for 2027, because of cost.

Buying ahead

Phone and PC makers are buying memory ahead of an expected shortage while their own sales fall, so consumer memory would turn first.

Four of the five signs that raised the odds of a crash in the 1926-2014 data are present

Each sign present raised the odds above the 53% base rate. The missing one lowers them.

Warning sign	Present?	Evidence
Rising volatility	Yes	Semiconductor fund volatility on monthly returns 41% in the past year, against 25% the year before
Heavy share issuance	Yes	US IPO proceeds roughly tripled; SK hynix \$26.5B; Alphabet's \$84.75B programme
Prices accelerating	Yes	The semiconductor fund rose 71% between March and June 2026
High market-wide P/E	Yes	Shiller CAPE about 42, near its 1999 record of 44
Newer firms leading	No	The leaders are Nvidia (founded 1993), Micron (1978), TSMC (1987) and SK hynix. In the paper's data, crashes came disproportionately after run-ups led by young firms

The most stretched prices sit in private marks and crowded trades

\$852B

OpenAI's valuation when it raised in March; reported in talks at about \$1.4 trillion.

\$965B

Anthropic's valuation at its 2026 raise; about \$2T reported as its IPO target. Q3 revenue reported at \$16.8B, with adjusted operating profit. Unaudited; labs book revenue on different bases.

+37%

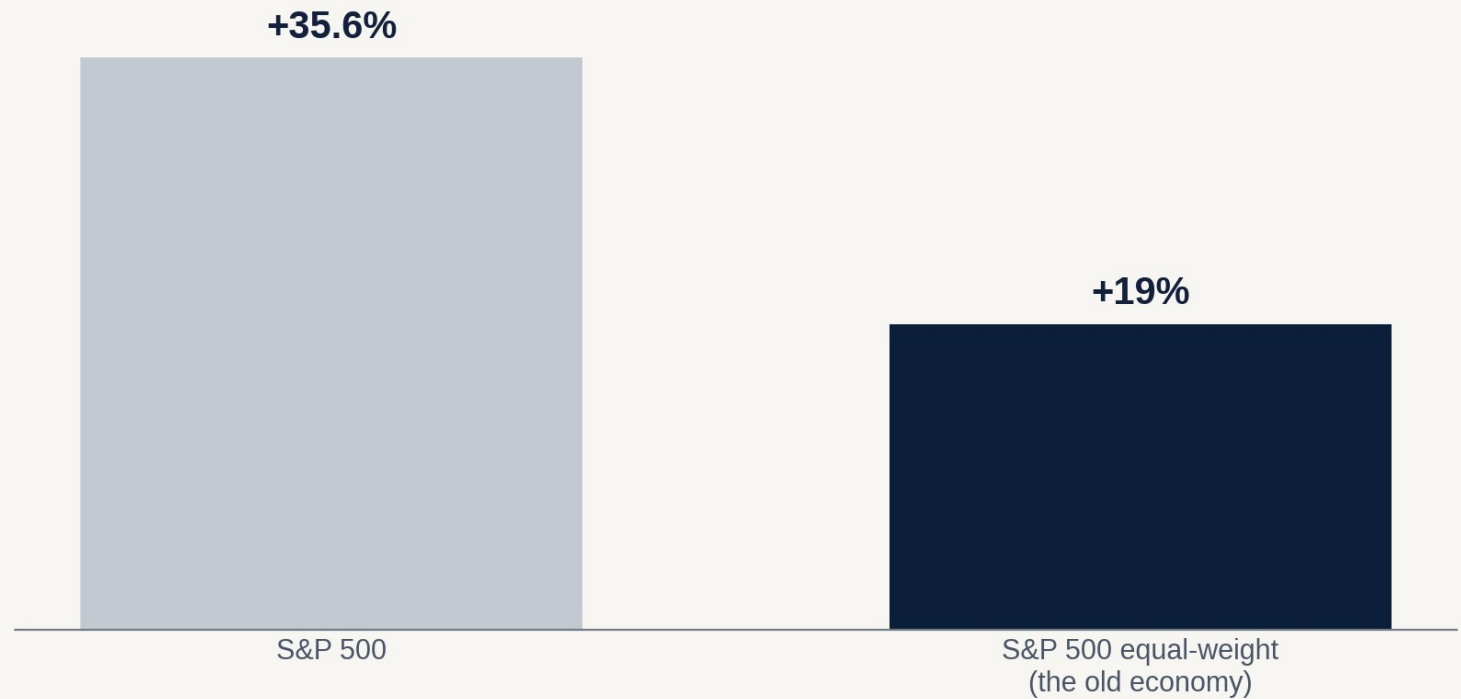
US margin debt over the year to August.

39%

Weight of the ten largest companies in the S&P 500. Long semiconductors is fund managers' most crowded trade.

Old-economy stocks are still rising, so Pástor and Veronesi's late-phase signal hasn't fired

Two-year price return, 30 Sep 2024 to 13 Oct 2026



19.1x

S&P 500 forward P/E on 9 October, equal to its ten-year average, with 2026 earnings expected to grow 32.7%.

18-19x

Nvidia's forward P/E, about the same as the index. The old economy, in the equal-weight index, is still rising.





PART 6

So far chip makers take most of AI's profit while users' gains arrive slowly

In the earlier booms the builders went unpaid, the gains came late and went to users, and toll collectors did well. All three are visible in AI's numbers, and two of the five things that ended earlier booms are already under way.



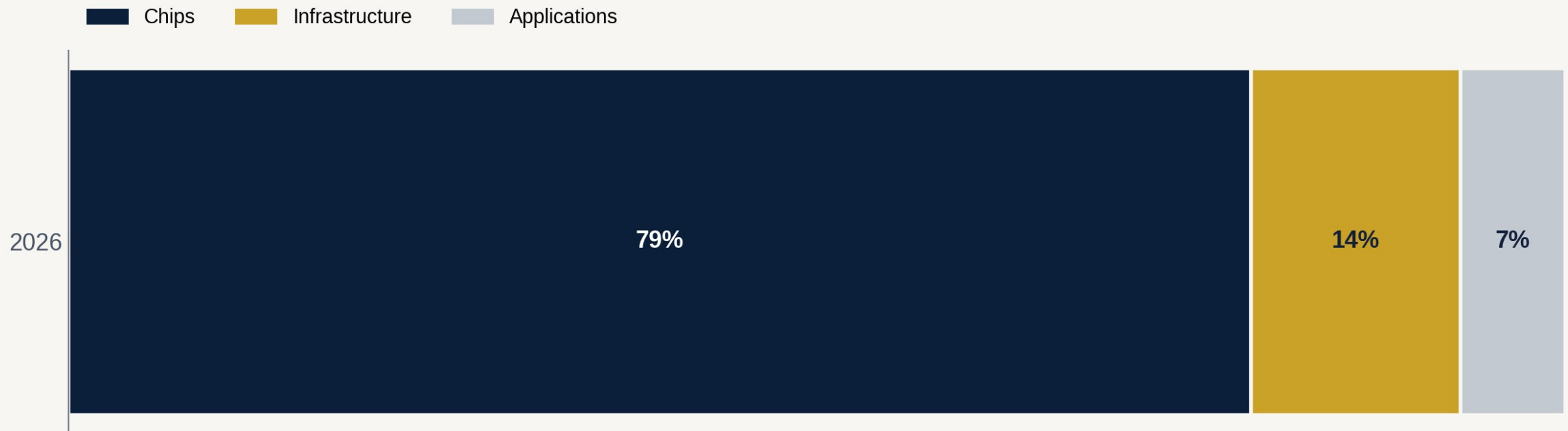
AI's gains are large in controlled task trials and still barely visible in firms' accounts or national data

Factories ran electric motors for decades before productivity showed up, because they had to be rebuilt around them first.

Level	Measured by	What was found
Task	Controlled trials	Support agents resolved 14% more issues an hour, novices 34%; writers took 40% less time. Outside AI's reach, consultants were 19 points less likely to be right; experienced developers were 19% slower in METR's 2025 trial
Worker	Time-saved surveys; Danish payroll data	2.2% of all US work hours saved in Q2 2026, flat this year; no change in Danish users' earnings or hours through mid-2024
Firm	Executive surveys	37% report any EBIT impact, down from 39%; nine in ten of ~6,000 executives saw no productivity or employment effect over three years
Economy	National statistics	Productivity +2.2% in 2025, but utilisation-adjusted TFP +0.07% in the year to Q1 2026; AI investment added almost nothing to 2025 GDP growth

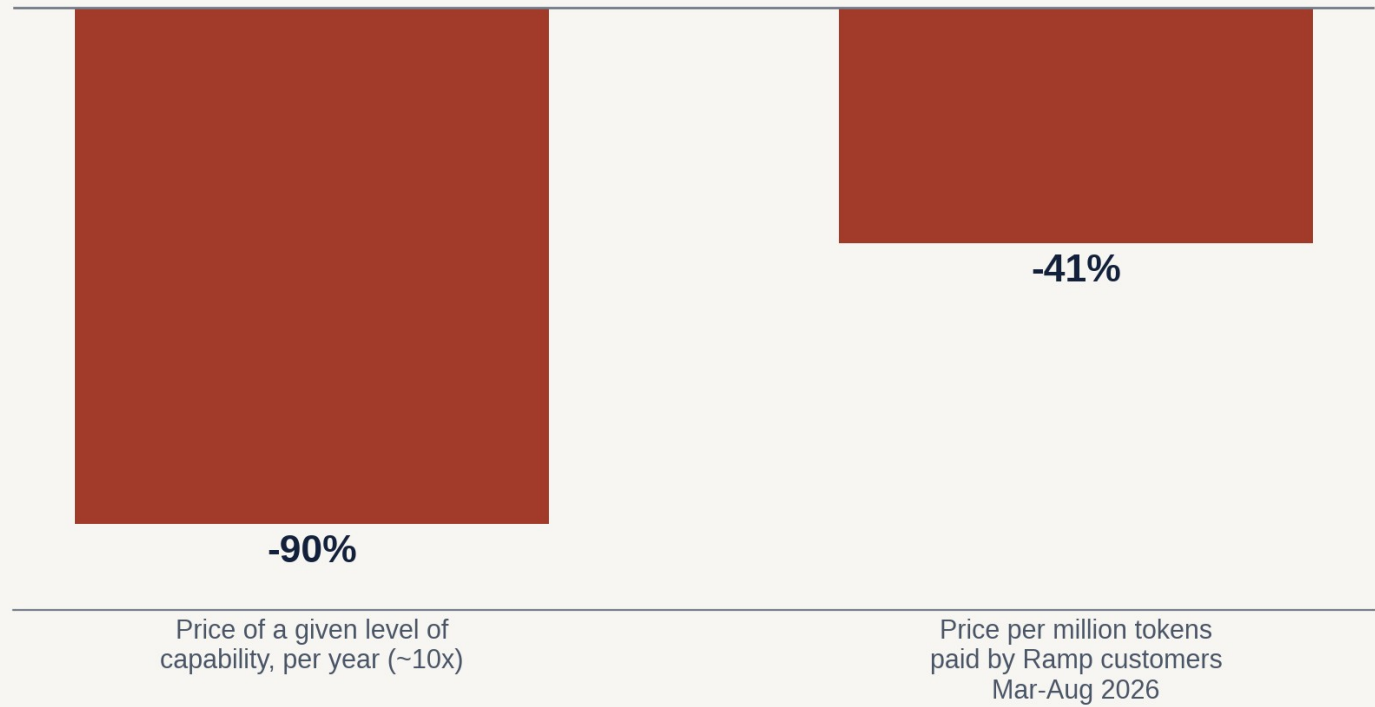
Chip makers take 79% of AI's gross profit while applications get 7%

An estimate by Apoorv Agrawal, read from a secondary write-up. Two years earlier his split was 87, 10 and 3, so profit is moving down the chain, but slowly.



Token prices are falling while GPU rents rise, and the leading labs' price premium per token has widened

Most of the tenfold fall is the frontier moving on, and Ramp's figure mixes price cuts with customers switching to cheaper models.



4.1x

Leading labs' price per token against everyone else's on OpenRouter, up from 2.7x in early 2024. One panel [S99].

61% to 35%

Their share of OpenRouter tokens. Cheaper models, mostly open-weight, are winning the volume.

Two of the five breakers that ended earlier booms are already live

Borrowing is concentrated at the edge, so a break would probably start there. Each spender sets capex partly against its rivals, so when the build is cut it tends to go quickly.

Breaker	Ended a boom in	AI today	Status
The cash doesn't arrive in time	UK railways; telecom	OpenAI's reported projections: ~\$278B more spending than income, 2026-30; Anthropic, profitable on an adjusted basis, funds its chips with a \$35B credit line	Live
Money gets dearer, or stops	US railroads 1873; Westinghouse	First Fed hike in three years, ten-year yield above 5%; bond order books down from five times covered to under two	Live
The build is cut	Telecom 2000-01	2026 capex guides still rising	Not yet
A glut drops the price	Fibre	Token prices falling about tenfold a year, mostly the frontier moving on; GPU rents rising, though the oldest chips' estimated resale value fell over a third; Meta renting out idle capacity	Mixed
Something is revealed	UK railways; telecom	Lab run-rates on different accounting bases; \$85.2B of Alphabet leases not yet on the balance sheet; no fraud found	Not yet



PART 7

The case against us is real, and four readings due within two quarters will test it

Here is that case at full strength, then our weights for the end of 2027, the numbers to ignore, and the readings that would move us.



Record adoption shows the demand is real, though internet use also kept growing through its bust

55% vs 30%

Generative AI's reach among US adults three years after launch, against the internet's.

56%

Of Ramp's business customers pay for AI tools, up from 44% a year earlier.

Doubling

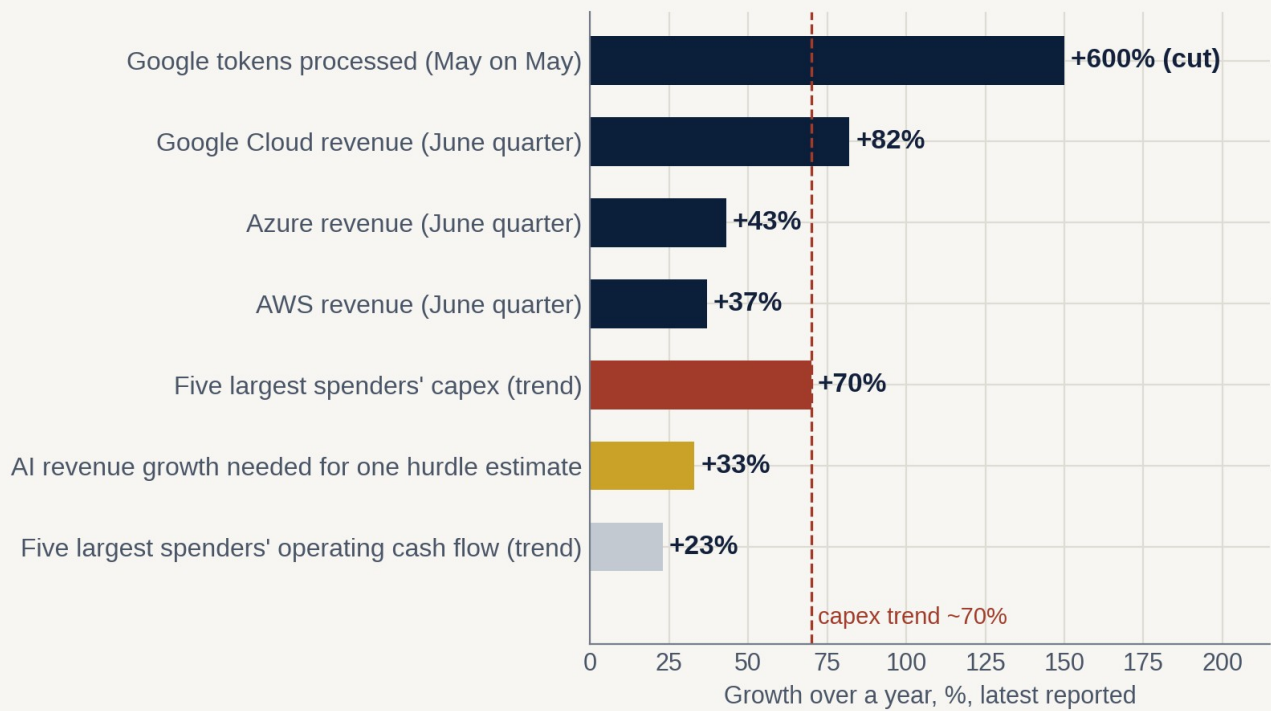
Internet traffic kept doubling about once a year after 2000 while the companies that built the network failed.

What would move us

Hours saved above 3% of all work hours, or more than 45% of firms reporting EBIT impact.

At full strength the bull case is a loop in which use outgrows capex, and it pays only if cash flow follows

Google's token volume rose about 7x in a year while Ramp's prices fell 41% in five months. That use keeps older chips rented and the clouds full, and 2024-25 contracts reprice upward. The last link is cash flow, growing about 23% a year against capex near 70%.



\$2.63

H100 rent an hour, up from a \$2.00 low. An older chip earns while rents hold; its resale value, what lenders recover, is down a third.

What would settle it

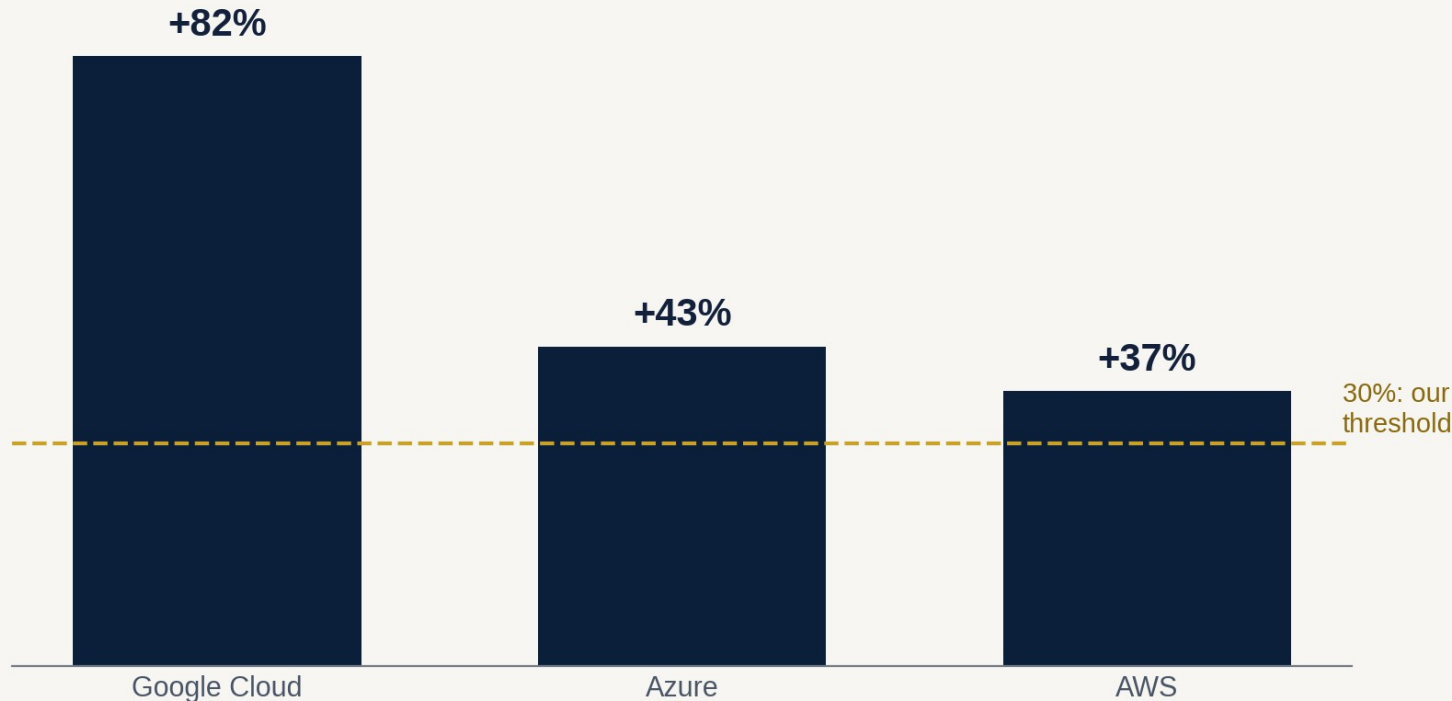
Token and cloud spending outgrowing the 70% capex trend for two quarters, with cash flow following. Report C11 tracks it.

In their strongest form, two of the five main bull arguments hold, and none shows who earns the return on the build

Bull argument	Our test, same periods	What it shows
Earnings, not multiples, drove returns	S&P 500 forward P/E 19.1, its ten-year average; Nvidia near the market multiple	Agreed for the core; the run-up is in semis and private marks
Backlogs prove the demand	Microsoft \$678B (+25% without OpenAI), Google Cloud \$514B, AWS \$496B, Oracle \$664B	Real, but concentrated in a few labs; their cash flow unaudited
Returns exceed borrowing costs	Average ROIC mixes old businesses with new; ~\$200B AI revenue must grow ~a third a year to reach one illustrative 2030 hurdle estimate	An average can't answer an incremental question
Older GPUs keep their value	H100 rent \$2.63 vs a \$2.00 low; A100 estimated resale value down over a third	Holds for earnings while rents hold; resale, what lenders recover, is down
Cheaper intelligence expands demand	Google token volume ~7x a year vs Ramp prices -41% in five months	Supported so far; must outgrow capex

Cloud revenue grew 37-82% in the June quarter, our strongest sign of being early, while the capex trend runs at about 70% a year

Cloud revenue growth, June 2026 quarter, year on year



The case for 1996

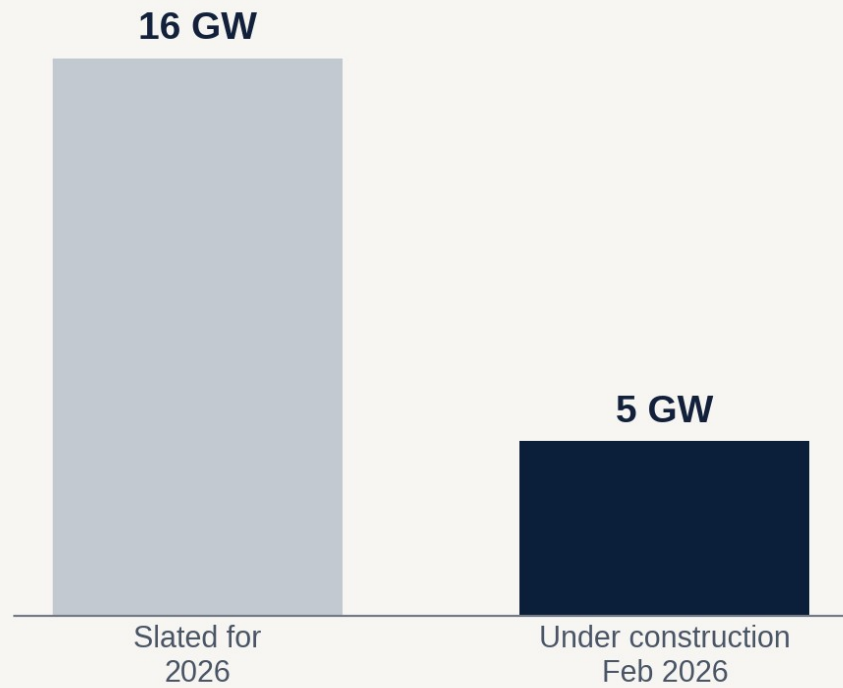
The core trades at an average multiple on fast-growing earnings. Compute sold in 2024 and 2025 was priced below today's rates, so revenue rises as those contracts reprice.

What would settle it

Two quarters of capex below operating cash flow with cloud growth above 30% would make our timing wrong.

Power limits make a fibre-style overbuild less likely, which can stretch the cycle out

US data-centre capacity



16 GW

At least this much data-centre capacity was slated for 2026.

5 GW

Of it under construction in February. GPU rental prices rose between May and July. The figures show the bottleneck, not how much will be overbuilt in the end.

Three more objections remain, starting with the claim that the turn has already happened

The turn has already happened

\$1T came off big tech in a week in February. By 13 October semiconductors were 12.5% off their June peak and Oracle 56% below its high.

WOULD SETTLE IT

If the stress spreads to capex guidance, this becomes our base case.

History doesn't fit AI

Gartner's curve fits its own data poorly. Perez places AI inside a revolution that crashed in 2000, and the crash study ends in 2014, before suppliers financed customers on this scale.

OUR ANSWER

We partly agree, which is why we used several tests and several histories and show where they disagree.

The technology is the part peaking

METR's measure can no longer see the frontier. ChatGPT agent fell from a peak of about 4M weekly paying users to under 1M, and OpenAI withdrew it in August.

WOULD SETTLE IT

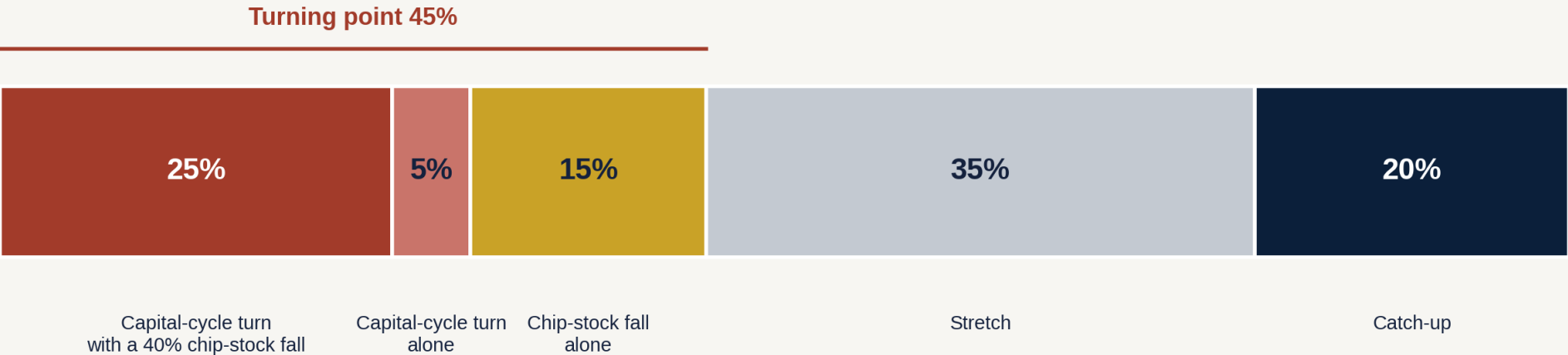
Two consecutive frontier releases with no gain on unsaturated tests would move capability off "still climbing".

We put 45% on a turning point by the end of 2027, 35% on a stretch and 20% on a catch-up

Path	Weight	What has happened by the end of 2027	Why this weight
Turning point	45%	A capital-cycle turn (30%), or a 40% chip-stock fall on its own (15%)	Three warning signs clear, two borderline; two breakers live
Stretch	35%	Everything else: growth continues, nothing forces a repricing, the economics haven't caught up	Close to consensus: big-five FCF about -\$85B in 2027
Catch-up	20%	Capex back below cash flow for two quarters, cloud growth above 30%, AI revenue outgrowing capex	Needs cash flow well above consensus; quick past recoveries came through cuts

Most of the 45% is a capital-cycle turn that drags chip stocks with it; a chip-stock fall alone is about 15%

Every outcome falls in exactly one segment. A turn could look like Amazon and Meta in 2022: shares down 57-76%, capex cut, companies stronger afterwards.



Lantern judgment, report C9. Capital-cycle turn 30% (with a chip-stock fall about five times in six); semiconductor drawdown 40%; base rate ~53% from Greenwood, Shleifer and You (2019) [S14].



Most widely quoted AI numbers say less than they seem, so we watch filed figures instead

The headline	Why it misleads	Watch instead
"OpenAI missed its revenue by \$20B"	Most of the gap was accounting: the \$70B figure grossed up partner sales to match Anthropic's method	Revenue on one basis; Anthropic's audited filing
"Nvidia is guaranteeing \$750B for OpenAI"	Those were reported talks; the signed guarantee is capped at \$105B	Filed commitments
"95% of corporate AI pilots fail"	No underlying data released; success defined narrowly	Share of firms reporting EBIT impact
"Business AI adoption has doubled"	The Census Bureau changed its question in November 2025	Same-question survey series
"AI is the fastest-adopted technology ever"	True, and it measures use; internet use kept growing through the telecom bust	Work hours saved; firms reporting EBIT impact
"Half of this year's data centres are cancelled"	An estimate counting announced projects, rebutted by other analysts	Capacity under construction
"Microsoft cut capex by \$15B"	A lease reclassification; underlying spending unchanged	Cash capex plus finance leases

Two of the big four guiding 2027 capex flat or down would tell us the turn has begun

Rows one and two test our read: AI can win while its financiers lose, so watch who pays for the extra compute and who keeps the gains.

Question	Signal	Threshold	Next reading
Has the capital cycle turned?	2027 capex guidance from Microsoft, Alphabet, Amazon, Meta	Two flat or down, or one cutting twice; one alone is an early warning	Late Oct 2026; Jan-Feb 2027
Who pays for the extra compute?	Share funded by operating cash against supplier and private-credit money	Supplier or private-credit commitments rising while lab cash flow stays negative	Each financing; Anthropic IPO filing
Is stress moving inward?	Hyperion bond; Nvidia, Oracle, neocloud CDS; private-credit redemptions	Hyperion < 85; Nvidia CDS > 100bp; a neocloud restructuring	Continuous
Is the run-up threshold still met?	Semiconductor two-year return net of market	Below 50 points without a 40% fall	Monthly



PART 8

If the build disappoints while use spreads, we search among quiet reorganisers

Part 2's money went to users who reorganised, toll collectors, survivors and second owners, none of them in the spotlight while the boom ran. These four kinds are where we search, each favoured by a different path, and only some will pay. The screen is the first of three stages, so a company that passes it is a candidate for research and nothing more.



Two candidates survive the first screen, and neither has yet shown that AI drives durable gains

Four screens: little AI narrative in the company's own reporting; revenue or volume outgrowing headcount, or margins up; positive six- and twelve-month price returns; no 100-point two-year run-up.

Result	Count	What they look like
Screen-qualified, all four	2	An industrial distributor whose sales grow far faster than its headcount, without crediting AI; an insurer planning to automate most underwriting and claims work, whose expense ratio has moved only slightly
Three of four	6	Two payments networks and a freight forwarder fail only on attention; two insurers and an exchange fail on fundamentals or price
Fails on price	Several	Including the clearest AI reorganisation we found: a freight broker that cut headcount sharply while volumes grew, after a large fall in its shares
Trough survivors	5	All five large software companies checked are down over twelve months; two that kept growing have risen 30-60% in six months
Second owners	0	Nothing is distressed enough to sell yet

Reorganising users are favoured on the two paths that carry 80% of our weight, so the screen starts with them

Path	Where the profits most likely go	Earlier case	First evidence to look for
Turning point 45%	Second owners buying stranded campuses and neocloud fleets; users, once compute gets cheap	Level 3 after telecom; Morgan after 1893	Second-owner trigger firing (0 of 3 today; Oracle's Jupiter closest); distressed sales
Stretch 35%	Users reorganising around falling token prices; chip and cloud toll collectors while capex holds	Swift and Sears on cheap freight	Revenue outgrowing headcount at quiet firms; work hours saved rising
Catch-up 20%	Builders and toll collectors: chipmakers, the large clouds, labs that keep their pricing	NBC; regulated utilities	Disclosed AI revenue outgrowing capex; audited lab margins

As AI spreads, the open question is who captures the value, and at what price

AI use is still climbing. What we can't yet see is whether the returns on the capital committed to building it will keep pace. The railways and the internet kept spreading after most of their financiers had lost money: Global Crossing fell from \$47B to \$273M while its fibre stayed in use, and Walmart used cheap networks to drive most of retail's productivity gain in 1995-2000.

We put 45% on a turning point by the end of 2027 (30% a capital-cycle turn, 15% a chip-stock fall alone), 35% on a stretch and 20% on a catch-up, judgments that will move with the evidence: capex against operating cash flow, AI's gains in company accounts, and stress spreading beyond the most indebted builders. The first reading is late-October cloud earnings.

Our first screen of 20 companies found two candidates; neither has yet earned a full research or investment judgment. Sort your AI exposure by which of slide 3's questions it needs: technology, economic or investment success. Most of the risk sits with the third. AI can win while its financiers lose, so watch who pays for the extra compute and who keeps the gains.

Reasonable alternative assumptions put the turning point between 40% and 58%, so only a fired signal moves it outside

If instead we assumed	Semis fall 40%+	Capital-cycle turn	Both	Turning point
Our judgment	40%	30%	25%	45%
No discount for old firms (full base rate)	53%	30%	30%	53%
Old firms halve the odds	27%	30%	17%	40%
The two events independent	40%	30%	12%	58%
A capital-cycle turn always brings the semis fall	40%	30%	30%	40%
History's rate: three turns in four bring it	40%	30%	23%	47%

The weights move both ways on rules set in advance, sized by how directly each signal bears on the events

Signal	Toward the turning point	Away from it
2027 capex guidance, big four	One guides flat or down: +5 (early warning; two confirm the turn)	All four guide up while capex falls below 90% of cash flow: -5
Credit at the edge	Hyperion below 85, or a neocloud or vehicle restructures: +10 each	Hyperion above 98 and CoreWeave 2032s above 95c for a quarter: -5
Nvidia default swaps	Above 100bp: +5	Below 50bp for a quarter: -5
Semiconductor run-up	Lead above 150 points (~80% base rate): +5	Lead below 50 points without a 40% fall: -10
Returns (moves Stretch and Catch-up only)	Capex at or above cash flow with <45% of firms reporting AI profit: +5 to Stretch	Cloud growth above 30% with capex falling toward cash flow: +5 to Catch-up

Every figure is cited on its slide, and the full dated list of all 122 sources is in Appendix B of the report

Citations such as [S39] refer to the numbered source list in Appendix B of the full report, Other People's Money (October 2026), which gives each source's author, title and date and what we used it for.

Method: each test uses its source's own definitions and pass marks. The crash test uses ETFs as industry proxies and price-only returns, an approximation of the paper's value-weighted total returns.

Figures are as of 6-14 October 2026 unless dated. Lab revenues are unaudited run-rates, and the labs book revenue on different bases.

IMPORTANT DISCLOSURES

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Scenario weights and other assessments are analytical judgments that may prove wrong. The deck draws on public information believed reliable but not independently verified or guaranteed. Company and third-party figures are reproduced as reported. Figures are as of 6-14 October 2026 and several will change within the quarter.

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