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19 December 2025

The enshittification explanation

- **The more markets rise, the greater is the gap to consumer sentiment**
- **We are used to explaining this in terms of a K-shaped economy**
- **But together with record profit share and margins and the narrowness of the equity rally, it is also consistent with monopolization, regulatory capture and enshittification**
- **This helps explain why not only labour but also consumers are suffering, implies a critical role for politics – and ultimately paints a more fragile picture of society collapsing towards technofeudalism**

Sometimes an explanation comes along which is so powerful that it transforms your perception of almost everything else. What had been a series of niggling puzzle pieces gestating quietly in the back of your mind suddenly join up to form a unified whole. For me, reading Cory Doctorow's *Enshittification* – and Giuliano da Empoli's *The Hour of the Predator* before it – together created just such a moment.

Doctorow's main point is that we should stop seeing the gap between soaring company valuations and depressed consumers as a side effect: it's the entire business model. Da Empoli's is that the capriciousness and venality of strongman regimes is likewise not just an unfortunate byproduct en route to overcoming staid bureaucracies, but their very *raison d'être*.

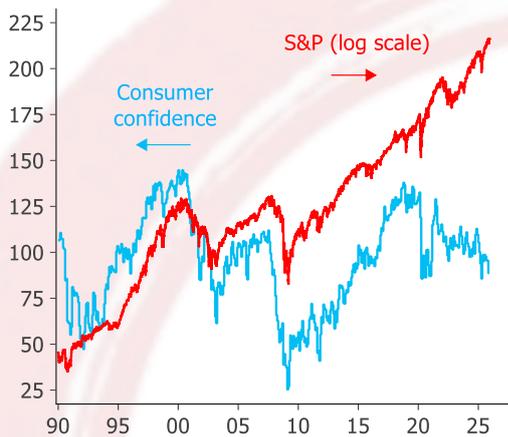
Part research note, part book review, this piece explains why the arguments are so important – and what they imply for markets. Together they paint a picture of interlocking processes pushing society's systems simultaneously towards multiple breaking points: moral, political and financial. It is precisely the proximity of such breaking points – and the difficulty of knowing how to position for the associated discontinuities – which makes the outlook so problematic for investors, and renders traditional cyclical analysis all but impotent. Viewing the world through the lens of enshittification adds a new perspective on everything: from AI boom to the debate around affordability, and from US relations with Europe and China to the underperformance of smallcaps.

Markets awesome, sentiment shot

A striking feature – some might even say the defining characteristic – of current markets is the gap between sky-high valuations and sour underlying sentiment. Indeed, the higher valuations go, the less consumers seem to be enjoying it – even as their net worth rises.

Rising tide fails to float all boats

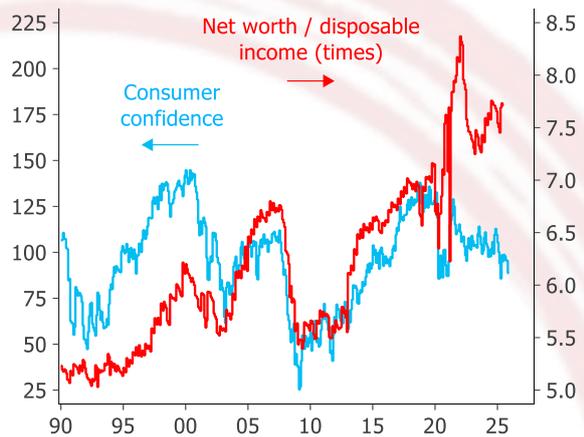
US consumer confidence vs equities



Source: Conference Board, Bloomberg, Macrobond, Satori Insights.

When wealth no longer buys happiness

US consumer confidence vs household net worth



Source: Conference Board, Bloomberg, Macrobond, Satori Insights.

Wall Street’s standard response to such observations is to invoke the “K-shaped” economy. Unfortunate though the divergence may be, if the rich carry on spending and the poor can avoid falling into outright unemployment, it may be enough to propel GDP, corporate profits and markets regardless.

Positive wage growth, even at bottom

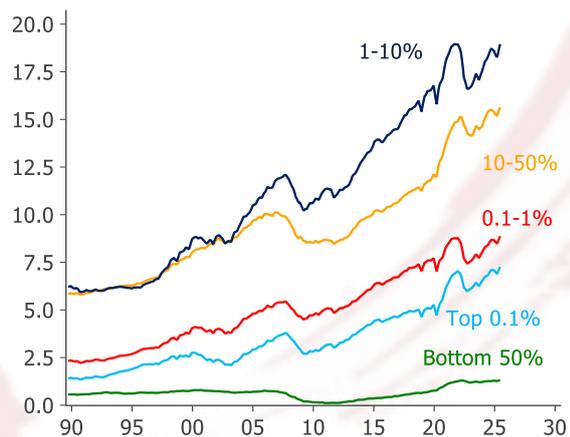
US real wage growth by quartile, vs PCE, 12m ma, %



Source: Atlanta Fed, Macrobond, Satori Insights.

Gains unequal but still broad

US real net worth, 1982 \$tn



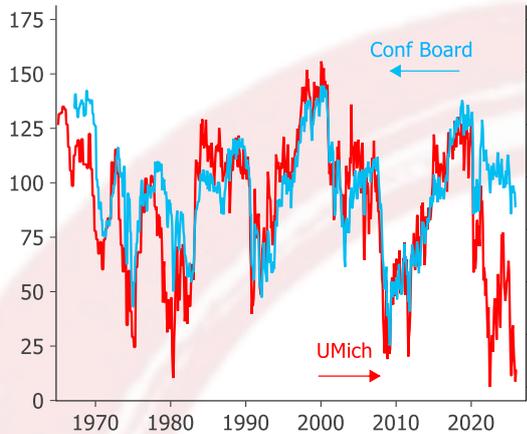
Source: Fed, Macrobond, Satori Insights.

That argument is supported by the backdrop of positive real wage growth – even for poorer workers. Likewise while wealth gains have been unequally distributed, real net worth has been stable or risen pretty much across the board. Add in the divergence between different survey metrics, and many economists’ response is simply to ignore

sentiment altogether in favour of hard spending numbers – most of which have outstripped the surveys.

US surveys pessimistic but inconsistent

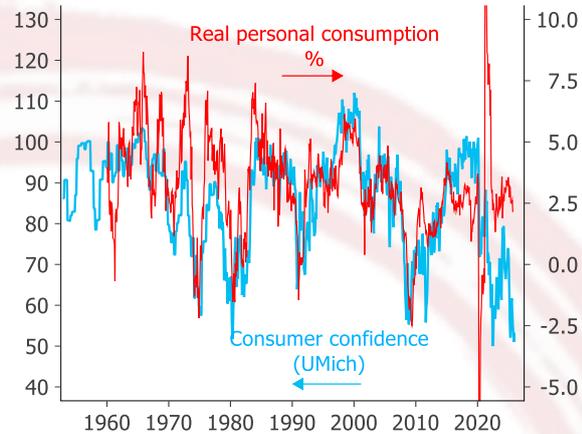
US consumer confidence surveys, indices



Source: Macrobond, Satori Insights.

Spending generally outstrips surveys

US consumer spending growth vs confidence

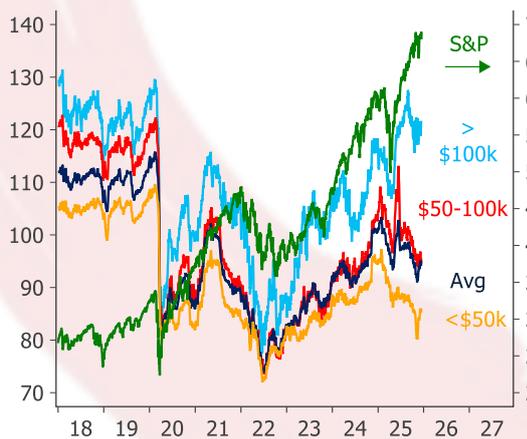


Source: University of Michigan, Macrobond, Satori Insights.

That said, it is hard not to express some degree of concern given the extent to which the gloom appears to be spreading. Through the course of 2025 sentiment has fallen back, even among the wealthy and among those who previously seemed to be benefiting, and even as markets have risen and unemployment has remained low. Why do so many people think things are getting worse, and is there a tipping point where it may suddenly start to matter for markets?

When pessimism is contagious

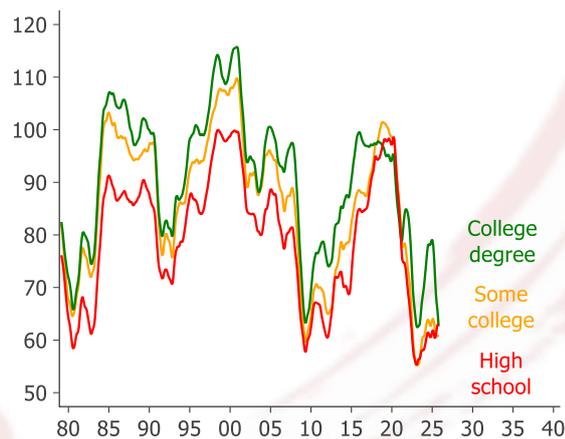
US consumer sentiment by income, 1w mov avg, index



Source: Bloomberg, Macrobond, Satori Insights.

Misery for all

US consumer sentiment by education level, rolling 12m



Source: University of Michigan, Satori Insights.

It looks like 2026 will be a year when, especially in the US, the forces are all aligned in a direction which *ought* to make risk rally: fiscal stimulus, deregulation, rate cuts and balance sheet expansion. But you might have said something similar about bitcoin in 2025 – and now been down nearly 10%. The rising tide seems to be floating ever fewer boats.

Enshittification is everywhere

This is where Doctorow steps in – albeit not with economic data so much as with a series of anecdotes and a framework that unites them¹. Their power comes from the combination of familiarity – just about everyone has received an Amazon package, downloaded an iPhone app, taken an Uber or had to order new printer ink – with the legal and technical back story which helps explain how multiple firms have been able to achieve a position of dominance so great that they felt confident enough to exploit not only their employees but also their customers.

Taken individually, the anecdotes or case studies range from the mildly provocative (Sonos deliberately disabling speakers in the hope of incentivizing upgrades; Apple enforcing app store usage; Google downgrading search in the interest of promoting advertising) to the outright shocking (Amazon delivery drivers forced to urinate in bottles and then discard them; Uber drivers and nurses' wages being reduced as a function of how desperate they are). But collectively they pack a punch considerably more powerful than a bland recitation of the enshittification argument itself (first, platforms are good to their users; then they abuse their users to make things better for their business customers; finally, they abuse those business customers to claw back all the value for themselves).

The common theme, as we see it, is an interaction between the intrinsic “greed” of capitalism and the near-infinite scalability which comes from software that we have written about elsewhere². Every business is incentivized to find ways to maximize profits and create repeat customers, from discontinuing spare parts on old models to compiling mailing lists for advertising. But it is only through software that the temptation becomes irresistible to tell customers that their previous “lifetime” purchase now requires a paid upgrade, or to “twiddle” pricing or worker wages instantaneously through an algorithm to customers' or employees' detriment.

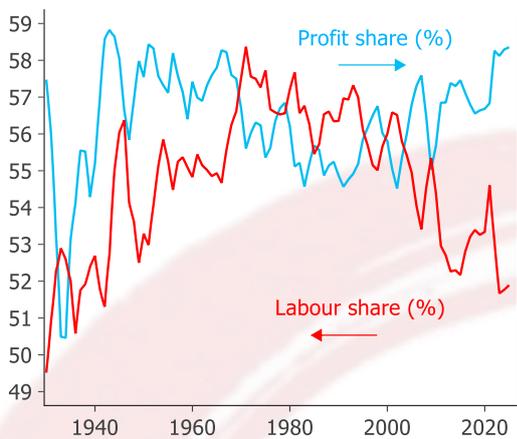
To some extent, the same scalability argument works equally in companies' defence. The globality of the internet renders almost the entire planet your *potential* customer. And yet at the same time, it loosens your claim on what would once have been your near-captive customers by virtue of geographical proximity. This leaves businesses with little choice but to pursue scale at all costs at first, and worry about profitability only later – hence Doctorow's claim that enshittification is coming for [absolutely everything](#).

¹ I thought his corresponding and shorter [FT article](#) was outstandingly original when I first read it, but somehow the full power came across only with the additional detail in the book.

² [Replay: Scale and scalability](#), 11 July.

Do record margins signify efficiency?

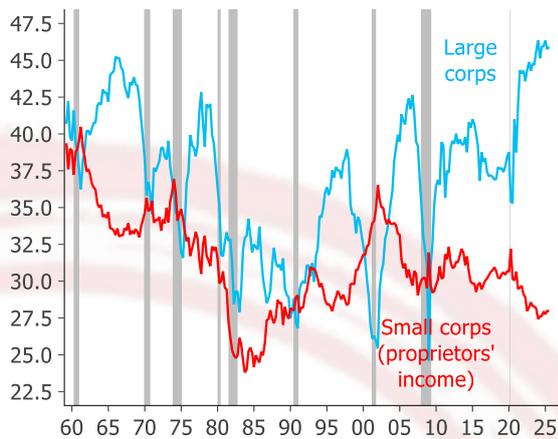
US profit margin metrics, % GDP



Source: BEA, Macrobond, Satori Insights.

Or monopolization and enshittification?

Share of US net operating surplus, %



Source: BEA, BLS, Fed, Macrobond, Satori Insights.

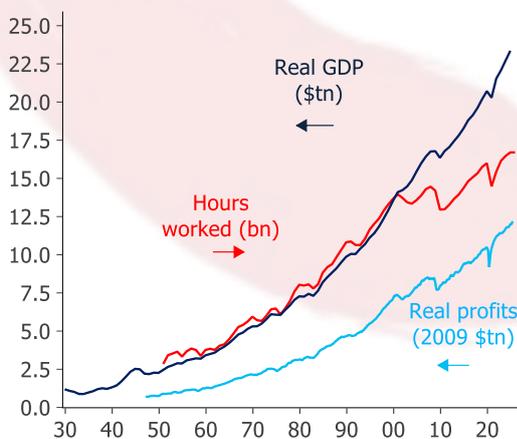
Wall Streeters may struggle with the political messaging here: we are used to thinking of profit margins and profit shares at record highs as unalloyed positives. Likewise, his chapter on unions feels unpersuasive in the age of AI, and the criticisms of share buybacks feel misplaced and overwrought. However, while much is made of Lina Khan’s prior efforts at the US Federal Trade Commission and many will find Doctorow’s remedies too extreme, in general the arguments are so well supported by the examples of exploitative corporate behaviour, facilitated by existing legal loopholes, that most of the time the tone feels outraged yet factual rather than obviously political.

Monopolies, politics and abuses of power

Viewed through the prism of enshittification, familiar themes – such as US tech exceptionalism, the outperformance of private equity, and Trump’s increasingly hostile rhetoric towards Europe and other former allies – take on an altogether more sinister hue.

Who needs workers for profits?

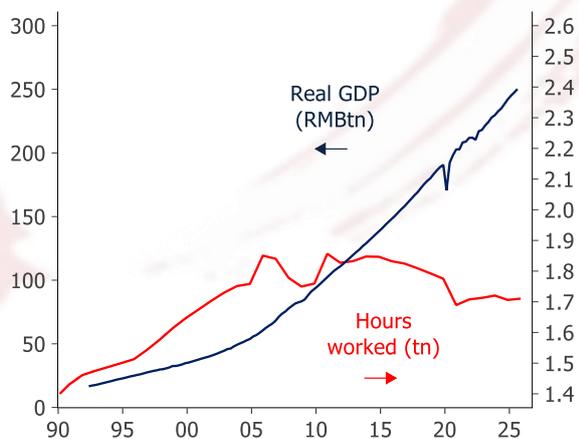
US profits vs labour



Source: TCB, BEA, Macrobond, Satori Insights.

Who needs workers for growth?

China profits vs labour

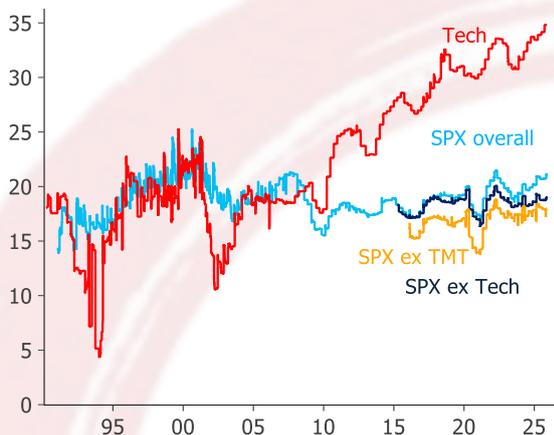


Source: TCB, Macrobond, Satori Insights.

Both companies and economies have in the last decade or two shown signs of breaking free from the historical linkage between labour hours and growth. The tech sector has been particularly adept at generating enormous volumes of profits without the need for large inputs – at least until the latest splurge on AI.

Margin improvement is all tech

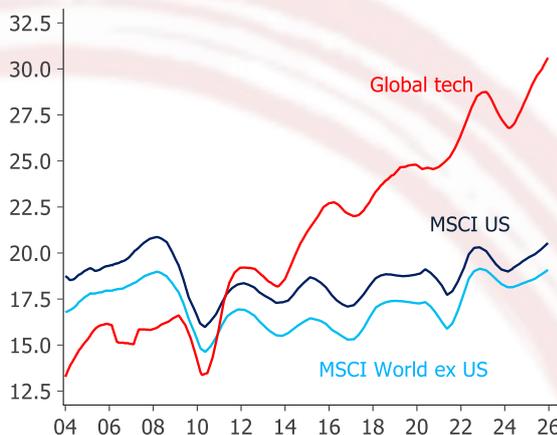
Reported EBITDA margins, %



Source: Bloomberg, Satori Insights.

The same observation holds globally

EBITDA margin, trailing 12m, rolling 1y mov avg, %

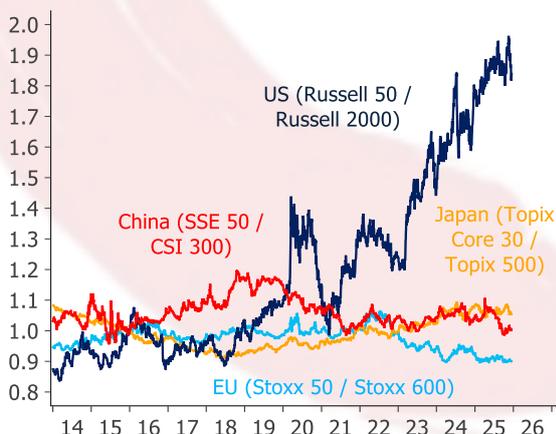


Source: Bloomberg, MSCI, Satori Insights.

But if the underlying drivers are solely technological, why is the outperformance of megacaps a uniquely US phenomenon? WeChat and Alipay are just as ubiquitous in China as Apple and Google are in the US, yet their stock prices languish by comparison. Compare, for example, Meta+Alphabet’s 50% share in global digital advertising with Alipay and WeChat’s >90% share of digital payments in China. Admittedly these are different products, but the difference is less technological than regulatory – with US megacaps able to extract higher rents.

Megacap dominance a US phenomenon

Stock indices, 2016=100



Source: Macrobond, Bloomberg, Satori Insights.

Tech dominance or regulatory capture?

Tech vs broader equity market in US & China, 2016=100



Source: Macrobond, Bloomberg, Satori Insights.

Similar arguments can be made about many of the industries where private equity has been most successful, like veterinary and human healthcare. While PE may counter that it

is simply consolidating and improving working practices, and that the evidence is inconclusive,³ at the very least many consumers in these industries have been left questioning their significantly higher bills.⁴ While we can only find a few instances in which careful studies purport to find a clear link between PE ownership and an obviously adverse outcome,⁵ the enshittification narrative is a reminder of the potential for monopolization to generate outsized profits wherever it is permitted.

This points to the outsized importance of politics in either maintaining or breaking the status quo. US tech bosses featured prominently at Trump's inauguration – and in its financing – not only through amoral self-interest but because they need to maintain regulatory laxity to justify their elevated valuations. Likewise, Trump's attacks on the EU's digital services taxes stem less from their significance in financial terms than from the threat which *any* form of regulation represents to US tech's ability to continue extracting ever-higher rents.

From co-investment to coercion to corruption

Unfortunately if Doctorow's writing is a reminder of the economic machine's tendency towards unstable and undesirable outcomes, Da Empoli's illustrates all too clearly the potential for the political machine to behave similarly.⁶

In one sense, this territory is well known already. Deteriorating Freedom House scores and instances of venal behaviour by political leaders have become so widely reported that they no longer shock. And there are plenty of excellent texts already providing an analysis of the underlying processes.⁷

But like Doctorow, Da Empoli demonstrates that emotive yet plausible storytelling can often prove more persuasive than sober historical analysis. His analogies feature “Borgians” and tech conquistadors pursuing power through reckless action in a world where “profit trumps truth and where speed serves the strongest”. He argues that when technology has again made attack cheaper than defence (just as when cannons rendered castles obsolete in medieval Europe), chaos and shock become the very “foundation of the [Machiavellian] prince's power”. Anyone representing knowledge or the law, or who is

³ [“Private Equity Survives Its UK Veterinary Examination”](#), *Bloomberg*, 17 Oct.

⁴ [“Is private equity behind the surging cost of veterinary care?”](#), *FT*, 25 Jan. [“Why Your Vet Bill Is So High”](#), *The Atlantic*, Apr24.

⁵ [“Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review”](#). *British Medical Journal*, Jul23.

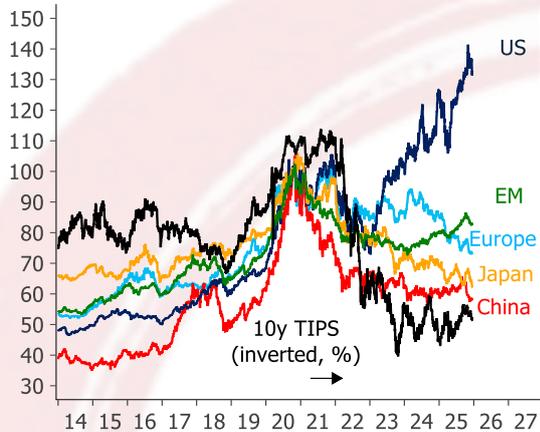
⁶ His books are short and eminently readable but for a taster try [“How tech lords and populists changed the rules of power”](#), *FT*, 27 Sep.

⁷ *The Age of the Strongman*, G. Rachman. *The Great Rupture*, V. Shvets.

merely undecided as to where their loyalties lie, must of necessity become a public enemy.

Forget value (at least in the US)

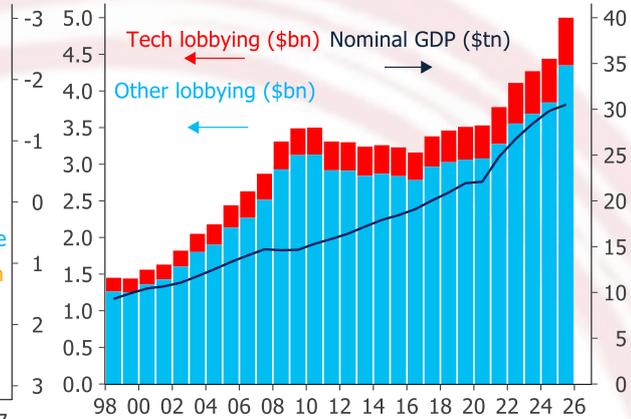
Growth/value by region, Oct2020=100



Source: Bloomberg, Macrobond, Satori Insights.

The real value lies in lobbying

US lobbying spending vs nominal GDP

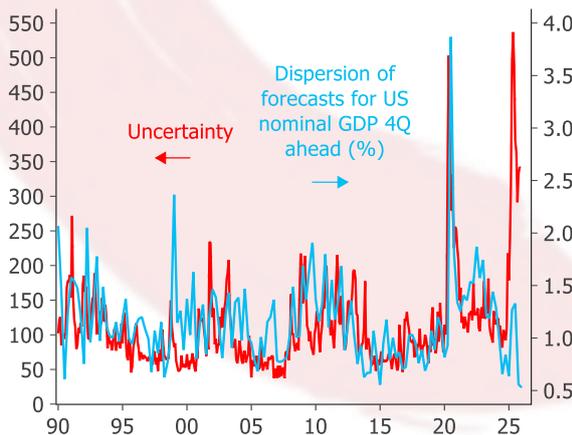


Source: OpenSecrets, Satori Insights. 2025 rate estimated based on Q1-Q3 run rate.

The point of referencing these arguments is not to moralize so much as to help make sense of an environment where, as Da Empoli notes, “we possess more information than ever before, and are less capable than ever before of predicting what will happen next”. The uncertainty is a feature, not a bug. Corrupt and monopolistic environments on the one hand create the possibility of generating outsized profits, but also of abrupt and arbitrary falls from grace and equally arbitrary redemptions.⁸ There can be little hope of a sustained return to value or smallcap investing when the real value lies in lobbying.⁹

Professionals seem unusually certain

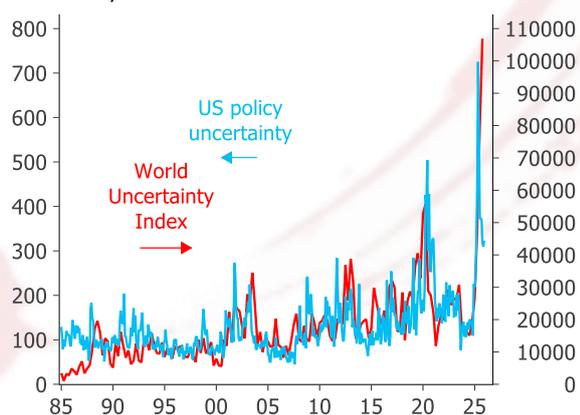
US Uncertainty vs Survey of Professional Forecasters



Source: Economic Policy Uncertainty, Philly Fed, Satori Insights.

Is uncertainty even subsiding at all?

WUI looks for "uncertainty" or equivalents; policy uncertainty index has scores



Source: Economic Policy Uncertainty, Satori Insights.

⁸ [“Inside the ‘industrial-scale’ Trump pardon machine”](#), *Financial Times*, 18 Dec.

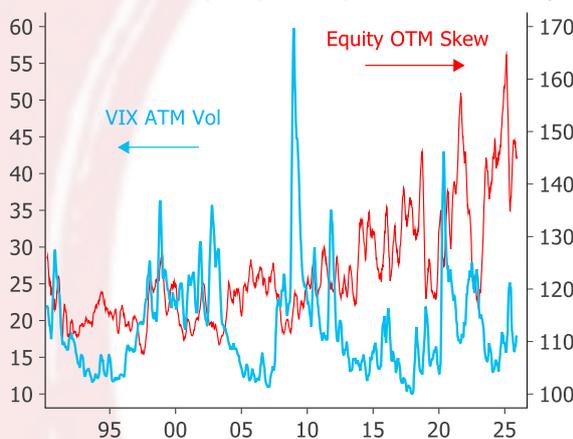
⁹ Though some lobbyists have better access than others. [“The Trump back channel: how diplomacy works in Washington”](#), *FT*, 16 Dec.

Dealing with discontinuities

The way the associated uncertainty manifests itself is chiefly through the potential for regime change – either at individual companies or for markets in general. But regime change is something that markets handle remarkably poorly. Because forecasts represent a modal outcome, they seldom do a good job of capturing risk – even when you look at the dispersion of forecasts across the street. Indeed, to judge from the dispersion of forecasts for 2026 US nominal GDP, you would think that the outlook was more certain than at any point in the last 35 years – even as many simultaneously bemoan not only the difficulty establishing where we are in the “cycle” but also the basic reliability of the likes of this week’s US CPI print.

The best vol can do is show tails

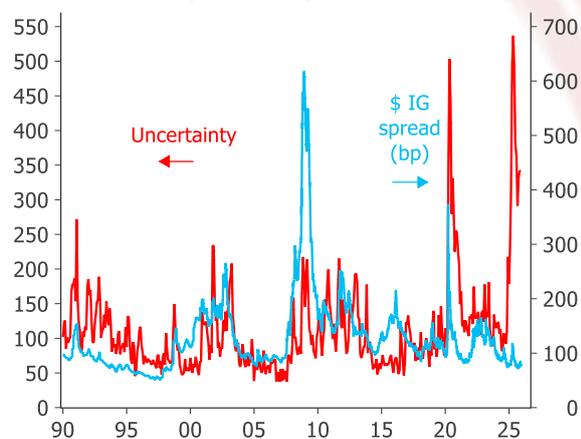
CBOE VIX vs SKEW (call+put skew) indices, 3m mov avg



Source: CBOE, Macrobond, Satori Insights.

Spreads retracing, uncertainty not

US Economic Policy Uncertainty Index vs credit

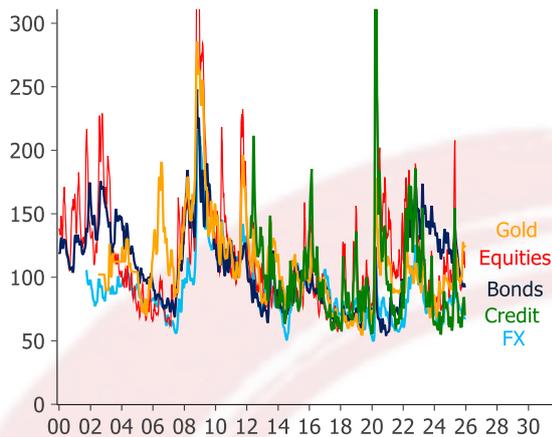


Source: Economic Policy Uncertainty, Bloomberg, Satori Insights.

The trouble for investors is that the uncertainty is often reflected more in fat tails than in actual volatility. Even as the risk of regime change becomes ever more elevated, day-to-day vol often remains frustratingly low (as many a hedger knows to their cost). It is rather like the way debt/equity ratios understate the risks when companies are leveraging up, with high equity valuations making the debt look sustainable – until it suddenly isn’t.

Credit+FX vol low vs equities & gold

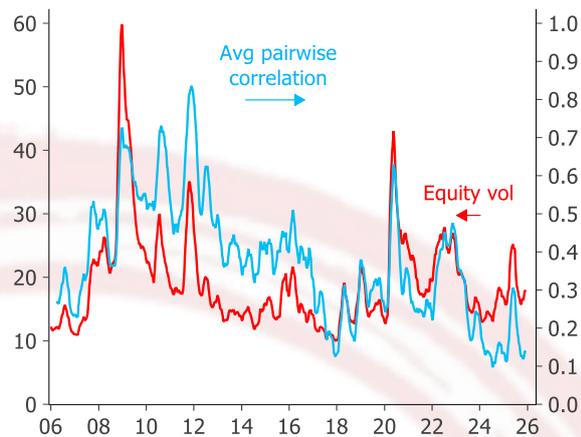
Implied volatility indices, US, 2015=100, 1m mov avg



Source: CBoE VIX, Deutsche Bank FX, BoA MOVE, Bloomberg, Satori Insights.

For bears, correlation beats vol

CBOE correlation index vs Vix, 3m mov avg



Source: CBOE, Satori Insights.

For those looking to hedge, it is worth looking carefully and thinking laterally about the pricing across markets. Equity skew looks expensive for puts but relatively cheap for OTM calls; gold skew the opposite. Downside hedges through credit spreads or equity correlation trades may offer both better entry points and more predictable costs than the pain of bleeding time decay on options.

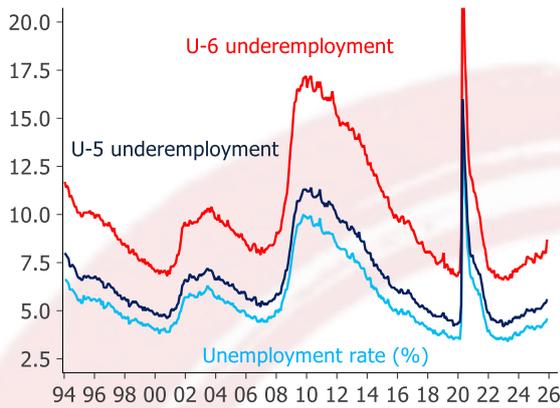
Of interoperability and other rebellions

The twin lenses of enshittification and predation therefore open up two potential paths for markets and economies in 2026.

On the one hand we have the most likely direction of travel, at least initially. Fiscal easing, rate easing, balance sheet easing, deregulation and M&A (at least when it has the blessing of the White House) should all push more money towards risk-taking in markets. The weight of tech issuance may pressure spreads in IG credit, and the weight of hyperscaler capex may crimp tech sector earnings slightly, but there seems little to threaten the underlying dynamic in which captive consumers continue to generate outsized profits for corporates. Labour markets should continue to be hollowed out, perhaps more through underemployment than unemployment – though anyone whose children are currently graduating could be forgiven for thinking there was a jobs recession already.

Not unemployed but underemployed

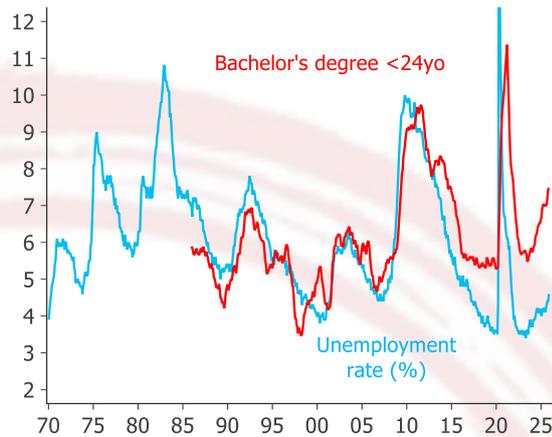
US underemployment metrics, rate, %



Source: BLS, Macrobond, Satori Insights.
U-5 = unemployed + discouraged workers.
U-6 = unemployed + discouraged + part-time for economic reasons.

New grads particularly affected

Graduate vs total unemployment, US, %

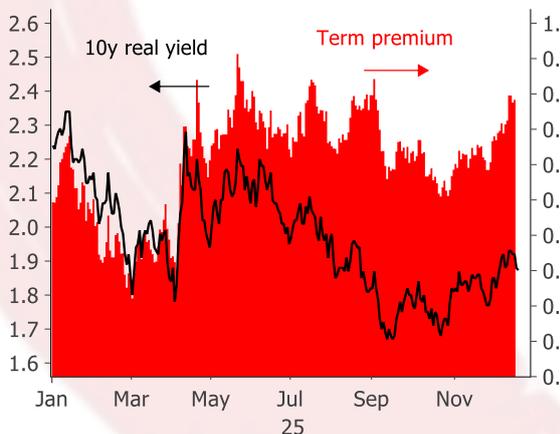


Source: BLS, Macrobond, Satori Insights.

Against this is the lingering risk of rebellion – of consumers, investors and workers not behaving as the tech conquistadors and political overlords would like them to. Least likely but most consequential would be a rebellion in bond markets. For now this feels to us like it ought to be controllable, with the recent backup in 30y conceivably being aggravated by more Dutch pension rebalancing¹⁰ - but it is surprising to us how little US term premium has moved up, and the dynamics in Japan in particular might still constitute a contagious threat.

Real yield rise not growth but premium

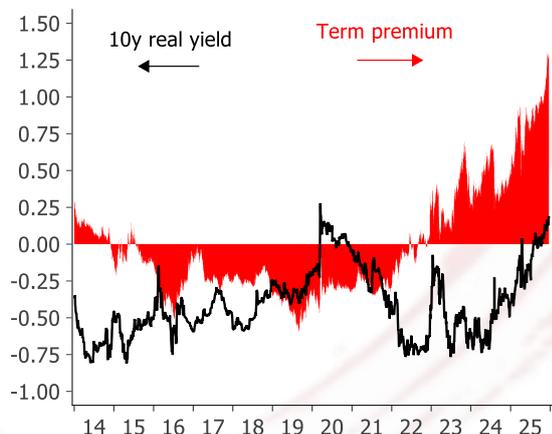
ACM term premium vs 10y TIPS yield, %



Source: New York Fed, Satori Insights.

Japan: yield backup is all premium

10y JGB real yield vs Daiwa 10y term premium, %



Source: Bloomberg, Satori Insights.

Far more likely is simply the prospect of the money created through fiscal or other means no longer piling into Mag 7 equities and other forms of US risk, but fleeing into safe havens

¹⁰ [The long-bond problem](#), 8 Sep.

like CHF or gold instead.¹¹ The more stretched the economic and political dynamics become, the greater is this threat.

It seems relevant that the most powerful antidote suggested by Doctorow for tech monopolies is not regulation or outright break-up (though he does advocate those too), but interoperability. The simple ability to put non-OEM cartridges into your printer, to take your contacts from Facebook to another platform, or run non-App-Store software on your iPhone – without being stymied by the prohibitions of DMCA 1201.¹² AI itself has the potential provide just such interoperability, breaking the stranglehold Google and Meta have over advertising. So too do legislative measures like the EU’s Right to Repair. As any despot knows, the more autocratic the regime, the more important it becomes to stifle even the tiniest form of resistance – right down to the last [Tunisian fruit seller](#).

Viewing the world through the lenses of enshittification and predatory politics is a reminder that every system involves trade-offs. Harness your huskies in a fan hitch – as the Inuit have for centuries – and the jostling between legislature, executive and judiciary may feel frustratingly slow, yet it yields the best long-term blend of stability and progress.¹³ Line them up in tandem – as Alaskans do in the Iditarod – and while the thrill of all the engines of government responding to a single populist whip may initially lead to more rapid progress, it vastly raises the risk of plunging unchecked into an unexpected crevasse.

¹¹ [Replay: The limits of easy money](#), 23 Oct.

¹² Section 1201 of the US Digital Millennium Copyright Act from 1998 effectively applies sweeping copyright rules to almost anything containing software – even printer cartridges containing microchips. It makes it illegal for users (or third parties) to bypass “technological protection measures” or digital locks – even for repair, modification, or interoperability. It is mirrored in the EU Digital Services Act and similar measures worldwide.

¹³ [The narrow corridor](#), D. Acemoglu & J. Robinson (2019).