

Peak bubble

It's hard to see how this won't end badly



GARY MARCUS

SEP 11, 2025

♡ 403

💬 143

↻ 61

S

Tulip mania

Tulip mania was a period during the Dutch Golden Age when contract prices for some bulbs of the recently introduced and fashionable tulip reached extraordinarily high levels. The major acceleration started in 1634 and then dramatically collapsed in February 1637. It is generally considered to have been the first recorded speculative bubble or asset bubble in history.

[Wikipedia](#)



I don't know when the GenAI bubble will end. But this has got to be peak bubble:



WSJ EXCLUSIVE

Oracle, OpenAI Sign \$300 Billion Cloud Deal

The majority of new revenue revealed by Oracle will come from OpenAI deal, sources say



I quote [the first bit](#):

The deal is one of the largest cloud contracts ever signed, reflecting how spending on AI data centers is hitting new highs despite [mounting concerns over a potential bubble](#).

The Oracle contract will require 4.5 gigawatts of power capacity, roughly comparable to the electricity produced by more than two Hoover Dams or the amount consumed by about four million homes.

Oracle shares surged by as much as 43% on Wednesday after the cloud company [revealed it added \\$317 billion](#) in future contract revenue during its latest quarter that ended in Aug. 31. Chief Executive Safra Catz told analysts that it had signed contracts with three different customers during the quarter.

The share price surge increased Oracle Chairman Larry Ellison's wealth by more than \$100 billion, pushing him [into the range of Elon Musk](#) as the world's richest person, with a net worth of almost \$400 billion.

The OpenAI and Oracle contract, which starts in 2027, is a risky gamble for both companies. OpenAI is a money-losing startup that disclosed in June it was generating roughly \$10 billion in annual revenue—less than one-fifth of the \$60 billion it will have to pay on average every year. Oracle is concentrating a large chunk of its future revenue on one customer—and will likely have to take on debt to buy the AI chips needed to power the data centers.

In short

- OpenAI doesn't have \$300 billion dollars
- They don't have anywhere near \$300 billion dollars
- By their own (presumably optimistic) projection, they won't turn a profit until 2030.
- And all this from a company thought (or claimed) that GPT-5 was going to be tantamount to AGI (spoiler alert: it wasn't)
- For good measure Oracle doesn't have the chips they would need to fulfill the contract even the cash to buy them.

I won't say that it is *all* make-believe, but, well, you do the math. (Did people promising to build potential future greenhouses for tulip-growers in 1636 ever have it so good?)

If Oracle actually *collects* its \$300 billion, I will truly be astounded. As Dan DeFrancesco *Business Insider* wrote [this morning](#),

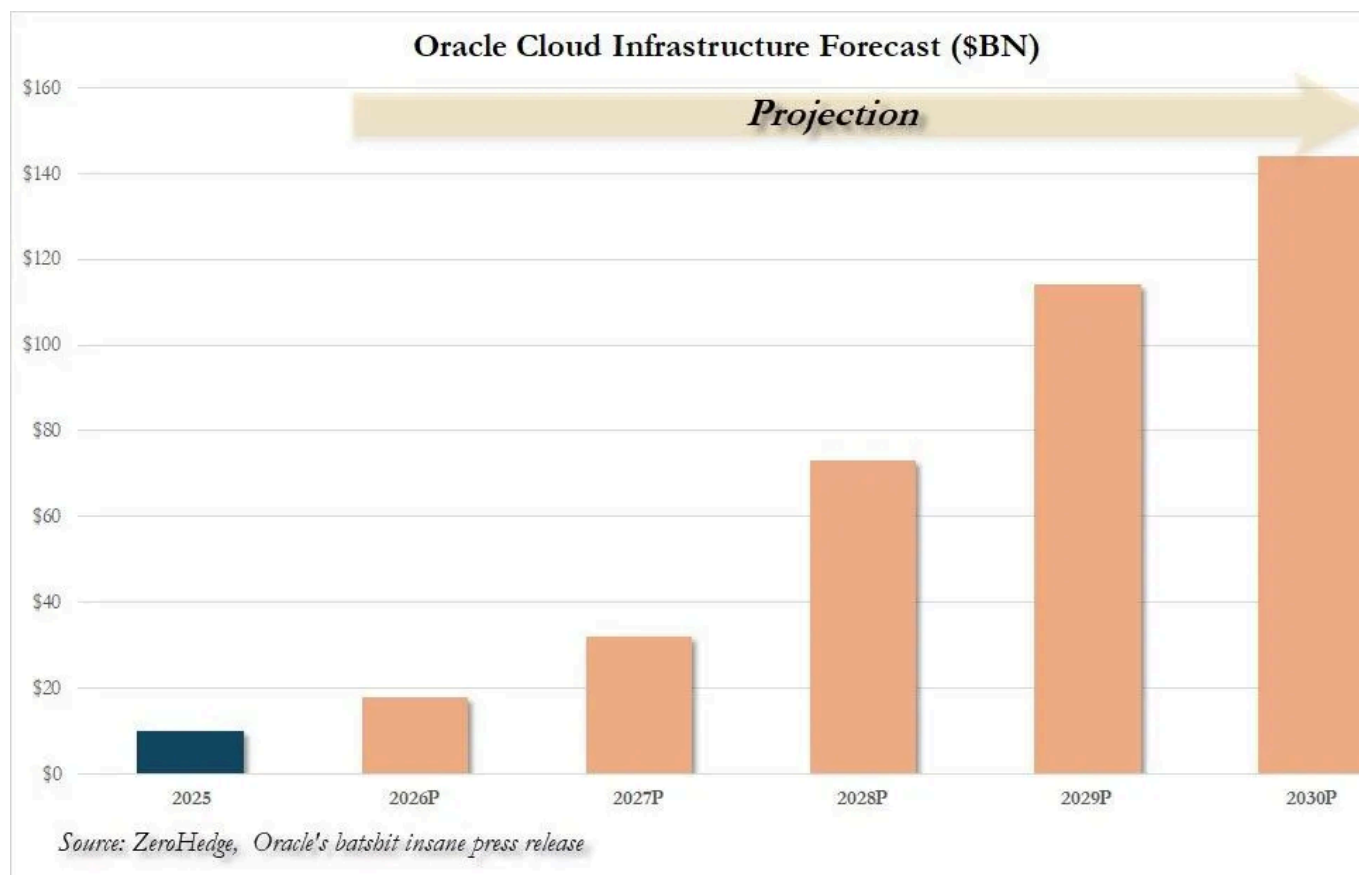
Of course, having a backlog of deals (more formally known as “remaining performance obligations”) doesn’t guarantee they’ll all come to fruition. The revenue isn’t guaranteed, contracts can be cancelled and the timing on all the deals isn’t clear.

Quoting investor Vinod Khosla from yesterday, “[Most \[AI\] valuations are bonkers](#)”.

Oracle’s new market cap, near a trillion dollars, up nearly 50% this week, driven largely by one apparently non-binding deal with a party that doesn’t have the money to pay for the services, seems more bonkers than most.

§

For those of you who like pictures, here is a chart of “Oracle’s cloud revenue growth forecast from an [article at Zero Hedge](#). The recent increase in the company’s valuation is more than total of the two projected bars on the right. And, reminder, those are for revenue, not profit



“Batshit insane.”

§

It’s not just Oracle, though. The other problem here is that the total value of the tech market as a whole, which is supposed to reflect the future value of the companies within it, far exceeds what is likely ever to be delivered.

An investor who is a regular reader of this Substack put it to me this way in email yesterday:

If people really believed ORCL was going to take all of this cloud business, then MSFT, Al
GOOG and CRWV stocks should be getting hammered by an equivalent amount, because all
is coming out of them. Yet all these equities are up (CRWV by 20%), with the exception of
AMZN, which is slightly down.

When they all start coming out with similar baloney, you will be able to add it all up, and come
to the conclusion that 400% of GDP is future revenue and that 50,000 nuclear power plants
will need to be built to power this stuff, a few new oceans will need to be discovered to cool
everything, and a new continent or two will need to be found for the datacenters.

We are well past peak bubble, in fact, and into peak musical chairs. It’s not going to be pretty when the music stops.

Subscribe



403 Likes · 61 Restacks

Discussion about this post

Comments

Restacks



Write a comment...



Matthew Kastor 2d

♥ Liked by Gary Marcus

Nice! How about you, me, and your investor friend create an AI company and just start making t
up. I'll write software, you do philosophy and innovation, and your other friend can go tell VC the
about to build a Dyson Sphere and tap into the consciousness of the universe or something. All
need is 14 Triliion dollars. 😎

♥ LIKE (57) 💬 REPLY

21 replies



Dean Hull 2d *Edited*

♥ Liked by Gary Marcus

I was amazed that the actual business press didn't do any of the math. Just hastily published a
of fluff pieces on how everyone was just awestruck by the forward-looking (!) projections. As mu
want to just blame Tech Bros, you can't help but equally blame capital markets, analysts/press
effectively zero research, and the passive investment rules that elongate (and worsen) bubbles.
see how this doesn't end very, very bad.

♥ LIKE (28) 💬 REPLY

5 replies

141 more comments...

