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Machines, Democracy, Capitalism and Feudalism: Five Books for a Different Age, and What It Means for Investing

In this note, we discuss five recent books that we think are important for contemporary debates about the strategic outlook. This is not a traditional book review that intends to offer a detailed overview of the whole work in each case. The publications have been chosen as recent books that fit into the debate about what we see as the core fundamental and strategic issues that will change the way investors must think about *how* they invest, govern their decisions, form views and, ultimately, design portfolios. It is these aspects of the books that we draw out and discuss, offering conclusions for investors.

Inigo Fraser Jenkins

Alla Harmsworth

Additional Contributors: Robertas Stancikas,
Harjaspreet Mand and Maureen Hughes

Common Themes

The books have very different viewpoints, ranging from capitalist to post-capitalist, but share common themes.

The impact of artificial intelligence (AI) is one of the books' key topics of debate...and a huge unknown. The path this collectively leads us down is unknown economically, let alone socially and philosophically. It is simply too early to forecast the aggregate impact of AI on the economy. The great hope of AI evangelists, of course, is that it will boost productivity in a way that unleashes a new wave of growth. The more insidious side of AI includes questions of what AI's rise means for jobs, the power of corporations versus labor, and even the possibility of an electoral process in a world where most internet content is not generated by humans.

All this is not to mention any practical limits on AI's productivity boost from the required power consumption of the extra data centers, which may well require power equivalent to the demands of a large country. Some may balk at such statistics, given the desire to reduce the human impact on the planet. Such mundane constraints are not part of this note, which is focused on more fundamental ideas. But they are constraints nonetheless.

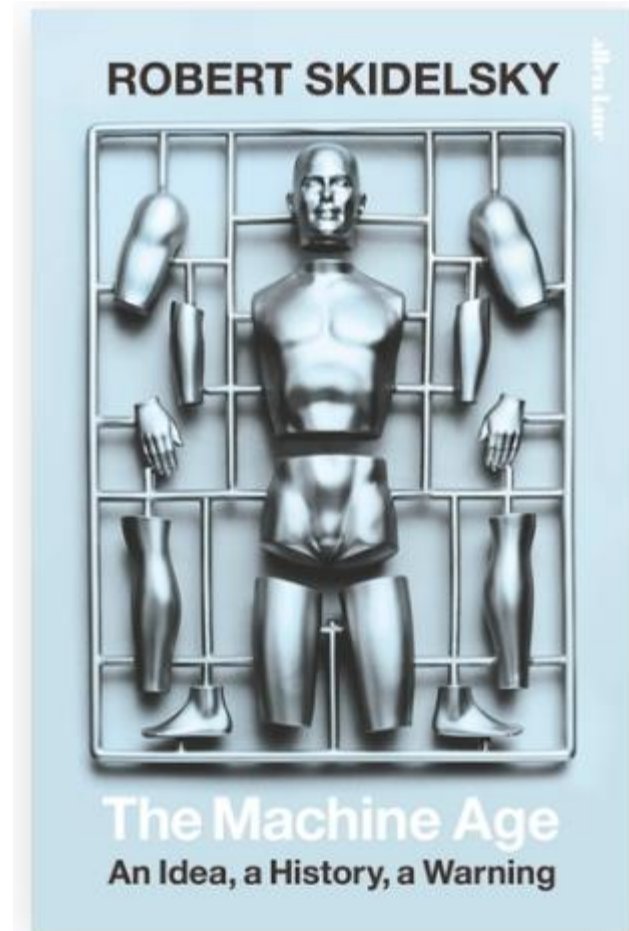
There is a dissonance here. Markets leap on prospects of higher growth, and that will be a primary focus of many readers of this note. At the same time, running through several of the works discussed here is a level of anxiety about technological determinism. Jonathan Crary, in *Scorched Earth: Beyond the Digital Age to a Post-Capitalist World*, warns of the suppression of human agency inherent in the development of AI and of the dangers of holding the view that, if something cannot be reduced to data, then it is not ontologically relevant.

Several of these works either directly opine on, or implicitly circle around, the question of the nature of labor and the extent to which it has changed. In *Technofeudalism: What Killed Capitalism*, Yanis Varoufakis directly addresses this question in his description of "cloud serfs," who unwittingly offer their labor freely through using social media. Martin Wolf, in *The Crisis of Democratic Capitalism*, addresses this question from the angle of how the benefits of capitalism and globalization have been unevenly shared by those in the labor force. In *The Machine Age: An Idea, a History, a Warning*, Robert Skidelsky analyzes the interaction of labor and capital, and also addresses how work gives meaning to people's lives over and above providing a source of income. Crary highlights how in the internet's early days there were hopes that it would give agency to labor and people's ability to collaborate, but contends that the internet's dominant effect instead has been the erosion of any distinction between the work/nonwork and public/private domains.

The interaction of capitalism and liberalism is another theme that cuts across these books. The tension between the two and their mutual interdependence have become a core topic of debate. Wolf addresses this from the perspective of how capitalism has come to endanger liberal democracy. Gray discusses how the role of the state has curtailed liberalism, and Varoufakis suggests that the era of capitalism, faced with a new economic system where winners can extract rent rather than compete for profit, is over. Crary contends that the intertwined forces of capitalism and the internet shatter norms of social interaction and individual agency.

If the themes come across to capitalists as being defensive or evoke a defensive emotion, it is probably no surprise. We would argue that this reflects the zeitgeist.

Robert Skidelsky: *The Machine Age: An Idea, a History, a Warning*



In his opening sentence, Lord Skidelsky writes that his book “tells three stories about the impact of machines on the human condition: on the way we work, on the way we live and on our possible future.” One key thing we don’t know about the impact of AI on the workplace is what it will do for jobs. Pessimists argue that it will wipe out jobs for large swaths of the population; optimists point out that, all waves of technological innovation since the Industrial Revolution have not, so far, led to a secular displacement of jobs by technology. This theme from the book is probably most on the minds of investors trying to make long-run projections for returns.

Karl Marx and John Maynard Keynes are two constant presences in Skidelsky’s book. Keynes famously proposed in his essay “Economic Possibilities for our Grandchildren” that by 2030 people would have to work only 15 hours per week. Skidelsky suggests that Keynes was wrong for three reasons: 1) the difference between needs and wants (one’s needs might be met by a 1930s’ standard of living today, but that hardly fulfills the wants of most people); 2) work is not only a cost—it also gives meaning to many people (in the book is an interesting and surprising discussion about the definition of work that emerged from medieval monastic life in juxtaposition to ancient classical contempt for work) and; 3) gains from productivity improvements have not been equally shared—there is a distribution problem.

There was no net increase in technological unemployment during the Industrial Revolution. However, it took a century for real wage increases from productivity improvements to find their way to the working class. While there was no net increase in structural unemployment, this does prompt the question of what the handloom weavers did when their wages fell from 19 shillings per week in 1800 to 6 shillings 3 pence a week by 1830 and then to nothing. Despite the historical lack of structural unemployment in the face of technological change, one wonders: Will AI be different in the speed and breadth of job dislocation it will bring about?

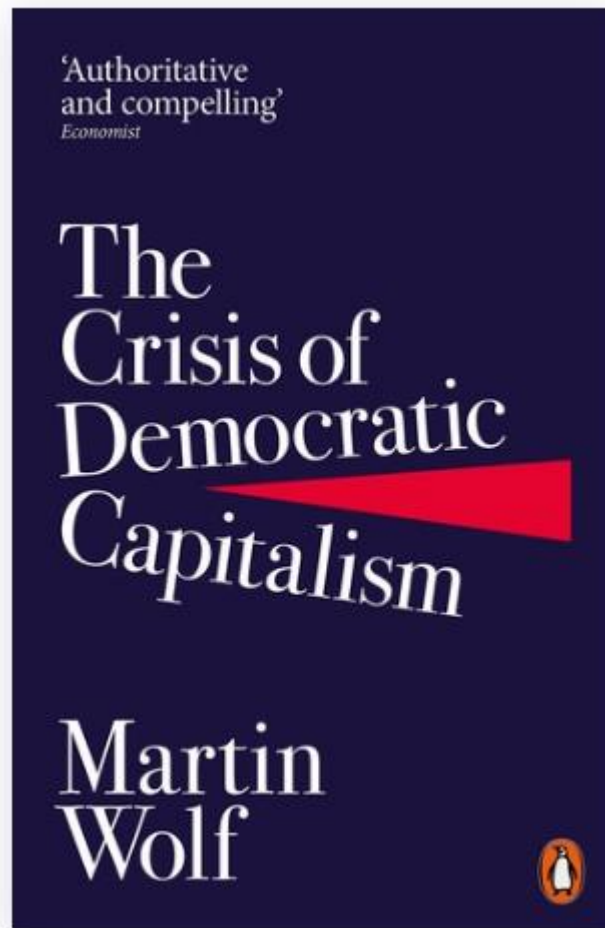
Daron Acemoglu and Simon Johnson also discuss this point in a 2024 paper, exploring Ricardo's change of view on the impact of machinery on labor during the early stages of the Industrial Revolution.¹ They conclude that automation can increase wages but only when accompanied by new tasks that raise the marginal productivity of labor and/or when there is sufficient additional hiring in complementary sectors. Moreover, the authors consider working and living conditions, and show that automation in the early Industrial Revolution led to a "deskilling" of jobs that disempowered workers and robbed them of control over when and how hard they worked. The authors apply this issue directly to the question of AI adoption in the modern economy. They fear that AI may be directed at automation rather than at raising overall productivity. They also consider working conditions and whether AI could be used for the intrusive assessment and direction of workers. Their conclusion: it is still too early to tell which direction AI might take, and the outcome is an active choice that depends on social and political power structures.

The end of the book is somber. Skidelsky suggests that there is either a technological solution (there is a discussion of transhumanism), which he rejects because it destroys too much that is precious in life, or a solution that involves decreasing our dependence on machines, which he recognizes might not be possible given our social structure. Crary's book *Scorched Earth* (discussed below), coming at this topic from a very different angle, makes a similar point.

In Skidelsky's book there is a discussion of how capitalism has been an enabler of technological development, but at what cost? (In this, there is an echo of Jason Hickel and the degrowth movement espoused in his book *Less Is More: How Degrowth Will Save the World*). We liked the discussion of different sorts of utopias and the role of the devil in Christian thought. He regards the devil as an example of the dialectic, weaving this into a discussion of the social cost of technological advance as part of a rejection of technological determinism.

¹ Daron Acemoglu and Simon Johnson, "Learning from Ricardo and Thompson: Machinery and Labor in the Early Industrial Revolution, and in the Age of AI" (working paper, National Bureau of Economic Research, 2024).

Martin Wolf: *The Crisis of Democratic Capitalism*



Long-time *Financial Times* columnist Martin Wolf writes about the intertwined relationship of liberal democracy and capitalism, why the marriage between them is broken, and how to restore it—because the other options are much worse.

The core message of the book is that significant change is needed to defend the ideals of democracy and freedom. Wolf suggests that the combination of a market economy with liberal democracy is unsustainable in its current form. This conclusion is a legacy of the highly unequal sharing of prosperity over recent decades. The symptom of this conclusion is “a loss of trust in the notion of truth,” which in turn paves the way for dictators or would-be dictators. Wolf’s blunt view is that laissez-faire capitalism is ultimately incompatible with democracy.

Wolf’s work includes a discussion of the possible reasons for the stalling of productivity growth, which is rightfully a theme in most discussions of the contemporary economy. The author observes that the financialization of the economy in recent decades did not finance fresh investment. Instead, there has been an emergence of winner-take-all markets, zero marginal cost and platform capitalism. Contemporaneous to this has been a change in attitudes toward antitrust policy. The book suggests that the increase in market concentration is as much a political choice as a fundamental function of technology.² The result: a decline in competition. Varoufakis’ latest work (which we discuss later) comes at this topic from a very different perspective and offers an utterly different prescription, but both works address this theme.

Wolf is very distrustful of all utopias (here, he is plainly at the opposite end of the spectrum from Varoufakis). He is especially leery of any attempt at revolutionary change. He works through several of these efforts in the book, suggesting that we have

² We made a similar point in our AI chapter in our recent book [A Preliminary Language for a Post-Global World](#), writing that a case can be made that beneficiaries of tech developments are a function of social choices and structures rather than an outcome of the nature of the technology itself.

relied too much on monetary policy, that modern monetary theory is dangerous, and that universal basic income (UBI) is “delusional.” (As an aside, UBI comes up as a frequent topic in the more strategic discussions with investors about the economic impact of AI.) Likewise, Wolf strongly rejects Hicckel’s degrowth stance, suggesting that an attempt to move toward degrowth is “morally unacceptable” given its implications for living standards.

Much of Wolf’s book is a suggestion for how to fix the economy and politics. Here, we pick up three of his themes that we think are most relevant: retirement, monopolies and the functioning of democracy.

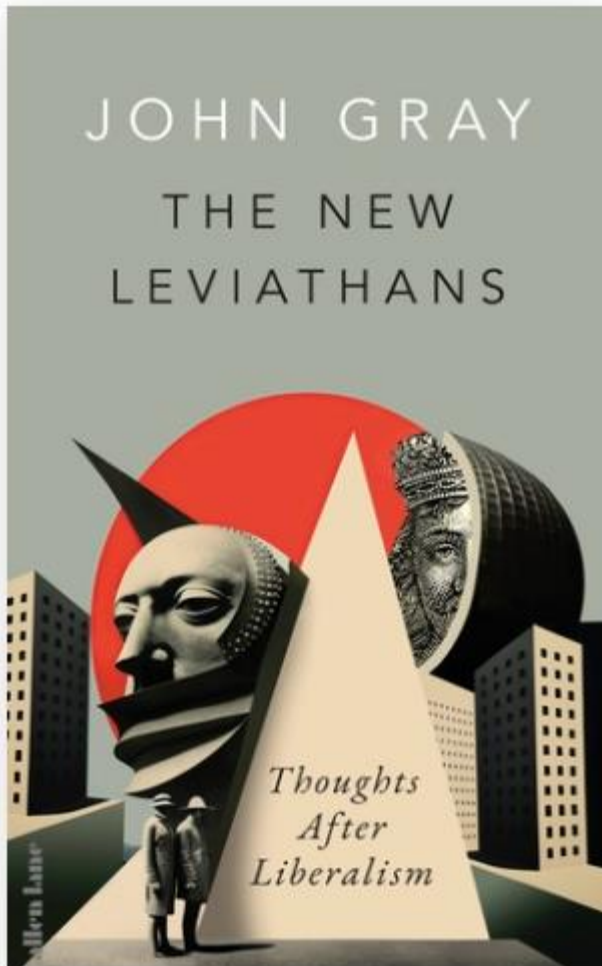
Wolf observes that the collapse of defined benefit (DB) pension arrangements is inevitable, because employers are problematic providers of such promises. We agree, and would add that the inevitability is further fostered by increased longevity and the unwinding of a particular set of macro circumstances that prevailed for much of the post-WWII era. Wolf points out that the decline of DB’s promise is yet another reason for the rise of intergenerational inequality.

The author is very fond of collective defined contribution, using the Netherlands as an example. He suggests that this model leads to better outcomes and, at the same time, fosters deeper capital markets because such funds can have a large allocation to real assets and have no need to shift toward “safe” bonds. We will address this point as part of a longer forthcoming paper on the future of retirement systems.

Wolf thinks that society and political systems need to deal with monopolies. He suggests that it would be unthinkable in democracies to essentially nationalize algorithms as in China. Instead, he asks why large tech companies are not under strict regulatory control, as are food and drugs. There is a discussion on how to tax social media to pay for “real media.”

Concurrently, Wolf offers a list of suggestions for improving the functioning of democracies, the details of which are not relevant to this note. The book ends on the notion of citizenship, in the sense of the relationship between the citizen and the state, where responsibilities run both ways between the two and what that relationship means today.

John Gray: *The New Leviathans: Thoughts After Liberalism*



The New Leviathans is a work of political philosophy that applies a Hobbesian lens to the forces driving contemporary society, political movements and geopolitics.

In *Leviathan*, Thomas Hobbes argues that an all-powerful state is necessary to protect people from one another. In *The New Leviathans*, John Gray makes the point that in the latter part of the 20th century, it looked as if Hobbes was wrong. More and more democracies had emerged in which governments could be held to account. Gray's central contention is that today, states have cast off many constraints of the liberal era. This has come about in many ways, perhaps most obviously in China and Russia. But the author suggests that it is also true in Western democracies; he suggests that a growing requirement for a conformity of ideas, which he describes as a kind of neopuritanism that excludes viewpoints condemned as reactionary, endangers cultures of liberal tolerance. In the West, this requirement is imposed not by the state but by civil society. Gray, somewhat depressingly, pronounces that "a liberal civilization based on the practice of tolerance has passed into history."

He suggests that this process began with the apparent triumph of liberalism at the end of the Cold War (marked by Francis Fukuyama in his famous book *The End of History and the Last Man*).³ This was followed by its retreat—given recent impetus by the combined forces of the pandemic, accelerating climate change and war in Europe. In Gray's telling, political ideology (be it liberal or Marxist) has a lesser role to play today. Instead, he writes, we are reverting to more "primordial" forces (e.g., nationalist

³ Francis Fukuyama, *The End of History and the Last Man*. Penguin Books, 2012.

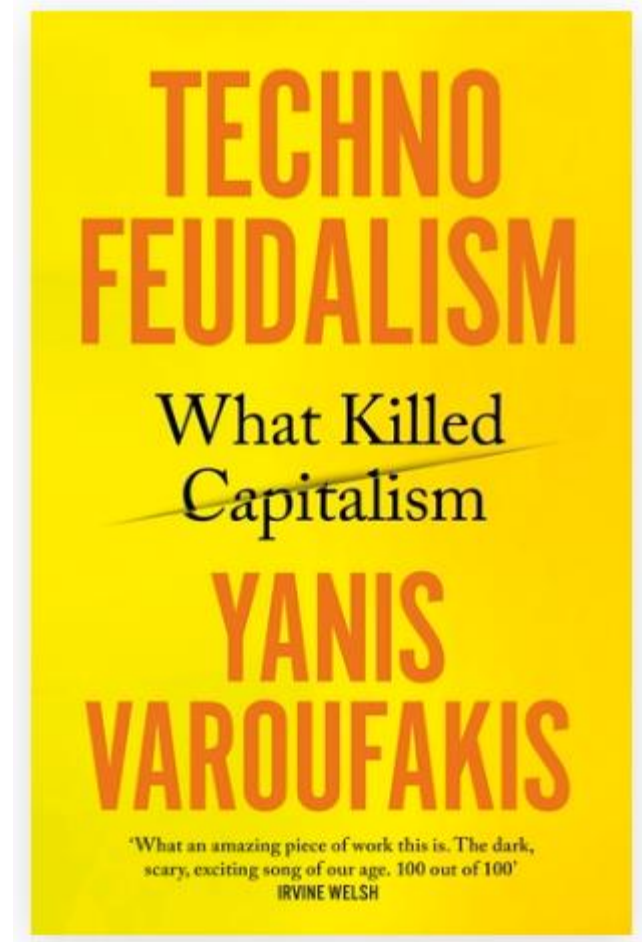
and religious ones). The author points out that Fukuyama had departed from Darwin by hypothesizing that it would be a mistake to believe that evolution has some natural endpoint.

In Gray's description of the clash between systems at the global level, market forces serve the government in China, while in the West, states have ceded power to corporations. His conclusion is that both systems can be described as variants of state capitalism, but with the relationship of capital to state reversed. Gray describes the concentration of wealth in modern society as feudalism,⁴. In fact, Gray contends that this state is actually worse than feudalism because in the medieval era, lords were expected to protect their serfs. The same is not true today. (We understand the reference, but would contend that the existence of social security does somewhat alter the comparison.) The point, though, is that capitalism had legitimized itself and any resulting wealth dispersion through a myth of unending economic growth, but climate change has since rendered that myth unsustainable.

Gray's book is much more focused on the fundamental underpinnings of society and contemporary thought than on getting down to the level of economics. Nevertheless, we have long held the view that all economics and finance come down to politics in the end. The dependence of one on the other might sometimes be hard to discern, especially in the case of political systems that have held sway for many decades, such as the liberal order that has existed in many developed economies since WWII. There are, of course, many profound implications to be drawn from this, not least for freedom of thought. For investors, the emergence of new leviathans implies that the rule of markets that had come to be seen as normal is in doubt, with states playing a much greater role than previously thought.

⁴ cf. Varoufakis 2023, coming to the same analogy from a Marxist angle

Yanis Varoufakis: *Technofeudalism: What Killed Capitalism*



The latest book from Yanis Varoufakis sets out a simple hypothesis: capitalism is now dead, in the sense that “its dynamics no longer govern our economies.” The author coins the word “technofeudalism” for what has come to replace it. The book’s title might lead one to think that this is a warning to us about some future danger that society faces in a dystopian, post-singularity AI takeover, but no! This is about the pre-AI state at which society and the economy have already arrived.

Varoufakis’s contention is that while profits are ubiquitous in financial parlance, they are not running the show anymore. Digital platforms may appear to possess elements of markets but are really fiefdoms. Crucially, profit has been replaced by rent—and in this case, rent that has to be paid because of the need to access those platforms.

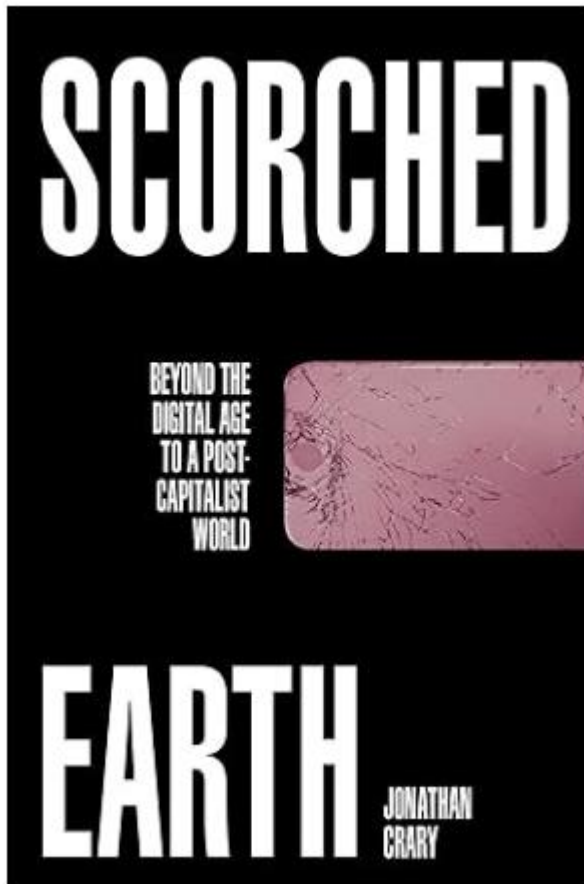
At the core of the new system, he suggests, is cloud capital—the agglomeration of networked computers, software and algorithms. It might seem like another form of traditional capital merely applied to higher-tech examples, but cloud capital differs from traditional capital in crucial ways. Traditional capital requires wage labor to grow and reproduce itself. Cloud capital can grow without paid labor, because individuals seem happy to contribute to it for free—e.g., by participating on social media. We would agree that there are many analogies between individuals’ participation in creating content on the internet and a Marxist definition of what constitutes labor.

The historical analogy that Varoufakis cites is the idea that the establishment of a market-based system in the 19th century was preceded by an enclosure of the commons—in that case, land. We have seen a very similar development recently in terms of a plundering of the internet commons, a topic we discussed in our recent note on the societal impact of AI.⁵

⁵ Inigo Fraser Jenkins and Alla Harmsworth, [Productivity, Democracy, Power and Truth: The Influence of AI on Markets and](#)

The irony, Varoufakis suggests, is that it was not organized labor that fomented the downfall of capitalism. Instead, it was the confluence of two very different forces: the privatization of the internet by big tech and the way that the policy response to the global financial crisis lowered the cost of capital. He suggests that anyone committed to the idea of the market (with Varoufakis himself presumably NOT being in that group) should profoundly worry about the replacement of profit by rent.

Jonathan Crary: *Scorched Earth: Beyond the Digital Age to a Post-Capitalist World*



Jonathan Crary describes his short book as belonging to the tradition of social pamphleteering, and the book is a stark rejection of what the author sees as an unsustainable trajectory in society. The real target here, as he sees it, is the symbiotic nature of the internet and capitalism as viewed within the context of immediate environmental and planetary limits. The book's opening sentence lays this out: "If there is to be a livable and shared future on our planet, it will be a future offline, uncoupled from the world-destroying systems and operations of 24/7 capitalism."

There is a particular focus in this work on the social and temporal impact of the commercialized internet. Crary expresses a suspicion that social media brings about a neutralizing of non-financializable forms of social interaction and that, beyond this, young people in particular are being deflected from political agency by a need for technological conformity.

The temporal aspect of this is the author's observation that rhythm at a personal and inter-personal level was endlessly variegated, but that first capitalism and especially the internet has eroded that variability. This was a topic he discussed at length

[Investing](#), AllianceBernstein, October 10, 2023.

in his pre-pandemic work *24/7: Late Capitalism and the Ends of Sleep*.⁶ We discussed the implications of this in our Blackbook: [Are We Human or Are We Dancer](#) see chapter “*The Hiatus of Intimacy and Rhythm: Investing After the Pandemic*”.

One explicit worry that Crary explores is the way that these forces lead to a loss of capacity for sympathy. He also claims that it makes any rejection of the status quo hard.

Implications of All This for Investors

Ultimately, this note is not a book review but an essay designed to help investors make strategic allocations. Any uplift to productivity from AI is easy enough for investors to incorporate. One can happily dial up the growth term in the numerator of a discounted cash flow model and determine what higher valuation is justified. However, all the other topics discussed here are fundamentally harder to price. There is too much overlap between the disparate forces that have shaped market returns over decades to unstitch how much recency bias one faces in pricing assets based on models predicated on nearly 80 years of a specific kind of world order.

The role of labor is key in our discussion of many of the books here, which is entirely intentional. Of the forces that are easiest to articulate and quantify, the effects of a declining number of workers (for developed economies and China), with deglobalization fragmenting the global labor pool, implies (*ceteris paribus*) that a shift from capital to labor in the balance of bargaining power could be expected. Layered on top of this, if investors are serious about forcing firms to consider the social consequences of what they do, this could further the narrative of empowering labor. Aside from the social and moral consequences of this, it implies a sustained animus of inflation from wages to a degree that has not been apparent for a long time. Set against that, AI holds the potential to further erode labor bargaining power and redefine what constitutes labor.

It would take a brave economist to confidently forecast what this balance will look like a decade hence, but it will be central to deciding the investment landscape. Our view is that these forces, alongside the need to fund an energy transition and the temptation of debt monetization, indeed raise the equilibrium level of inflation. The alternative of mass technological redundancy seems to lead to a need for state support, whether it is outright UBI or not, which also raises inflationary risks.

These books also raise questions on the functioning of capitalism. The degree to which competition is still a driver does not need to be viewed only through the lens of profits versus rents but also with regard to the extent that creative destruction is still a generator of productivity growth.

A topic that these books spend little time on, but that we think is highly important, is the question of how capital is raised in contemporary capitalist economies. For much of the post-WWII period, capital raising has mainly been achieved through a combination of public equities, bank credit and public debt. However, private markets are a rapidly increasing share of the capital used to fund growth, both on the equity and debt sides of the ledger. This trend is intertwined with questions around how widely the benefits of growth are shared in investment portfolios and also around the appropriate time horizons for investment.

If the decline in productivity, even in the face of rapid automation, is indeed a function of a lack of competition, it implies a need to change both antitrust policy (to break up monopolies) and monetary policy (to stop the artificial lengthening of business cycles and to let more companies fail). The switch in sources of capital seems very entrenched, implying a greater share of private assets in strategic allocations.

Lurking in the background of many of these works is the risk of system collapse, be it through revolution, the democratic election of a party that aggressively rejects the norms of recent decades, or through other types of social breakdown related to AI-infused joblessness, inequality or climate disaster. Linked to all these risks is the issue that comes up frequently in our meetings—the importance of geopolitics for market returns. The authors discussed here don't dwell on such apocalyptic scenarios, nor will we. Markets do not do a good job at pricing low probability but massive-impact tail events. Such considerations find their way into asset allocation though recognizing the possibility that risk premia (equity, credit and sovereign) have all fallen to levels that may not be consistent with long-term equilibrium levels.

⁶ Jonathan Crary. *24/7: Late Capitalism and the Ends of Sleep*. New York: Verso Books, 2014.

Many of the challenges here lead to questions about the role of government in the economy, be it through regulation, where monopolies may emerge, regulating questions of privacy, responding to fundamental shifts in the jobs market or other means. Whether or not governments in developed economies respond to the challenges raised in these books, we think the likely path forward is for greater government involvement in the economy. This is evident in the near-term political choices offered in numerous countries: fiscal priorities may differ between candidates, but the size of the government in the economy is not really questioned. We also see greater government involvement in supply chains, including for security reasons. Government spending has become a larger share of many countries' economies for decades, albeit with very different overriding narratives; this will likely become more explicit given the challenges ahead, as raised in these books. Investors, therefore, need to consider the role of governments in their strategic planning, which we think adds yet another element to the idea that future paths of the economy are inherently riskier, in that one has to try to explicitly look across multiple election cycles.

One can always say that the future looks very uncertain. Arguably, this observation could be applied to counter the arguments of bears, who point to current politics and geopolitics as a reason to be fearful. Have we, surely, not been here before? Maybe that is the case for geopolitics. However, the confluence of AI and climate change does seem to be a different kind of risk, which implies that the breadth of paths (or the probability density across possible plausible paths) seems much broader today than has usually been the case. The lesson from this is surely that diversification is even more important and goes beyond the usual sense of finding assets with low correlations. Diversification also entails thinking seriously about the long-run path risk for the global economy and markets, and searching for assets that can diversify across those paths. This issue has to be part of a broader debate about what risk is (e.g., is it volatility, active risk versus a benchmark or the risk of lost purchasing power?) and what levels of risk are acceptable.

The topics discussed here are not just about long-run investment positioning but also about the role of the industry overall. The social role of the investment industry is an emergent phenomenon, as it is not within the purview of any given fund manager. Nevertheless, it is critical. There is a symbiotic relationship between active investing and capital allocation in an economy. Active investing in this sense is both within and across asset classes; the latter has to be, and is at all times, an active decision. In this sense, the investment industry has a core role in directing capital within the economy and providing return streams that need, somehow, to fund outcomes for broad swaths of society. The questions raised in these books on the future of labor, and on the interaction of capitalism and democracy, will be essential for determining the role of the industry and the nature of investment decisions for years to come.

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