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EDITORIAL ANALYSIS

# Silicon Valley to Seoul, Watch AI Exuberance

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# Silicon Valley to Seoul, Watch AI Exuberance

The Indian Express 26 June 2026 GS3

Source: ujiyari.com — researched, fact-checked & UPSC-mapped

**INTERVIEW ANGLE**

*"How do you distinguish a genuine technological revolution from a speculative bubble, and what should policymakers do while the distinction is still uncertain?"*

Source: Original editorial ↗ The Indian Express

**Every fact web-verified against primary sources** (https://ujiyari.com/how-we-verify/)

## WHY THIS MATTERS NOW

Artificial intelligence has become the single largest driver of global equity gains, with a handful of US technology giants accounting for an outsized share of index performance, and the boom has now gone global. South Korea is mounting a state-backed effort to turn itself into a regional AI hub, leaning on its chip champions and on partnerships with Nvidia. When investment enthusiasm spreads this fast across borders and balance sheets, the question is no longer whether AI is transformative but whether its prices have run ahead of its profits. For India, an importer of capital and compute, the answer shapes market stability, foreign flows and the design of its own AI strategy.

## THE CRUX IN 60 WORDS

AI investment is surging worldwide, from Silicon Valley capex to Seoul's sovereign AI-hub push. The productivity promise is genuine, but concentrated, vendor-financed, circular spending is inflating valuations in ways that echo past tech bubbles. Policymakers must separate real efficiency gains from speculative prices, and India must capture the upside while shielding markets and public money from imported froth.

## THE ISSUE, DECODED



| CONCEPT | WHAT IT MEANS | WHY IT MATTERS |
| --- | --- | --- |
| AI capex super-cycle | Record spending by mega-cap firms on data centres, GPUs and power | Drives growth and index gains but concentrates risk in few firms |
| Vendor financing / circular deals | Chip and compute suppliers funding or investing in their own customers | Can manufacture demand and mask weak end-user economics |
| Valuation vs monetisation gap | Market value rising faster than realised AI revenue and cash flow | A core marker of speculative over-exuberance |
| Sovereign AI race | States like South Korea steering capital into national AI hubs | Strategic upside, but politicised investment can amplify mispricing |
| Compute sovereignty (https://ujiyari.com/vocab/sovereignty/) | National capacity in chips, data centres and talent | Determines whether a country shapes or merely imports AI value |

## THE ANALYSIS

1. **Concentration is the first warning light.** Global equity gains are heavily skewed toward a few AI-exposed mega-caps. When index performance depends on a narrow set of names, a disappointment in one can transmit shocks across markets, including into emerging economies through foreign portfolio outflows.

2. **Circular financing inflates apparent demand.** When the firms selling chips and compute also invest in or lend to the firms buying them, demand can look stronger than underlying customer economics justify. This pattern, seen in earlier infrastructure booms, can sustain valuations beyond fundamentals.

3. **The Seoul dimension is strategic, not just financial.** South Korea’s drive to become a regional AI hub, anchored by Samsung, SK Hynix and Nvidia tie-ups, reflects a global sovereign race. State direction brings scale, but it can also harden mispricing when public credibility backs private valuations.

4. **Productivity gains are real but uneven.** AI is delivering measurable efficiency in coding, customer service, drug discovery and logistics. The problem is timing: spending has scaled faster than monetisation, widening the gap between valuation and cash flow.

5. **The bubble question is genuinely open.** Unlike the dotcom era, today’s leaders have real revenues, strong balance sheets and tangible compute assets. The risk is therefore one of overpricing a real revolution, not of valuing an empty one.

6 **India's exposure is twofold.** As a recipient of foreign capital, Indian markets are sensitive to any AI-led correction abroad. As an aspiring AI builder, India must convert enthusiasm into indigenous compute, data and talent rather than imported froth.



## DATA AND INSTITUTIONS VAULT

### CARRY THESE INTO THE EXAM HALL.

IndiaAI Mission (https://ujiyari.com/schemes/indiaai-mission/) (2024): national programme for compute capacity, datasets, skilling, safe and trusted AI, and startup support.

Semicon India Programme: scheme to build domestic semiconductor and display fabrication, central to compute sovereignty.

Nvidia: dominant supplier of AI accelerator GPUs; its partnerships anchor the global AI build-out.

South Korean chip leaders: Samsung and SK Hynix, key suppliers of high-bandwidth memory critical to AI training.

Bubble benchmarks: the 2000 dotcom crash is the standard comparison for technology over-exuberance.

Concept anchors: capital expenditure (capex), vendor financing, market concentration, productivity vs valuation.

## THE DEBATE

**For the exuberance-is-warranted view:** AI is a general-purpose technology with measurable productivity gains; today's leaders have real cash flows and assets; sovereign investment de-risks long-horizon infrastructure that markets alone underprovide.

**Against (bubble risk):** Valuations have outrun monetisation; circular vendor financing inflates demand; index concentration creates systemic fragility; state-backed races can entrench (https://ujiyari.com/vocab/entrench/) mispricing and crowd out prudence.

**Balanced verdict:** This is a real revolution at risk of speculative pricing. The technology is durable; some valuations are not. The rational stance is to invest in capability while pricing assets with discipline and stress-testing exposure to a correction.

## HOW TO THINK ABOUT THIS (TRANSFERABLE SKILL)



*When a boom arrives, ask two distinct questions: is the underlying technology real and useful, and is its current price justified by cash flows? A yes to the first does not imply a yes to the second. This split lets you back the innovation while staying sceptical of the valuation, the exact discipline UPSC rewards in economy and science-and-technology answers.*

## DIAGRAM-IN-WORDS

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Global AI optimism -> record mega-cap capex + sovereign AI races (US, Seoul) -> vendor-financed, circular compute demand -> valuations rise faster than AI revenue -> market concentration and fragility -> productivity gains real but lagging -> policy choice: harvest the dividend, discipline the price
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## THE WAY FORWARD

1. **Price with discipline.** Regulators and investors should stress-test exposure to a few AI mega-caps and watch for circular financing that flatters demand.
2. **Build capability, not froth.** Channel India's effort through the IndiaAI Mission and Semicon India into compute, data and talent that generate domestic value.
3. **Protect savers and public finances.** Avoid herd-driven public investment that chases valuations rather than fundamentals.
4. **Demand transparency.** Push for clearer disclosure of vendor financing and customer concentration in AI supply chains.
5. **Stay open to the upside.** Treat AI as a durable productivity tool to be adopted across governance, agriculture and services, even while pricing it soberly.

## THE TAKEAWAY BOX



*Evaluate whether the global AI investment boom is a productivity revolution, a speculative bubble, or both, and derive the policy posture for a capital-importing economy like India.*

*"AI is almost certainly a real revolution, and its prices are almost certainly part bubble. The discipline lies in believing the first without paying for the second."*

*IndiaAI Mission; Semicon India Programme; Nvidia GPUs; high-bandwidth memory (Samsung, SK Hynix); vendor financing; market concentration; dotcom 2000 benchmark.*

*Responsibility of policymakers and investors who can see warning signs in a boom but face pressure to follow the crowd; the duty of prudence with public money.*

*GS3 questions on disruptive technologies, the impact of AI on the economy and employment, and the role of technology in development.*

*semiconductor supply chains, foreign portfolio investment volatility (https://ujiyari.com/vocab/volatility/), India's digital public infrastructure, and the future of work.*

*Sources: Indian Express (https://indianexpress.com), PIB (https://pib.gov.in), IndiaAI (https://indiaai.gov.in)*

Source: Silicon Valley to Seoul, Watch AI Exuberance — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

## KEY ARGUMENTS AT A GLANCE



**The global AI investment boom, spanning US Big Tech and South Korea's Nvidia-backed AI-hub ambitions, is delivering real productivity potential but also displays valuation patterns reminiscent of past tech bubbles, demanding caution.**

### ✓ SUPPORTING

- Concentrated capital expenditure by a handful of mega-cap firms is inflating equity indices and creating circular, vendor-financed demand for AI chips and compute.
- South Korea's sovereign push to become a regional AI hub, anchored by chip leaders and Nvidia partnerships, mirrors a wider state-led race that can amplify mispricing.
- Genuine efficiency gains in coding, drug discovery and logistics are real, but monetisation lags the scale of spending, widening the gap between valuation and cash flow.

### ⚠ COUNTER

Unlike the 2000 dotcom era, today's AI leaders have strong balance sheets, actual revenues and tangible compute assets, so the boom may be durable rather than a pure bubble.

### → WAY FORWARD

Distinguish productivity from price; build domestic compute and talent under the IndiaAI Mission; insist on transparency in vendor financing; and avoid herd-driven public investment.

## MAINS ANSWER FRAMEWORK



**QUESTION**

*The global surge in artificial intelligence investment carries both transformative promise and the risk of a speculative bubble. Critically examine the macroeconomic and policy challenges this poses for a developing economy like India. (250 words)*

**INTRODUCTION**

The artificial intelligence boom of 2026 has lifted markets from Silicon Valley to Seoul, yet history warns that transformative technologies and speculative bubbles often arrive together.

**BODY**

The case for exuberance is strong. A small set of mega-cap firms is driving record capital expenditure on data centres and chips, with circular, vendor-financed deals inflating both demand and valuations.
South Korea's state-backed bid to become a regional AI hub, anchored by Samsung, SK Hynix and Nvidia partnerships, reflects a wider sovereign race that can amplify mispricing. Equity indices are increasingly concentrated, so a correction in a few names could ripple globally, including into Indian markets via foreign portfolio flows.
Yet the picture is not the dotcom rerun. Today's leaders earn real revenue, hold strong balance sheets and own tangible compute assets, and efficiency gains in software, biotech and logistics are measurable.
The risk is not that AI is worthless but that the pace of spending has outrun the pace of monetisation, leaving valuations vulnerable to disappointment. For India the lesson is to ride the productivity wave through the IndiaAI Mission, indigenous compute and talent, while insulating public finances and savers from imported asset froth.

**CONCLUSION**

India should harvest AI's genuine productivity dividend while staying clear-eyed that exuberant prices, not the technology itself, are the danger.

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