

Macro Roundup Article

Headline: [AI's \\$600B Question](#)

Article Link: <https://www.sequoiacap.com/article/ais-600b-question/>

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Tweet: [. @DavidCahn6 at @sequoia](#) argues that because of lack of pricing power and rapidly improving chip technologies, multi-\$B investments in current-generation GPUs run the risk of “investment incineration.”

Summary: One of the major rebuttals to my last piece was that “GPU CapEx is like building railroads.” I actually agree with this, but I think it misses a few points: Lack of pricing power: Without a monopoly or oligopoly, high fixed cost + low marginal cost businesses almost always see prices competed down to marginal cost (e.g., airlines). Depreciation: We know from the history of technology that semiconductors tend to get better and better. Again, this parallel doesn't exist for physical infrastructure, which does not follow any “Moore's Law” type curve, such that cost vs. performance continuously improves. Speculative frenzies are part of technology, and so they are not something to be afraid of. But we need to make sure not to believe in the delusion that says that we're all going to get rich quick, because AGI is coming tomorrow, and we all need to stockpile the only valuable resource, which is GPUs. In reality, the road ahead is going to be a long one. It will have ups and downs. But almost certainly it will be worthwhile.

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