Book Review: Technofeudalism by Yanis Varoufakis

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Technofeudalism: What Killed Capitalism by Yanis Varoufakis. 2023. Melville House, 304pp.

The book introduces technofeudalism, a social and economic system that combines cloud-based technology dominated by Big Tech[1] with the hierarchical structure of feudalism. It introduces a new vocabulary for social classes inspired by feudal hierarchies and defined by their relationship to cloud capital—lords, serfs, proles, and vassals. The book makes a bold claim: Technofeaudalism is rapidly solidifying and has either already killed capitalism or will soon do so.

Through an engaging narrative that combines personal stories, semi-fictional conversations, mythology, pop culture, and recent world events, the author brings his claim to life. Framed around dialogues with his politically astute father, the author explores technofeudalism within a rich historical and ideological context, fleshing out modern historical materialism.

In response to his father's question—"Will connected computers kill capitalism or boost it?"—Yanis Varoufakis takes a nuanced stance that both critiques and appreciates digital technology. He rigorously builds his argument, crafting each chapter to address anticipated challenges and objections. His conclusion is stark: the internet has indeed killed capitalism, giving rise to a technologically advanced form of feudalism—what he terms technofeudalism.

Isn't technofeudalism merely another phase of capitalism? The book dedicates a chapter to addressing this question, acknowledging capitalism's adaptability and constant transformation while arguing that the current technology-based shift is fundamentally different. It traces capitalism's evolution from the post-war boom through several stages. One key phase is the "technostructure" era, a term coined by John Kenneth Galbraith (1967) to describe the nexus between big business managerial elites and government. During this period, capitalism underwent a significant transformation, moving away from its earlier celebration of frugal entrepreneurs to a new emphasis on credit-driven, extravagant big business managers as the dominant figures of the economy. This shift was necessary first for the war economy, which required centralization, and later for the post-war economy, which relied on filling its demand void. While these changes diminished the role of traditional markets, they were not substantial enough to signal a departure from capitalism itself.

Post-war U.S. capitalism ushered in an era dominated by advertising, where marketers played a critical role in driving consumer demand to address the surplus production capacity left by the war. This period is personified by Don Draper, the iconic character from *Mad Men*, who epitomizes the creative advertisers of the 1950s— described as pioneers in shaping consumer behavior and commodifying emotions. The book uses Draper as a touchstone to illustrate the evolution of advertising, contrasting the relatively traightforward tactics of that time with the advanced, algorithm-driven strategies of technofeudalism. Amazon's Alexa, a voice-controlled digital assistant, exemplifies this shift, embodying the modern advertiser's ability to leverage cloud technology for behavioral prediction and modification, which can far surpass the methods available in Draper's era.

Another key metaphor in the book is the Global Minotaur, a reference to the Greek mythological beast that resided in a labyrinth, demanding sacrifices until it was ultimately slain by Theseus. The Global Minotaur plays a crucial role in the narrative, serving as both a precursor to and a catalyst for the emergence of "cloud capital." Here, the Global Minotaur symbolizes post-Nixon-shock Wall Street with a monstrous appetite, fed by global profits facilitated through increasing financial deregulation to sustain prosperity and peace. This era marked the US transition into a deficit country, reshaping the global economic order to recycle the world's surplus through Wall Street. The Global Minotaur was

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[1]Big Tech refers to the largest IT companies globally, typically including the Big Five U.S. firms—Alphabet, Amazon, Apple, Meta, and Microsoft—and sometimes extending to other major players like Nvidia, Tesla, and Chinese companies such as Baidu, Alibaba, Tencent, and Xiaomi.

shielded by the financial complexity that later led to its collapse—not through a heroic act, but by the unchecked greed of financiers and the system's inherent contradictions

An entire chapter is dedicated to defining and tracing the origins of cloud capital, a new form of capital distinct from its traditional terrestrial counterpart. The author contextualizes this evolution by recounting the history of the internet, originally envisioned as a public resource but gradually transformed through "digital enclosure" into a system of privatized ownership of digital identities. It culminates in today's quintessential cloud capital personification: Alexa, a virtual assistant that becomes smarter with every interaction, a recurring character in the book. It operates through algorithms that leverage machine learning and neural networks, continually improving its ability to capture our attention by teaching us to train it more effectively.

The chapter explores cloud capital through examples, implications, and dimensions of its command. However, its definition and uniqueness remain somewhat elusive. What sets cloud capital apart? What justifies it as a distinct term? This most important question of the book needs some more clarification.

Drawing on the Marxist notion of the dual nature of capital, cloud capital is introduced as a distinct form with a "third nature." First, it serves as a produced means of commodity production. Despite its metaphorical "cloud" designation, this form of capital has a tangible physical dimension, much like terrestrial capital, comprising vast networks of globally connected servers and cables. Additionally, it embodies a form of intellectual property capital, characterized by its algorithms, which are also a produced, yet intangible, means of commodity production. The second nature of cloud capital is its relational aspect, granting power to its owner and exerting unprecedented influence over various stakeholders. However, this command power is not entirely unique, as all forms of capital inherently wield power within their respective socioeconomic structures.

What is the third nature or the distinctive aspect of cloud capital?

The book distinguishes cloud capital from terrestrial capital on two occasions, offering seemingly different reasons: first, in the political economy appendix, where the third nature of cloud capital is described as "a produced means of behavioral modification and individuated command"; and second, in Chapter Three, where its ability to reproduce itself without waged labor is presented as the defining feature of its uniqueness (Varoufakis 2023, 83). While these distinctions might initially seem confusing, I argue that they are interconnected and can be unified under the concept of cloud capital's capacity to reproduce itself without reliance on waged labor[2]—a connection that could have been more thoroughly explored and articulated in the book.

The book identifies three distinct types of influence exerted by cloud capital's aspect of being "a produced means of behavioral modification and individuated command" (2023, 235), on various stakeholders.

The first group includes users or consumers of digital services provided by *cloudalists*—the owners of cloud capital—referred to in the book as *cloud serfs*. These individuals are continuously nudged to engage with cloud capital and contribute to its growth without monetary compensation. This engagement encompasses activities such as browsing, clicking, listening to music, reading news, shopping online, texting, searching, and posting content. Typically, users consume services offered by the platform at no monetary cost, with such services being provided at negligible or zero marginal costs.

The second group includes non-cloud capitalists, termed *cloud vassals*, who pay rent to the cloudalists to sell their products on these platforms. For these capitalists, cloudalists present a Faustian bargain that becomes increasingly hard to resist. For instance, third- party retailers on Amazon feel compelled to sell their products on the platform despite the costs involved, as the platform's reach and market dominance leave them little alternative. The third group consists of the precariat or gig workers, such as ride-share drivers, delivery couriers, Amazon Mechanical Turk workers, and TaskRabbit taskers. For these laborers, cloud capital exerts its influence by offering enticing yet pressuring opportunities to engage with the platform to secure temporary jobs, often requiring them to pay a fee to the cloudalists for access.

[2]Emphasizing the lack of need for waged labor in the reproduction of capital as the peculiar aspect of capital reflects a Marxist perspective. However, an argument can also be made about the peculiarity of cloud capital from a neoclassical viewpoint. A neoclassical perspective would focus on how cloud capital diverges from traditional capital in its production and reproduction mechanisms. From this viewpoint, the peculiarity lies in cloud capital's unique increasing returns to scale.

In all these cases, increased engagement with the platform enhances its efficiency by commanding individuals and groups through a deeper understanding of their preferences and more precise predictions. As the platform refines its capabilities, the Faustian bargain it offers becomes increasingly difficult to resist, fueling even greater engagement. This cycle attracts more users and laborers, who are compelled to contribute rent, attention, or information to the owners of cloud capital. The harder it becomes to escape this bargain, the more power cloudalists accumulate.

Behavioral modification and command are not new to capital, as acknowledged explicitly by classical political economists and, in some instances, implicitly by certain branches of mainstream modern economics—particularly contract theory and agency-theoretic approaches—though these latter often frame the issue as principal–agent problems or incentive alignment between employee and employer, rather than command or control. Meanwhile, throughout the twentieth century, marketing and advertising—rooted in consumer psychology and persuasive branding—extended this dynamic to consumers, functioning as long-standing tools for capital's expansion by shaping purchasing behaviors.

However, cloud capital dramatically amplifies these established techniques with unprecedented efficiency, leveraging vast and diverse datasets that enable it to analyze and influence behaviors on both individual and aggregate levels. On a micro level, it exercises "individuated" command by engaging users personally—exemplified by home assistants like Alexa or social media platforms tailoring content to specific preferences. On a macro scale, it harnesses extensive data to drive behavioral modification at a societal level. This transformative capability, bolstered by advanced machine inference, far exceeds the reach of earlier forms of capital, allowing cloud capital to effectively "know" and shape both individual dispositions and collective trends at a scale and depth previously unseen.

This results in a unique property: cloud capital's ability to reproduce itself without relying on wage labor. It utilizes unwaged contributions from users and capitalists who offer cognitive labor, attention, and data. By engaging with the platform, these groups continuously improve the existing algorithms, which further enhances the revenue- generating capacity of cloud capital.

The owners of cloud capital thus gain unparalleled access to scarce resources such as our attention, behavioral data, and cognition—resources they exploit to generate profit and power. Varoufakis cautions that the real danger lies not in the popular science fiction trope of machines becoming conscious, but in the unchecked power of complex, unconscious algorithms. Initially created with good intentions, these algorithms have gained agency through advancements in machine learning, neural networks, and reinforcement learning. Their mechanisms of influence have become opaque, akin to the financial instruments that contributed to the 2008 crash, but with the potential for even greater destruction.

There is no shortage of big ideas in this book, one of which is the claim that, in the technofeudalist era, rent is reclaiming dominance over capital, reminiscent of the pre- capitalist feudal era. According to the book, the unbridled reign of profit ended with the 2008 financial crisis. The narrative posits that the metaphorical profit-hungry Global Minotaur perished during this crisis, marking the breakdown of the profit-recycling circuit devised by the US and embraced by global capitalism. This collapse occurred because the investment side of the equation faltered post-2008. Central banks printed free money intended to stimulate the economy, yet it stayed in the hands of conglomerates and financiers. These funds were funneled into unproductive activities such as stock buybacks, speculation, and asset accumulation. Managers and capitalists, faced with impoverished customers and economic uncertainty, deemed investment in production too risky and opted instead for stock buybacks, ensuring rising stock prices and bonuses. This strategy fueled the "everything rally," where nearly all stocks increased in value, driven by market sentiment and precedent. It was during this anti-investment phase of capitalism that individuals, armed with cheap money, began building cloud empires. Normally, such undertakings would require demonstrating profitability to secure funding, but during the "everything rally," Amazon and similar companies managed to thrive despite years of losses.

The book also highlights the emergence of the Big Three[3] through similar processes. These asset managers gained immense power through the wealth of the ultra-rich, engaging in practices such as asset stripping that seemed to erase productive capital. However, their broad investments across the stock exchange reveal that they remain, at least partially, traditional capitalists. This dual role—investing in

[3]The "Big Three," namely BlackRock, Inc., Vanguard Group, Inc., and State Street Global Advisors Trust Company, refers to the three largest index fund management firms in the world regarding the size of assets they manage.

both big tech "cloudalists" and traditional capitalist enterprises—raises questions about their classification. Are they half-capitalist, half-cloudalist, reminiscent of the mythical hybrids of Greek legend?

The author further argues that what we are witnessing is not merely hyper-capitalism or platform capitalism. Beyond the shift from profit to rent, the book identifies the fall of another pillar of capitalism: markets. While the term "market" remains widely used, particularly in the digital realm, Varoufakis contends that many so-called digital markets are no longer true markets. Instead, they are centralized and controlled spaces owned by the lords of cloud capital. Every interaction—whether a transaction, communication, or engagement—is mediated by these market owners, who also govern our digital identities and monitor our activities. Varoufakis refers to these highly concentrated markets as *cloud fiefs*, drawing a parallel to feudalism.

Legal scholar Frank Pasquale (2016) offers a complementary perspective, describing these dynamics as the rise of *digital lords* in a digital wilderness where everything is up for grabs. Pasquale's work highlights the unregulated nature of these spaces, which leads to systems where users, akin to medieval serfs, are heavily reliant on platforms for essential activities and services. His concept of "The Black Box Society" underscores how these platforms obscure their decision-making processes, fostering a form of governance that resembles neo-feudalism. Both Varoufakis and Pasquale highlight the new forms of power and control emerging in this digital landscape, where users are increasingly forced to align with one of these digital lords.

The book contrasts competition in technofeudalism with that in capitalism, though this argument may not be entirely persuasive. Varoufakis presents competition as an idealized concept—perfect competition designed to drive innovation and entrepreneurship within capitalism. However, this depiction has long been more myth than reality, as evidenced by the author's own analysis of post-war corporate concentration.

Anwar Shaikh's concept of "real competition" offers a stark counterpoint to this idealized notion (Shaikh 2016). His work reveals that even within capitalism, competition is marked by intense rivalry, further intensified by mechanisms such as increasing returns and lock-in effects. These characteristics deviate significantly from the textbook portrayal of competition as a force that fosters entrepreneurship and progress. While I find Varoufakis's critique compelling, it does not necessarily indicate the end of capitalism. Instead, it reflects dynamics that have been intrinsic to capitalism for decades, suggesting that the idealized view of competition has long been detached from the system's actual functioning.

The book offers a compelling analysis of global power dynamics, particularly the geopolitical tech rivalry between the US and China. The Chinese government has heavily invested in cloud infrastructure, creating a uniquely integrated system that merges digital life with a strong financial dimension, posing a significant challenge to the US-dominated global financial system. This rivalry has fueled conflicts like the microchip war, the TikTok controversy, and crackdowns on Chinese cloud finance as the US seeks to counter China's rising influence. Meanwhile, Europe, lacking ownership of cloud capital, faces significant challenges, and the Global South must navigate aligning with one of these digital empires. The duality—between China's authoritarian control of cloud capital and the unchecked profiteering of US Big Tech—creates a precarious global situation. Further underscoring this shift, alternatives like China's digital yuan and waning global trust in US-controlled financial mechanisms challenge the dollar's dominance, marking a significant shift in global power dynamics.

Should we really call the system discussed feudalism? The arguments regarding the emergence of a new type of capital, the weakening of profit and market dynamics, and the concentration of power raise important questions about whether this marks the end of capitalism or merely represents anomalies within it. To me, the book presents two contrasting pictures of capitalism: one historically grounded and the other theoretical. Varoufakis describes an idealized version of capitalism, profit, and competition in his theoretical discussions—the capitalism that, in principle, should not function without markets and competition. If we evaluate these in their abstract, pristine forms, then yes, the book suggests we may be heading toward something darker. However, as the book's historical narrative reveals, the disruption of competition and profit began long ago with the rise of the technostructure and has since been amplified through financialization, globalization, and post-financial-crisis policies that favor the wealthy at the expense of everyone else.

While I fully acknowledge that cloud capital introduces novel properties and brings "darker clouds" to our economic horizon, I question whether this signals the end of capitalism. One could argue that equitable and market-driven capitalism has long been dead. However, if capitalism is defined by the lived experiences of the global population over the past century, what we see today appears to be a continuation of the same system, albeit with power increasingly concentrated in fewer hands.

Capitalism and technofeudalism, as presented in the book, are both exploitative systems that perpetuate significant inequalities. However, the book contends that technofeudalism extends its exploitation to include even some capitalists. This novel dynamic has shifted power structures in unprecedented ways and may explain the ironic coalition of the political right and left in their shared opposition to Big Tech. In this regard, the book offers a thought-provoking perspective on how new forms of capital are reshaping power dynamics in the modern economy.

To conclude, in *Technofeudalism*, Varoufakis paints a picture that, while spiced with hyperbole and metaphors, closely reflects reality. He warns of a sinister new order unsettling enough to make us nostalgic for the days of profit and capital as usual. In the new order, we are increasingly exposed, our whole being for sale, and we are losing control of our minds, time, and thinking, subjected to a new type of power that the combination of capitalism and cloud technology has unlocked.

The new era is depicted as far more unstable, with rent as the doom-generating mechanism, more unequivocal than profit. This suggests that cloud capital may not be as resilient as terrestrial capital due to what Varoufakis describes as the shrinking economic value base, which leads to widespread suffering among workers and even threats to the stability of many capitalists and rentiers. This instability could mobilize diverse social classes against the cloud capital rule. The book's imaginative ending calls for mobilization, pointing out the potential of the same technology that has subjugated us for the creation of democratized money, democratized companies, and cloud commons.

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