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Yanis Varoufakis **Cloud capital**

Alexa

While writing a book, I indulged in a lot of hardcore research: I bought an Alexa, a Google Assistant, and used Siri. Alexa is a little contraption from Amazon. It sits on your desk and is supposed to be your mechanical, automated slave. You tell it:

“Alexa, switch on the lights.”

“Alexa, order me this book by this idiot.”

“Alexa, play some soothing music because I’m in a bad mood.”

“Alexa, remind me to buy milk or order me some milk.”

Is it your slave? No! It’s not your slave at all. By the way, Alexa doesn’t really exist. It’s just an interface connecting you to a cloud-based agglomeration of machinery. And the thing we call the cloud is not a cloud at all. We call it that because we don’t see it. It’s all on Earth, on huge server farms—with the exception of some satellites. Amazon’s AWS server farm is monstrous. It really shocks the senses.

I visited a Microsoft server farm somewhere between Idaho and Washington State, and it felt a bit like a James Bond movie—like when he stumbles upon Dr. No’s underground silos. It’s in a cave, carved out of a mountain in order to keep it cool and maintain a constant temperature, full of machines making a huge noise. It’s like a massive factory.

Alexa connects you to the cloud, which is essentially machinery—like capital goods. It’s no different in many ways to a factory. And of course, there are thousands of kilometers of optic fiber cables crisscrossing the bottom of our oceans to connect this cloud together. This is how Amazon works. And so when you type in electric bicycles, you get this list. Alexa connects us to this network, but that’s only part of it. The other thing it does is actually essential. Let’s face it—it is sold to us at a very low price - Amazon loses money when it sells you an Alexa. Why? Because it’s very lucrative for Amazon that you have an Alexa on your desk or in your kitchen. Essentially, what you do every time you tell Alexa

something, or every time Alexa overhears, you say something to your brother, to your sister, to your lover, to your wife, to your kid—you are training it to know you.

Cloud fiefdom

What is fiefdom?

Jeff Bezos doesn't care what you buy because he produces nothing of what is being sold on Amazon.com. Essentially, what he has built is a cloud fiefdom. Why do I call it this way?

What was a fiefdom under feudalism? A fiefdom was an estate with well defined borders owned by the landlord. Inside, there was a lot of production, but there were no markets. There were peasants who worked, but there was no labor market.

Peasants didn't get a wage. They simply produced, and at the end of the day, the landlord would send the sheriff along and would collect a percentage of the harvest, which varied depending on the relative fear that the landlord had, that the peasants would rebel. So you didn't even need an economic theory to understand the percentage of the harvest which was extracted by the landlord in the form of ground rent. Whether you were an ironsmith in a fiefdom, you were a vassal capitalist in the sense that you were completely dependent on the landlord, and the landlord charged whatever he wanted in the form of rent, or extracted surplus.

Free labor

Today, what does Bezos care about? He wants to encase all of us in the platform—a CloudFief. It's a form of cloud rent. So their profit is essentially siphoned off, and they extract something from you, which is absolutely unheard of in the history of the world so far, free voluntary labor.

Let's take Twitter—now X—as an example. When you post something there, you are adding to the capacity of the owner of Twitter to keep the audience on the platform.

If you think of that capacity as a form of capital, and that is what it is. All this machinery, it's capital goods. And we are contributing to it. Why? Because you're not contributing to the creation of the machinery. That is a standard old fashioned kind of capital goods.

The reason why I didn't leave Twitter when Elon Musk took over and fired 70% of the workers, and he turned the toxic medium into a cesspool of ugliness. And I'm still in it. Why? I've got 1,200,000 followers. If I go to the Blue Sky, I have 10.

Free labor, effectively, the decommodification of labor is a situation where labor is extracted without it being treated as a commodity anymore. When you do free labor on behalf of platforms, the cloud capital is not a commodity anymore. The same way peasants under feudalism were working, but the labor was not a commodity. So there is a process of dim commodification, which goes hand in hand with siphoning off the surplus value that is produced through commodification, and bringing it out of the secular flow of income. But to make it a bit clearer, there's no doubt that techno feudalism is parasitic on the old fashioned terrestrial capital sector. Essentially, it's a parasite that has taken over. It's sitting on top of the capital sector. The capital sector produces the bicycles. Right? But power no longer rests in owning the machines that make the bicycle, but it rests in owning the cloud capital that allows the cloud analyst to extract all the surplus value from the capital sector. So the capital sector is essentially no longer in control. The new ruling class is not the one that owns the old fashioned capital.

You're working to increase the attractiveness of the Twitter algorithm and its capacity to reproduce itself—its cloud capital. This has never happened in the history of humanity before. Let's stay with the word "capital". What do economists mean by this term? They don't mean "money". These big tech platforms, all platforms for that matter, not just big tech, is that we produce a great deal of the capital, of the cloud capital, without being paid. It

doesn't matter if it is voluntary labour, it is still free labour which is producing it. Every time you upload a video on TikTok, you add to the cloud capital of TikTok. Every time you upload a photograph on Instagram, you are making Instagram more attractive for people who follow you. Every time you rant on Twitter, you send a Snapchat message. Every time you go on Airbnb, every time you go on Uber, or any of these taxi platforms, you are adding to the cloud capital of the company that owns it. Uber makes more money out of the data that it collects from you than it does from taxi drivers. And, of course, the taxi drivers and both you get none of that. The taxi driver and you both are adding to the cloud capital of Uber, and Uber gets this for free from you. Right? You pay for the taxi ride and you give away your data for free. And it's not just data. It's work that you do. Every time you like a post or you give some information to the app, you are replenishing the cap.

We are now facing a world in which a new form of capital has emerged, has evolved without us even noticing. These algorithms are not just technologies. They're a new form of capital, cloud capital. And why cloud capital? In what sense is it profoundly different to old fashioned capital, like steam engines and industrial robots and fishing rods?

Capital is a produced means of production. Cloud capital is a produced means of behavioral modification. It doesn't produce anything except modifying your behavior. It's an interface between you and Alexa, you and Siri, you and the machine. It teaches you to make it learn even better about you so that it can do five things that traditional capital could never do.

What is cloud capital and why is it different?

The death of liberal individual

With the trail that you leave now behind you on Instagram or TikTok or any social media, even if you're not conscious of it, you know in your subconscious, that when you get interviewed for

a good job at Google or Siemens or wherever, your whole social media history is going to be scrutinized. Especially if you're not conscious of it, but you're subconscious of it, which means what? When you are at home and you're in your bed and you send a message or you upload a video or something, at the back of your mind, you think, at some point, maybe that video is going to determine whether I get a good job. When you're lying on the couch, you're curating your future self by trying to second guess what the Google personnel manager will want from you. That is the death of the liberal individual, where the liberal individual is the idea that you are autonomous, the creator of your own self, of your own desires, of your own thoughts, and there is a limit, a demarcation, a fence dividing you and the market. The liberal individual has been totally wrecked. It has been bulldozed over by cloud capture. If you go to one of those big tech companies like Meta or Google, you'll hear them say in interviews: "*We want you to be yourself, to think outside the box. We want you to be contrarian. We don't want you to think like we do.*"

And then suddenly, you think, *So how should I think?*

In the back of your mind, you're asking yourself, *How can I think in a way that's contrary to their thinking, but still in a way they'll appreciate?*

And that's how you fall down a rabbit hole—where mental illness starts to seem like the only plausible outcome.

Cloud Capital

Up until now, capital simply enhanced labor productivity. There was a company making pins, using only workers with hammers and chisels. Labor productivity went up by adding machines—that's what capital had been doing until now. It was essentially extending the power of labor. This new form of capital—cloud capital—can now do five things that traditional capital never could.

First of all, it captures our attention. How do you keep some-

body on the screen? By getting them addicted. You can get addicted in a variety of ways: pornography, cage fights, all sorts of horrible things. For example, there's an accident on the motorway and as you drive by, it's difficult not to look.

When it comes to the news, the most efficient way for engaging us is to get us angry, to poison our soul. Because only when you're angry, you stay stuck to the bloody screen. So it doesn't really matter what the politics of the owner are. The result will be poisonous for democracy. This is a new dimension. It goes beyond the politics of the owner. There's no specific interest. The interest is in keeping us completely and utterly besides ourselves with anger.

The moment it succeeds in creating that need or desire inside you, it immediately satisfies it—at the click of a button, it comes to you. So, to recap: first, it captures your attention.

Secondly, it creates your desire. Thirdly, it serves your desire outside the marketplace. Because Amazon is not a marketplace. Once you've clicked on the Amazon button and purchased the book, the electric bicycle, the pair of binoculars—whatever product, produced by some other company that pays a huge cloud rent to Amazon—it's sent to an Amazon warehouse and then to you. Inside the Amazon warehouse, the workers have something trapped onto their wrist. This thing gives them their next job: go to a specific location in the warehouse, pick up a box, and then follow instructions on where to take it. And it also times workers. It knows when they've been to the toilet, how long they spent there, who they were talking to on the phone.

Facebook is an empty shell without you. The real capital of Facebook is everything you write on it. All wonderful essays and beautiful photographs and fantastic poems and so on. But everything we put on these platforms is our contribution to the cloud capital.

They get their cloud capital for free from our free labor. It

doesn't matter whether we love doing it. Why doesn't it matter? Adam Smith, who started something called economics with *The Wealth of Nations*, and later the other giant of economics, David Ricardo, who further developed the field, were very clear: they liked capitalism because capitalism had replaced rent with profit. They hated rent, and they adored profit because it's what made capitalism worth having.

Adam Smith story

What was Adam Smith's great philosophical idea? That greed is good. Adam Smith, a professor of moral philosophy, said to his students that greed is despicable on a personal basis. But it is good if you have a competitive market because each one of them is trying to undermine every other producer, every other capitalist. They try to steal their consumers from each other by producing better and cheaper products. And in the end, society manages to do something very weird to produce public virtue out of private vice and greed. But that happens only if rent dies and profit succeeds. Because rent is what you get from owning something, not from doing something. But if you're an entrepreneur and you make bicycles, then you constantly worry that somebody's going to make a bicycle which is nicer, better, and cheaper. So whatever profit you make, you have to invest it back into the business. This is the Adam Smith story.

At the turn of the 18th century, the great transformation from feudalism to capitalism was underway. Under feudalism, wealth came from land and was collected by landowners as rent—cathedrals, for example, were built with that rent. Capitalism shifted the source of wealth from land to machines. Ownership of capital now gave access to profit, which, according to Adam Smith, was a social good—competition would drive profits into reinvestment, leading to better and cheaper goods.

When Smith published *The Wealth of Nations* in 1776, feuda-

lism still dominated. Governments were run by lords and barons; entrepreneurs were rare and seen as low-class. Merchants had no place in Parliament or the royal court. The first real advocate for capitalism in the British House of Commons was David Ricardo—not because he was a merchant, but a landlord who crossed class lines to support the new system.

Techno Feudalism

Cloudalysts

The Central Bank must print more money to replenish the value of economic energy that is being siphoned off by cloud capitalists—or ‘cloudalysts.’ Cloudalysts are capitalists who own cloud capital. And even if you never touch a smartphone, never shop on Amazon, or use Twitter, you’re still living in what I call techno-feudalism.

In my book *Techno Feudalism*, I define this system as the result of a striking contradiction: capitalism was killed by capital. Capital overthrew capitalism and replaced it with what might be seen as a new form of capitalism. The cloud capital which killed capitalism was created, funded by the state. But there’s no conspiracy here. When they were printing all this money, they were not doing it in order to fund Cloud Capital. It just happened. Unintended consequences.

The most important companies of the last 10-15 years don’t make profits. Look at Uber, Airbnb, Netflix, Spotify, Tesla—they generate very little profit, if any at all. What drives them is the stock exchange, where their shares are soaring. Why are their shares going through the roof? Because central banks have been printing money to ensure that financial markets remain healthy.

There’s some other strange non-capitalist aspect about cloud capital and big tech. During my research for the book, I chanced upon a fascinating statistic. Did you know that \$9 out of every \$10 spent on cloud capital by Zuckerberg, Google, and others was

actually public money—printed by central banks during the post-2008 attempt to bail out the banks?

What we have here is a new form of capital, which I call command capital. It has given rise to a new ruling class—the cloudalysts—with traditional capitalists becoming a vassal class. There is a replacement of profit-making with central bank money, which creates new ways of telling people what to do.

Because if you are Elon Musk, for example, your capacity to make the world go round draws from the value of your shares in Tesla, SpaceX, etc. Those values are not closely tied to profit at all. They are linked to state money as well as to the *command capital* of these companies.

So capital may indeed be everywhere. It’s clearly on a rampage—on a triumphant march—flattening democracies, social capital, and labour, and creating an ever-burgeoning precariat and a vassal capitalist class.

Socializing cloud capital

Once you enter Amazon.com, you have exited capitalism. Welcome to techno feudalism the moment you enter that realm. But even if you don’t enter Amazon.com with your Nokia phone, you are still part of it, because this is the world we live in now. If the first architects of the Soviet plant economy in the nineteen twenties, particularly in the nineteen thirties, were alive today, they would be kicking themselves.

This is what we now have between Walmart, Amazon, Alibaba, and several others. Each one of them is a fiefdom, and each one of them keeps us all in there, by ensuring that our switching costs are very high. If you already have a portfolio with Amazon, you get some discounts, you know your way around Amazon. You need to be messed up really badly in order to move. But even then, I gave you the example of Twitter—I will never move from Twitter because then I will be talking to 10 people. There are things

that can happen in order to reduce this power of the techno feudal lords—cloudalysts. But changes require some sort of a revolution.

The only way we can reclaim our mind, the only way of losing our mind change is by socializing cloud capital. We need cloud capital. Cloud capital is extremely useful. But why can't we have an Amsterdam app instead of an Uber app or a Mercedes-Benz-owned Free Now app? An Amsterdam app, where the municipality owns the app, that you can use instead of Airbnb to rent a room if you are a visitor or a local. You say, "My name is Sergeant Sajid. I'm here and I want to go to the airport. How should I go?" And the app says to you, "There is a very cheap public bus that can take you. Or, if you want a driver, Joe can take you."

With all the surplus, like, cloud rent being retained in Amsterdam. Why can't we have that? But that requires the social ownership of the platforms, not their annihilation.

There's no doubt that in the future, once we have socialized cloud capital, blockchain technology will be very useful, very useful to replace the privately owned cloud capital that we have now. But blockchain will not bring about that transformation on its own, nor will it create a world in which it can function meaningfully. For that, we need mass democratic politics because the power of terrestrial capital and cloud capital is massive, and it will crush any attempt based on technology. We cannot find a technological solution to a societal problem, only a political solution. Once a democratic revolution has taken place, we can then make use of blockchain and many other tools.

A digital bill of rights can be implemented, where you own your data and must be paid for it. But for that, you need a massive political revolution. Technically, it's really very simple. The solution is not difficult. Politically, it's almost impossible.

Bitcoin, for instance, will never be money and should never be money. It's toxic, absolutely toxic and irrelevant from the perspective of the macro society.

We are politically irrelevant. Wars are happening, we have no opinion about anything, except to go along with whatever Washington DC tells us to go along. And you may think, if you're saying that techno feudalism depends on the capitalist kernel within to produce the surplus value that it extracts, does this mean that it's still capitalism? No. Because if you think about it, after the great transformation of feudalism to capitalism, capitalism, the owners of the factories, the factory sector, were still absolutely dependent on agriculture, on the feudal sector.

China

To understand the direction China is heading, one must consider the internal dynamics of the Chinese Communist Party. Predicting how the Party will evolve is a difficult task, largely because the process is both highly complex and deeply opaque. Over the past few years—and particularly during my most recent visit to China—I've come to realize that a significant internal struggle is taking place within the Party's Central Committee. Contrary to the common perception of the Party as a unified monolith, it is, in fact, a site of intense ideological and strategic conflict.

Outwardly, yes, they present a unified front centered around Xi Jinping. But here's something that may sound controversial: I believe the internal dynamics of the Central Committee are far more interesting than what's happening in many Western parliaments. Within the committee, there are members who represent workers, traditional capitalists, cloudalysts, and even local communities or movements. The tension and conflict between these factions are fascinating—and crucial.

What makes this even more concerning is the opacity. If you're on the outside, you simply can't see what's going on inside. And opacity is the beginning of tyranny.

As for where this is heading—whether it will evolve into something more open or democratic—I don't know. The Chinese project

is still very much incomplete. It's a nation in flux, and there's no scientific way of predicting how it will unfold.

When it comes to techno-feudalism, what's happening in China today is that the government has legislated compulsory interoperability among major tech companies. What does this mean? It would allow me to switch from Twitter to BlueSky, for example, just to annoy Elon Musk. But the solution isn't to go offline—because even then, you're still connected, still subject to the vagaries of techno-feudalism. I don't believe in simple escapism.

Moreover, regarding AI implementation, it's not just about behavioral modification as it is in the West, where that seems to dominate. In China, AI is being far more deeply integrated into production. While it remains only a fraction of the Western AI ecosystem, its direction is markedly different.

What keeps me up at night these days isn't just techno-feudalism, which has haunted me for a decade. It's the growing uncertainty in the global balance of power and the systems that are now shaping it.