

Is Deepseek the start of an assault on the whole of US ...

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As [Reuters](#) has reported within the last hour:

Japanese technology shares fell on Tuesday as a global market rout sparked by the emergence of a low-cost Chinese artificial intelligence model entered day two.

The market value of the much-hyped US AI tech stocks has tumbled by more than \$1 trillion in a day. Apparently, shares in AI chip maker Nvidia fell in value by 17% on Monday. That reduced its value by \$593 billion, which was a record one-day loss for any company.

What's the reason for all this? It is that a relatively unknown Chinese AI engine called Deepseek, which basically undertakes the same tasks as ChatGPT, has released its tech on an open-source basis.

That, however, is not the big threat because, by itself, that would not threaten the value of the vast investments the US is making in AI. What does that is the fact that Deepseek apparently delivers results that are as often as good as those of ChatGPT and its like, and does so using vastly less computing power and so vastly less energy. That is a massive game changer in the AI market, if true, overcoming one of the biggest issues within it and the objection that many have to its use.

Even more so, though, Deepseek does something else if the claims made about it - which appear to be well-founded - are true. It challenges the foundations of modern US capitalism.

US capitalism has three core ideas at its heart. The first is that ownership is king. Protecting whatever is created from replication is the first tenet that it follows. Nothing is more important to it than. Concentrating the power of ownership in the hands of a relatively few people is all US capitalism is about now.

Second, as a result, secrecy prevails. The patent lawyer is the architect of business success in these enterprises - by securing the knowledge of the organisation from attack. Massive barriers to entry for competitors are built and vigorously defended,

completely contrary to the ideas of free markets.

Third, the goal is to maintain this situation for as long as possible, allowing for the maximum extraction of profit from the consumer through extortionate rents. The consequence is that US capitalism is frequently bloated with high costs, which only appear reasonable because of the extortionate fees monopolistic rent-seeking entities, protected by vast legal infrastructures, can charge.

In summary, then, big US business is inherently anti-competitive by nature, is monopolistic by choice, and is, in most cases, very likely to be grossly inefficient as a consequence, with the costs being borne by the consumer.

What Deepseek has really done is challenge this model. It is low cost. It is efficient. It has been created in an intensely competitive environment, and to win competitive advantage through widespread adoption, it has opted for an open-source model, which is the complete antithesis of what a US corporation would do. This is profoundly disruptive to the US way of doing business, and because Deepseek apparently works (although it has been so inundated with requests for accounts I have been unable to get on as yet), it is very unlikely that its strategy will fail. US capitalism has, in that case, met its nemesis, and the fact is that when doing so, that nemesis is doing exactly what economists say should happen in free markets when everyone knows it does not at the top of the US capitalist tree, which long ago rejected that idea of free markets and opted for one of exploitation instead.

The fact that this has happened a week after Trump gets to office, supported by Big Tech, cannot be ignored. Maybe the Chinese state has been waiting for this moment. However, Deepseek is not a Chinese state company. It is privately owned, albeit it complies with Chinese state requirements. The suggestion has been made that it is not too good on some questionable moments in recent Chinese history.

The point is that whatever the cause for the timing, the disruption in US capital markets has arisen for very good reasons. If China can develop efficient tech at low prices and put it into widespread use through open-source diversification while maintaining a fee base for access to more advanced searches, then the whole myth on which the next generation of US wealth extraction was being built has been shattered.

I am not a fan of the Chinese state. It perpetrates far too many human rights abuses for that to be possible. But if this company breaks US monopoly power, I will not be complaining. The US should worry, though, as should Trump. Its whole edifice might tumble if its tech power is shattered right now because the myth of US growth and stock market wealth is built on that one sector.

This might be a seismic moment.

And for those who wonder what Deepseek can do, look at Stephanie Kelton's [post on Substack yesterday](#)

. In 12 seconds, it built a model that replicated the Bank of Canada's estimate of the cost of US sanctions on that country, with full reasons given.