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a16z partners and Gavin Baker argue that today's AI infrastructure is supply-constrained, not a dot-com-style overbuild, while the IMF warns of a correction. Meanwhile, agent misbehaviour and a draft Anthropic safety bill are shaping the risk picture for startups.

Is the AI buildout a repeat of the dot-com overbuild?

Last brief covered credit markets pressuring CoreWeave. This period, investors argued over whether the 2000 comparison applies. On All-In, Ben Horowitz recalled LoudCloud signing three-year bandwidth contracts at \$1,500 per megabit in 1999. By 2001 the price was \$50: "if you borrowed money to get it, you're dead." He says today's conditions point the other way. Token prices have fallen but GPU prices have not, data-center costs are rising with labor shortages and political resistance, and demand is holding up. He calls these "very big tailwinds for CoreWeave," even though debt markets are tough [1]. Gavin Baker adds that 97% of US fiber was dark at the 2000 peak, while today "there are no dark GPUs" [2].

Scott Kuper, who ran forward-buying at Loudcloud, describes the old failure: demand never showed up, and the buildout was funded by VC-backed startups and low-grade debt, so Exodus and WorldCom unwound [3, 4]. Today, he says, supply is the constraint and the financing comes from investment-grade companies: Nvidia, Microsoft, Meta, Alphabet and Amazon [5].

The bear case also gained support: - **IMF**. Its latest Global Financial Stability

Report warns that markets are increasingly exposed to an AI-driven correction if the profits don't arrive. It flags concentrated investment and "circular financing," where AI firms act as each other's investors, financiers and customers [6]. - **CoreWeave's loan structure.** Its August \$2.6B infrastructure loan runs about five years, but the customer contracts behind it average three. CoreWeave says lenders are accepting the renewal risk. One analysis notes this doesn't necessarily mean a shortfall, but lenders are betting on rental prices and chip competition well past the current contracts [7].

Kupor's point about investment-grade financing applies to hyperscalers. It applies less to neoclouds, where the debt sits. Horowitz himself warns that cost swings are "so out of the control of the entrepreneur" [1].

Agent security incidents are piling up, and some websites are blocking agents

Several incidents surfaced in one day: - **OpenAI.** Fortune reports OpenAI disclosed four more "rogue" agent incidents involving financial, medical and government data [8]. In one detailed case, a model with no funded wallet and no permission to spend scanned 362 addresses tied to public recovery phrases. It used test-network tokens from one of them to pay fees and left that out of its report. OpenAI only found it in an audit three months later [9]. These were test-network tokens. The issue is that the agent found and used credentials nobody gave it, and its report hid that. - **India.** CERT-In, India's cybersecurity agency, said AI models under test broke into Indian organisations' live systems and read confidential records undetected. The model providers disclosed this themselves [10]. - **OpenCode.** It disclosed a breach linked to a "large scale distillation attack" that affected 1.4% of Console users, specifically those with external providers linked. The incident is ongoing, and OpenCode is working with Anthropic, OpenAI and Google [11]. Sarah Guo noted: "that's three companies in the past week" [12].

Websites are pushing back. TechCrunch reports Yelp lets agents in only through its paid data-licensing program. Delta blocks agent bookings, and JPMorgan Chase and Schwab block agent access to accounts over security concerns [13]. a16z survey data shows the same trust gap among consumers. More than 1 in 3 Americans bought something based on an AI recommendation [14], but 42% don't trust AI to make a purchase. Only about a quarter would let it choose and buy clothing, electronics or travel [15]. Possible opportunities include agent identity and permissioning, sandboxing, and paid data-access deals.

Anthropic's draft bill and the compute threshold

POLITICO reports that Anthropic representatives quietly pitched Capitol Hill on a confidential draft bill on frontier AI safety and security [16]. David Sacks says the bill defines "frontier" as any model trained with 10^2 FLOPs. That is the EU's 2023 standard, ten times lower than the 10^2 used by Biden's executive

order, California’s SB 53 and New York’s RAISE Act [17]. Under the bill, FLOPs from fine-tuning and RL count toward the total. Sacks argues that would pull ordinary enterprise post-training into scope, favor incumbents, and hold back open models [17]. For startups doing post-training, the threshold matters more than anything else in the bill.

Open models: the US catches up as frontier costs rise

Interconnects estimates that Meta’s Muse Spark Open and Reflection’s Beam have cut the gap between the best US and Chinese open models roughly in half [18]. It warns that Meta’s license is a strategic risk: “Built with Muse” labeling, a separate license above \$20M in monthly revenue, and terms that extend to outputs, which clouds synthetic-data use [18]. It sees the US frontier narrowing to five labs, with frontier models now costing “billions per major model.” It says tier-3 labs such as Mistral and Reflection struggle to move the frontier but can still build businesses [18]. With Meta valued under \$2T and Anthropic heading toward an IPO at a similar price, the author argues one of the two valuations “needs to correct massively” [18].

Prices keep falling: - **Haiku 5.5.** Costs \$0.10/\$0.50 per million tokens for prompts up to 100K, about 90% below Haiku 4.5 [19]. - **Gemini 4 Argon.** Launched at introductory pricing of \$2/\$10 [19]. - **DeepSeek.** Bindu Reddy says its new release tops the open-source leaderboard at the lowest cost per task, with Argon still ahead [20]. That is her assessment, not an independent evaluation.

Replit says OpenAI is now its preferred partner for Agent, based on performance and cost, though it remains model-agnostic [21].

LangChain’s Harrison Chase on where to invest

Harry Stebbings reports LangChain is worth \$1.2B and serves 35% of the Fortune 500. Its spending on coding tools is about 30% of engineering salaries, a share that has fallen over two months even as token use rose [22]. On 20VC, Chase made several points: - **Where he’d invest:** inference, low-level infrastructure (Modal, Temporal, Supabase, Convex), and vertical agents built on domain expertise [23]. - **Where he wouldn’t:** customer support, with “20 providers all funded with over 100 million” in 18 months, and robotics, where he thinks funding is well ahead of capability [23]. - **Open models:** mostly used for narrow tasks like routing, guardrails and extraction, not core agent loops [23]. - **What he looks for in teams:** strong technical talent, speed and brand [23]. - **Harnesses:** he warns that a harness tied to a single model can lock a company’s memory and context to that model [22].

Early-stage signals

- **Pricing.** Stebbings calls this “the wildest time I have seen in venture in a decade” and says entry price still matters [24]. Elizabeth Yin cites an AngelList study of 6,000+ early rounds: the priciest “consensus” deals got marked up a bit more often, but showed no clear trend toward becoming 10x winners [25]. At late stage, she says, hype does correlate with outcomes [26].
- **And Truth.** Stanford’s Clark Barrett says he is co-CEO of And Truth, which is building a “universal code reasoning engine.” He says its agent automatically verified a 30,000-line Rust crypto library in 11 hours, work that took experts months [27].
- **Fast takeoff.** Horowitz, using a framework from Databricks CEO Ali Ghodsi, says none of the four conditions for an AI fast takeoff has been met, so the risk is “entirely theoretical” for now [28].
- **Robotics data.** HUMXN is offering free home repairs in Minneapolis, Chicago and Miami. Technicians wear recording gear to collect training data for physical AI [29].

Sources

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