

## Book Reviews

**TECHNO-FEUDALISM – WHAT KILLED CAPITALISM, 340 PAGES, MELVILLE HOUSE, LONDON, 2024, ISBN1685891241, 9781685891244**

This book attempts to make an incision in how we perceive our world. This is the reason it is widely discussed. It presents a striking argument. Capitalism is dead, and we live in a new mode of production – Techno-Feudalism. This is original, to say the least since we were accustomed to books elaborating on new “phases” or “stages” of capitalism. Hilferding’s “Finance Capital” (1910), the “Monopoly Capital” (1968) by Sweezy and Baran, and the recent theories of ‘financialization’ (Tsoulfildis & Tsaliki 2023) are some well-known examples. Varoufakis says that all this is yesterday’s news. The “new technologies” combined with the politics of governments and central banks following 2008 have “killed capitalism”. The term Techno-Feudalism is an evolution of Galbraith’s “Technostructure” (1967) in a world where rents have pushed profits aside. This has replaced capitalism with a brutal mode of production that resembles pre-capitalist societies, namely feudalism. Varoufakis argues that nowadays the extraction of the economic surplus takes place by open violence, custom, and repetition and not through transactions among “free” people.

The book has 7 chapters and 2 Appendices. the first two chapters (chapters 1 and 2) lay out the Marxist method for approaching the subject. The next three (chapters 3, 4, and 5) present “Techno-Feudalism”. Chapter 6 applies the argument for the analysis of the USA-China confrontation and other contemporary problems. The last chapter (chapter 7) lays out the political and policy implications.

The text is written in a reader-friendly style. It is a dialogue between Yanis Varoufakis and his parents. Both were accomplished professionals. His father was a radical leftist and his mother a social democrat. He aims to show that, although the Marxist method is still relevant, our world is striking in the eyes of 20th-century educated left-wing people.

Analytical formality is applied in the two appendixes. Appendix I elaborates on the structure of the argument. The second appendix refers to the excessive use of derivatives to explain the mechanism that creates “financial bubbles” and “financial bubble” crises. My brief outline is based on the two appendixes.

The book's central idea is that the privatization of the internet in the 1990s has led to the dominance of a new form of capital, the "cloud capital". Unlike Techno-feudalism the term "cloud capital" was inspired by science fiction series. Specifically, a Star Trek episode that takes us to a planet where the ruling class lives luxuriously above the clouds. In contrast, labor is performed on the ground in misery and toxic environmental conditions.

Back to the argument, "cloud capital" is "capital" in the traditional Marxist definition of the category but has peculiar characteristics. Firstly, it exploits the people who use its services. For example, each time we upload or "like" a post on our social media platform we work for the platform for free. We bring in more potential consumers and at the same time, we "feed" the platform algorithm with more information enabling it to match and influence consumer preferences. Secondly, the algorithm segregates the particular group of followers – consumers by promoting products that match their preferences. The book argues that this process is the end of the capitalist market itself.

Moreover, "cloud capital" took advantage of the government and central bank policies to weather the 2008 crisis. The book argues that the money central banks made available to commercial banks at low and even negative interest rates to boost private lending was either sequestered or financed "cloud capital" investment. The latter led to the complete dominance of "cloud capital" and a new world where instead of "markets and profits" we have "rents and fiefs".

Nevertheless, crises, resulting from falling profit rates and/or financial bubbles, will be more frequent and severe in the "Techno-Feudal" era. Labor and the wage share will remain under attack since "cloud capital" uses a ridiculously small workforce to perform its operations. Its main exploitation pool consists of the users of its services -the "cloud serfs"- that "work" for free. This means that imposing "a tax" will not be sufficient to remedy "market failures", as usually argued by neoclassical economists. Major political change is needed to prevent crises and their consequences on modern societies. It is described as a socialization of the "cloud" that will be taken away from the "Lords" and turned into a "land of commons".

The book argues that the "cloud capital" analytical scheme can explain major contemporary problems. These are 1) the confrontation between the US and China who are competing to control cyberspace, and 2) inflation stemming from the spending of the huge "cloud rents".

Yanis Varoufakis expressly says that his book offers an analysis from a Marxist perspective. However, certain parts of the argument raise questions about its actual analytical foundations. In the book, the "rents" come from the monopoly of "cloud capital" on the internet, this is not Marx's theory of rent (The

Capital VIII. Part VI). From a Marxist perspective, the significant commissions enjoyed from major “cloud capital” companies can be explained by the category of “differential rent of the second type” (DRII). “Cloud Capital” invested heavily in the common ground of the internet. This way certain companies became the “regulating capital” (Tsoulfidis & Tsaliki 2019, Ch. 5) in the industry and their prices are the “regulating prices”. This can give rise to significant rents for the use of cyberspace occupied by the “cloud capital”. Nevertheless, the revenue of most of these companies (take for example Amazon) cannot qualify as “rent”. They are returns on “commercial capital” that tend to become roughly equalized with those of industrial capital (The Capital VIII Part IV).

Irrespective of the analytical classification of “cloud capital” revenues, the book expressly adopts the labor value theory and states that interest and rent are parts of a pool of “surplus value”. In Marx, competition determines the distribution of gross profit, mainly reflecting surplus value in monetary form, in interest, rent, and “profit of enterprise”. However, in the book, competition and capitalist markets are eliminated from the concentration of sales in Big Tech platforms (Appendix I). This means that the number of sellers and buyers and their random encounters is the crucial factor for competition and the mere existence of capitalist markets. The latter points to the neoclassical theory of perfect competition and its “dark side” monopoly. This is certainly not the theory of competition in classical political economy and Marx. In the latter competition is a “war” fought by the cheapening of commodities (Shaikh 2016 Ch. 8). The idea is that the benefits of intense exploitation, resulting from the increasing organic composition of capital, are realized through capitalist competition. This means that in Marx the number of buyers and sellers and their encounters is not the crucial factor for competition and markets. Moreover, prices and distribution are regulated by labor values only in competitive conditions (Stravelakis 2021). In short, labor value cannot exist in a world without competition and markets.

Irrespective of doubts and reservations this is a thought-provoking book. It makes us think about where this world is going. This is particularly important in these turbulent times. For this reason, I recommend it without reservation for productive reading and policy discussion.

Nikos Stravelakis  
*Department of Economics*  
*University of Athens*

### *References*

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