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Good-for-Nothing Entrepreneurs: Capitalism and Democratic Decline in the West

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ABSTRACT

Good-for-Nothing Entrepreneurs: Capitalism and Democratic Decline in the West

This paper focuses on the relationship between capitalism and the decline in democracy in the West over the past quarter-century. Using data from the V-Dem Institute, Freedom House, and the World Inequality Database, a strong correlation is found between inequality, the rise of tech billionaires, and democratic erosion. This correlation is explained by describing how tech oligarchs grow their political influence through their digital platforms, and their societal control via surveillance and influence of sense-making. The pivot of tech oligarchs toward the Military Industrial Complex (MIC) will accelerate the erosion of democracy. The implication is that efforts to regulate the digital economy to protect democracy will not be effective unless accompanied by decisive measures to break up the oligarchy and dismantle the Permanent War Economy.

JEL Classification: P16, D31, O33, O40

Keywords: democracy, oligarchy, inequality, capitalism

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1 Introduction

The West is increasingly resembling an oligarchy. In an oligarchy, wealth and power is concentrated in the hands of an elite, who use their wealth for political power, and their political power for wealth. Over much of the past century, the US, the leading Western economy, has evolved into a plutocracy, governed by billionaires who wield power primarily due to their wealth, eroding democracy in the process. Indeed, the wealthiest Americans possess thousands of times more political power than the average citizen (Winters and Page, 2009). The second Trump Presidency was reported to have selected no less 11 cabinet ministers who are billionaires, with a combined worth of US\$340 billion (Tait, 2024). Also elsewhere in the West, political power is increasingly dictated by wealth (Collins et al., 2021; Monbiot, 2024; The Economist, 2014).

It must be pointed out that the erosion of democracy is not limited to the West. The V-Dem Institute notes this erosion with concern, noting that as of 2024 there are more autocratically governed countries in the world than democracies, with only 12% of the world's population living in a liberal democracy (Nord et al., 2025). As will be shown in section 2, in countries such as Brazil and India the rise of the billionaire class has also been accompanied by an erosion of democracy. One can also mention Russia and South Africa¹ as instances of failed democratic transitions where oligarchs wield much power.

The focus in this paper, however, is largely - but not wholly - on the West, and in particular, on the US as the leading western economy. This paper primarily examines the rise of the West's oligarchies as reflected in the rise of the number of billionaires, which is seen by entrepreneurship scholars as a measure of innovative, "*Schumpeterian*" entrepreneurship (Henrekson and Sanandaji, 2014). But whereas some believe that a decline in democracy is bad for entrepreneurship (see e.g. Faré et al. (2023); Johnson (2005); Wolfe and Patel

¹For the case of oligarchy and democratic erosion in South Africa, see Naudé (2025c).

(2022)), this paper shows the opposite: that billionaires (entrepreneurs) erode democracy, and that this erosion of democracy further contributes to the growth in the billionaire class. The explanations focus on the pervasive influence exerted through the control and misuse of digital technology and news media by tech billionaires and the military industrial complex, and how these actions fundamentally disrupt and erode democracy.

There is a growing literature that describe and analyze the rise and impact of Western oligarchies and its billionaires. There is thus, *per se*, nothing novel about the assertion that oligarchs are undermining Western democracies. Since Olson (1982) predicted that it is inevitable that democracy would be undermined by such special interests groups or “distributional coalitions” the topic of “crony capitalism” has risen to the fore.² Hodgson (2019) had asked “Does capitalism have an inbuilt tendency to toward cronyism?” citing Marx, Schumpeter and Polyani as providing arguments for why this is the case. More recently (Zywicki, 2015, p.103) concluded that *“today’s crony capitalists have created a political-economic system that integrates big government, big business, and big labor in a tripartite deal to carve up the American economy. And because this iron triangle benefits precisely those groups best positioned to engage in rent-seeking, it will be harder than ever to dislodge. Crony capitalism may be here to stay.”*

Hartmann (2021) documented the historical development of the US oligarchy -its crony capitalists - tracing its origins back to the mid 19th century American South. Varoufakis (2023) and Kotkin (2020) invoked feudalism (and “Techno-feudalism”) in their descriptions of how the US oligarchy functions today. Chomsky (2017) explains how US oligarchs benefit from a vicious wealth-power circle, where accumulated wealth generates political power, which, in turn, generates further wealth. Monbiot and Hutchison (2024) argue that the rise of buffoon-like political leaders in the West is the outcome of societal polarization due to

²Crony capitalism can be defined as “a systemic integration of political and economic activity such that large wealth can be amassed or destroyed through government connections and industry protections Zywicki (2015, p.103)

oligarch’s growing wealth. Turchin (2023) argued that West is suffering from “elite overproduction” and the immiseration of non-elites. He predicts that this will eventually lead to revolts, rising inequality, distrust, and eventually the political disintegration of society. According to Todd (2024) in his book “The Defeat of the West”, this political integration will be hastened by the decline of religious belief and the rise of nihilism.

The present paper, which draws on Naudé (2025a, 2024a,b), contributes to this literature in the following ways. First, while Kotkin (2020) and Varoufakis (2023) warn of the consequences of elite concentration and cloud-rent extraction, this paper grounds the rise and power of the Western oligarchy explicitly in the context of persistent economic underperformance. To be precise, this paper outlines how the secular decline in productivity and economic growth in much of the West since the 1970s has created a zero-sum dynamic that has strengthened oligarchies, particularly those pushing the military-industrial complex (MIC), which aims to benefit from the Permanent War Economy. This link is largely absent from most extant accounts of Western oligarchy.

The second contribution of this paper is that, while acknowledging Varoufakis (2023)’s Techno-feudalism thesis, this paper extends Varoufakis (2023)’s analysis by explicitly linking Techno-feudalism to the MIC, documenting Silicon Valley’s pivot to the MIC. In doing so, this paper draws on Rosa Luxemburg’s thesis that when capitalist firms encounter domestic demand constraints, they are compelled to become imperialist. As such, the pivot of Silicon Valley to the MIC is part of an expansion strategy. Hence, Techno-imperialism may be a more appropriate label than Techno-feudalism, and entrepreneurship scholars should not so much be concerned about how the erosion of democracy affects entrepreneurship (e.g. Faré et al. (2023)), but how entrepreneurship undermines democracy.

Thirdly, this paper complements Monbiot and Hutchison (2024)’s analysis of the adverse coping of Western politicians under increasing oligarchic control by detailing the dependence of politicians on oligarchic power and how this dependence is one of the most painfully clear

symptoms of the decline in democracy.

The conclusion is that efforts to regulate and steer the growing digital economy to protect democracy will only be effective if accompanied by measures to break up the power of the broader oligarchy that has come to dominate the West and dismantle the Permanent War Economy. How an increasingly powerless electorate is to restore democracy and rein in the billionaire oligarchs, remains an open question - perhaps the most significant societal challenge facing the West today.

The rest of the paper is structured as follows. Section two describes two of the most worrisome trends of the past three decades: the systemic decline of democratic governance and the simultaneous concentration of wealth in a new oligarchic class in the West. Section 3 describes the mechanisms by which the relatively newly arrived digital oligarchy translates its economic power into political power, driving democratic degradation. Section 4 outlines the pivot of digital tech oligarchs towards the military-industrial complex (MIC) and argues that this presents a significant danger to the future of democracy. Section 5 concludes.

2 Democratic Decline and the Billionaires

This section describes two of the most worrisome trends of the past three decades: the systemic decline of democratic governance and the simultaneous concentration of wealth in a new oligarchic class - billionaires - in the West. Billionaires are, according to Henrekson and Sanandaji (2014) and Ke et al. (2023), the epitome of Schumpeterian³ entrepreneurship. Elert et al. (2019) and Henrekson and Sanandaji (2017) even lament that Europe does not have more such Schumpeterian entrepreneurs.

³Is it indeed the case, as Gourevitch (2024) states, that “Our Schumpeterian attitude toward entrepreneurship rules the day” and that “our celebration of the despotic, ubermensch of the economy [...] speaks to something deep and dark in our public culture”?

That democratic governance is under pressure in the West is undisputed. It is also undisputed that this erosion of democracy has been accompanied by a rise in inequality, a rise in the number of billionaires, and the growing power and influence of an oligarchy.

First, what are the evidence for democratic erosion? There are three major indices in the world tracking the quality of democratic governance - the *V-Dem Institute's Democracy Report*, the *Economist Intelligence Unit (EIU) Democracy Index*, and the *Freedom in the World Report*. All of these have in recent years reflected a consistent erosion in democracy, also in the West. For instance, the *Freedom in the World 2024* report noted that global freedom has declined for the 18th consecutive year. The *V-Dem Institute's Democracy Report 2024* noted a trends towards *autocratization* - a process by which governments slowly discard democratic norms, often through legal and quasi-legal means, rather than coups d'état. And The Economist Intelligence Unit's (EIU) Democracy Index shows a persistent decline in the global average democracy score since the index's inception in 2006.

Moreover, what is apparent from these measures of the quality of democracy is that Western countries are markedly affected. In particular, democratic erosion is now occurring in an “unprecedented number of wealthy countries once thought immune” (Dean, 2024; Riedl et al., 2025). For example in the case of the United States (US) Freedom House reported a persistent “erosion” of its democratic institutions, describing rising political polarization and extremism.⁴ According to V-Dem,⁵ the US is undergoing a significant “episode of autocratization.”

Second, what is evidence for the rise in inequality, billionaires and the oligarchy in the West? Globally, UBS (2025) found that 1.6% of the world's population own 48.1% of all wealth. Most of these wealth owners tend to live in the West. And also within the West inequality is high: according to the World Inequality Database (WID) in the US pre-tax national income

⁴See: <https://freedomhouse.org/country/united-states/freedom-world/2024>

⁵See: https://www.v-dem.net/documents/43/v-dem_dr2024_lowres.pdf

inequality is a post-WWII peak⁶ - with the top 10% of the income earners receiving 47% of all national income in 2023.

High wealth and income inequality coalesces into a oligarchic structure at its apex: the billionaire class. According to the *Forbes World's Billionaires List 2024*,⁷ there was in 2024 a record of 2,781 billionaires in the world - five times more than at the start of the century. Their collective wealth stands at an unprecedented \$14,2 trillion. As noted by the *Hurun Global Rich List*,⁸ the number of billionaires has “more than double[d]” in the last ten years alone.

It is not just that there has been a remarkable increase in the number of billionaires, but that these are largely concentrated in ten countries, and moreover that the rise in the share of billionaires in the digital/technology sector has been most rapid.⁹

For instance a significant share of the world's billionaires are in the West - in the US, Germany, UK, Italy and Canada, five countries accounting for around 41% of the world's billionaires in 2024. Furthermore, whilst the share of the traditional billionaires - in for instance finance/banking and energy and media - has stayed fairly constant or even declined, in the case of digital/technology billionaires their share has risen very rapidly over the past two decades - from 3% of all billionaires in 2001 to over 13% by 2024. This rise reflects the emergence of the class of Techno-feudalists. The Forbes 2024 top-ten list is thus dominated by figures from this sector, and includes billionaires such as Elon Musk (*Tesla*, *SpaceX*), Jeff Bezos (*Amazon*), Mark Zuckerberg (*Meta*), Larry Ellison (*Oracle*), Larry Page (*Google*), Sergey Brin (*Google*), Steve Ballmer (*Microsoft*), Jensen Huang (*Nvidia*), and Michael Dell (*Dell*).

⁶See: <https://wid.world/news-article/inequality-in-2024-a-closer-look-at-six-regions/>

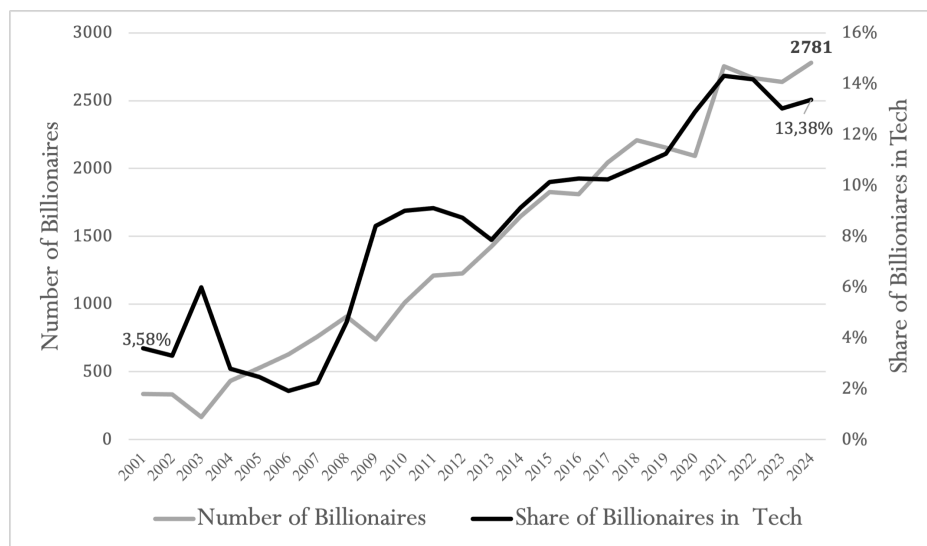
⁷See: <https://tinyurl.com/3j3yx6fy>

⁸See: <https://www.hurun.net/en-US/>

⁹It is also worth noting, as The Guardian's cartoon series *First Dog on the Moon* on 22 January 2025 declared, “Sometime in the next decade the world is on track to have more than 1,5 degrees of warming and also five trillionaires. What a remarkable coincidence!”

Figure 1 plots the rise of billionaires in the world, showing the total number, as well as the share of digital/technology billionaires.

Figure 1: The Ascent of the Tech Billionaires



Source: Author's compilation based on Forbes

Given the sharp rise of a billionaire class based on digital technology grounded companies, it can be said that the Western oligarchy is - partly - a digital oligarchy.

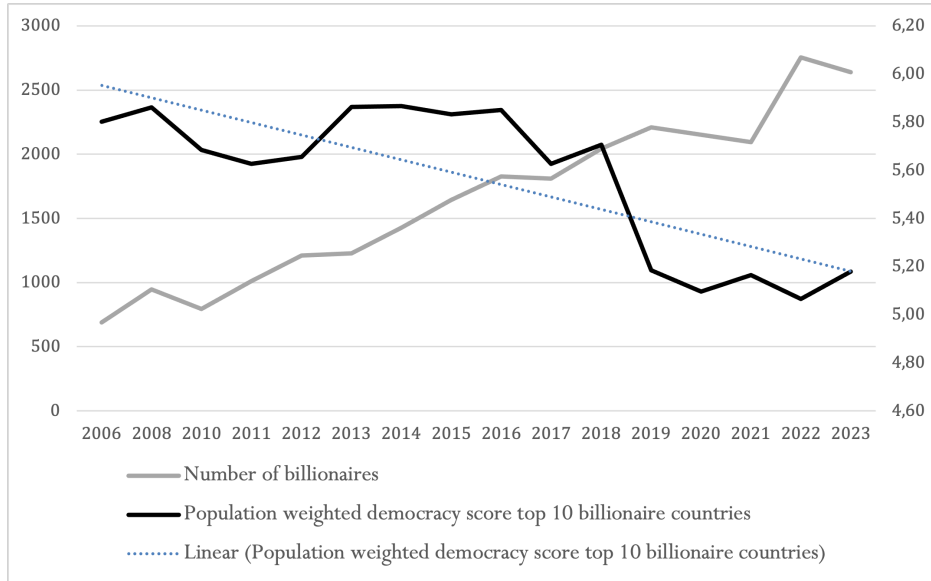
The rise of this digital billionaire class has been accompanied by the erosion of democracy, also in the West, as noted in the preceding paragraphs. Figure 2 plots the strong relationship between the rise of the number of billionaires and the decline in democracy as measured by The Economist Unit's Democracy Index over time - including for the moment also non-Western countries for reasons to be discussed.

As Figure 2 shows, over the past decade there has been a significant decline in the Democracy Score in the top 10 billionaire countries¹⁰ (weighted by their population), whilst there has been a strong increase in the number of billionaires, as was already shown in Figure 1.

In Table 1 the nature of democratic governance in the top 10 billionaire countries are summa-

¹⁰The top 10 billionaire countries are (with 2024 numbers in brackets), the USA (813), China (406), India (200), Germany (132), Russia (120), Italy (73), Brazil (69), Canada (67), Hong Kong (67) and the UK (55).

Figure 2: The Erosion of Democracy and the Rise of the Billionaires



Source: Author’s compilation based on Forbes, EIU’s Democracy Index, and World Bank Development Indicators online

alized, together with the assessments from the major indices and reports tracking the quality of democracy over time.

Table 1: Democratic Performance vs. Billionaire Concentration in Top 10 Countries (Trends 2004-2024)

Country	Billionaires	Liberal Democracy Index Trend	Freedom Score Trend	20-Year Overall Trend
United States	813	decline	decline	significant erosion
China	406	stable	stable	established autocracy
India	200	severe decline	significant decline	severe erosion
Germany	132	stable	stable	stable democracy
Russia	120	severe decline	significant decline	consolidated autocracy
Italy	73	minor decline	stable	stress/minor erosion
Brazil	69	decline	stable	significant erosion
Canada	67	stable	stable	stable democracy
Hong Kong	67	catastrophic decline	catastrophic decline	democratic collapse
UK	55	stable	stable	minor stress

Source: Author’s compilation based on V-Dem and Freedom House Reports and data

It can be seen that countries with the most extreme concentrations of billionaires. e.g. the US and China (and India) are also where the most severe democratic degeneration (the US and India are autocratizing countries) has occurred, or else are established autocracies (China). In both, the rise and role of digital technology billionaires has been significant.

On the other hand, both Germany and Canada host a significant billionaire class yet has remained more stable. This suggests that the existence of billionaires may not be the sole variable, but rather the type of oligarchy and the mechanisms of power they wield. The oligarchies in Germany and Canada are older oligarchies, with the billionaires more pronounced in industrial, financial and retail sectors. On the face of it this suggests that democratic erosion is most severe when the oligarchy is based on digital technology - perhaps because this provides the Technofeudalists with more totalizing tools of control. In the next section this will be explained.

3 Why and How The (Tech) Oligarchy Erodes Democracy

This section sets out the mechanisms by which the relatively newly arrived digital oligarchy translates its economic power into political power, thereby driving the democratic degradation discussed in the previous section, and summarized in Figure 1 and Table 1.

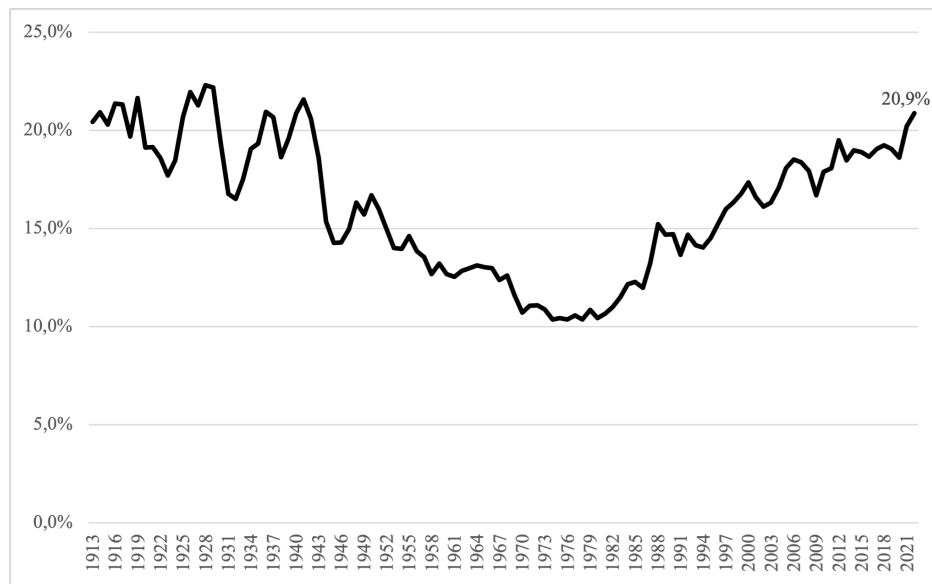
3.1 Why the (Tech) Oligarchy Erodes Democracy

Individuals with substantial personal wealth, such as billionaires, often use that wealth to obtain political power, and then use that political power to extend their wealth even further. A typical example is Donald Trump, whose wealth has reportedly grown by US\$ 3 billion since

his 2024 presidency.¹¹ As these individuals enrich themselves, and dilute the mechanisms for upward mobility in society, income and wealth disparities start to widen.

There is therefore a close relationship between the rise of billionaires and all measures of inequality in a country. As such it is useful to start by considering the evolution of a widely used measure of inequality, namely the top 1% share in national income. For the US, this is shown in Figure 3.

Figure 3: Top 1% Share of Pre-Tax National Income in the US, 1913-2022



Source: Author's compilation based on data from WID.World

In the US, as Figure 3 shows, by 2022 the top 1% of income earners in the US commanded 21% of pre-tax national incomes, a share approaching the high levels observed during the Gilded Age preceding the Great Depression (1921-1929).

As Figure 1 also indicate, the period following World War II, often idealized as a time of shared prosperity, was an anomaly due to wartime destruction and higher taxes, resulting lower wealth inequality - a period described by Monbiot and Hutchison (2024) as the *Great Compression*.

¹¹See: <https://tinyurl.com/ta8hfnhu>

However, the economic crises of the 1970s created an opening for neoliberal ideology to take hold, characterized by beliefs in laissez-faire economics, reduced government intervention (except for corporate bailouts or military spending), and globalization, and a hero-worship of of entrepreneurs and firms who pursue continuous profit growth (Monbiot, 2016; Monbiot and Hutchison, 2024). The key economic crisis which created this opening for neoliberalism to spread, was of the course the oil crisis of the 1970s.

The 1970s oil crisis helped to trigger an ideological shift that enabled the accelerated rise of the oligarchy and their wealth - which reversed the Great Compression. One initiative to help the rich get richer during the crisis was the 1975, Trilateral Commission founded by David Rockefeller whose report “The Crisis of Democracy” argued that the US had “*excess of democracy.*” This excess of democracy was getting in the way of entrepreneurial profits (Fix, 2025).

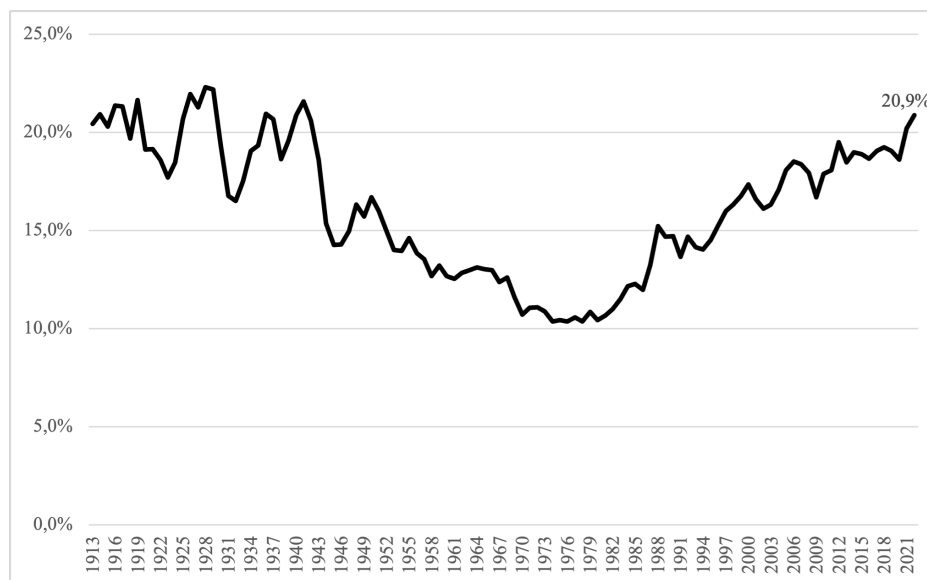
This is a notable pattern: during economically challenging times the rich tend to get richer - and this further deepen economic crises by reducing effective demand, since the rich save more. Thus, the increase in income inequality and the number of billionaires in the West coincides with a decline in economic growth, as shown in Figure 4 (see also the discussion in Naudé (2025a).)

Whilst US and global economic growth in gradually slowed down as shown in Figure 4, the super-rich in the US have accumulated approximately \$21 trillion more wealth, while the individuals constituting the lowest 50% of incomes became \$900 billion poorer (Monbiot and Hutchison, 2024, pp.33,45).

Why would the billionaire/oligarch class’ absolute and relatively wealth grow during a period marked by stagnating growth and economic crises - from the 1970s oil crisis, the 2000 dot.com bust, the 2008 global financial crisis, the 2020 COVID-19 crisis and the 2022 Ukraine conflict?

The answer is that during economic stagnation the economy takes on features of a zero-

Figure 4: US and Global GDP per capita growth and Top 1% Share of Pre-Tax National Income in the US, 2001-2024



Source: Author’s compilation based on data from WID.World, and World Development Indicators Online

sum game, in which the oligarchs can, unlike ordinary citizens, use their existing wealth to influence politics so as to grow their wealth - but at the expense of ordinary citizens. An often cited example is of the global financial crisis after 2008, which resulted in trillion-\$ bailouts for the oligarchs in the banking sector - described¹² as “socialism for the rich and capitalism for the poor.” Figure 4 shows the sharp rise in the top 1% share in the US after 2008 whilst the economy went into recession.

That oligarchs will use their wealth to influence political decisions in a way that benefits them financially is rather obvious and hence no surprise. A deeper explanation is that influencing political decisions allows oligarchs to continue growing and expanding their businesses during economic stagnating times by encroaching on different types of markets and different types of profitable activities. In other words, capturing the political decision-making process is a tool for diversification and extraction from new markets.

The Luxemburg thesis - posited by Rosa Luxemburg back in 1913 - already outlined why

¹²See: https://en.wikipedia.org/wiki/Socialism_for_the_rich_and_capitalism_for_the_poor

in a capitalist system corporations and countries are locked into a growth-or-die cycle, and that this establishes a strong imperative for corporations to continue to expand into new markets because existing and familiar markets inevitable get saturated - especially so during economic stagnation. This is why when corporations inevitably encounter domestic demand constraints they must resort to international expansion and become imperialistic (Luxemburg, 1913). Historically, this explains how Western capitalism resulted in colonialism through traditional imperialism - corporations of old mobilized their political leadership to support their international expansion and colonisation of new markets (Monbiot and Hutchison, 2024). An example is the entrepreneur Cecil John Rhodes who managed to accumulate a vast fortune on the back of mobilizing the army of the entire British Empire to invade South Africa, securing land and mineral wealth and even having an entire country named after him (Rhodesia) (Keppel-Jones, 1983).

In the US, the government has similarly been co-opted through its history by big business and cooperate interest to use its economic and military power to secure markets. Indeed, by 1895, the rise of an oligarchy was already described in the US, and linked to a system of growth-obsessed capitalism that ignited “a mad rush for wealth” where “the spirit of liberty took flight” (Howard, 1895). The Civil War (1861-1865) is seen as having enthroned corporations in the US political landscape (Hartmann, 2021, 2023). According to Howard (1895, pp.8-9) Abraham Lincoln allegedly warned in 1864 that “corporations have been enthroned” and that a subsequent era of corruption would follow, leading to a “money power” prolonging its reign until “all wealth is aggregated in a few hands and the Republic is destroyed.” Early 20th-century conflicts where the US was involved, such as the Spanish-American War, the Boxer Rebellion, and the so-called Banana Wars were instances where US military force was used to protect Western corporate interests, establishing the Marine Corps as an instrument of US interventionism (Denton, 2022; Katz, 2022; Naudé, 2025a).

In 1935 Major General Smedley Butler published a book entitled “War is a Racket” (see

Butler (1935)) wherein he exposed the manipulation of US national interests to benefit corporations (Denton, 2022; Katz, 2022). Butler testified under oath before the MacCormack-Dickstein Committee, revealing that he had been approached by wealthy Wall Street financiers in 1933 to lead a military veterans' association to overthrow President Franklin D. Roosevelt and install a fascist government in the US, a conspiracy known as the *Business Plot* or *Wall Street Putsch* (Denton, 2022; Naudé, 2025a). Although the plot was foiled, these early interventions and the attempt at a corporate coup laid the basis for the Military-Industrial Complex (MIC) and the Permanent War Economy (PWE) (Katz, 2022)

The PWE refers to the expansion and support of a military-industrial complex (MIC) so as to provide a demand stimulus to support economic growth, and moreover provide patronage to the wealthy industrialists who in turn fund and support political campaign and political parties. The PWE emerged from the US's experience in World War II (WWII). The US economy massively benefited from the consumption and investment boom of taking part in WWII - the production of military goods raised the US's GDP between 1940 and 1945 by 72% (Fishback, 2020). Writing in 1944, Oakes (1944) described how the US's industrial and political elite realized that a Permanent War Economy would be a valuable permanent source of economic growth (Naudé, 2025a).

The PWE became firmly established in the USA after World War II. At first, the Cold War did of course provide a rationale or excuse for funneling more and more money into the MIC. After the Cold War, despite expectations of a peace dividend the US economy fell into a slump. As a response, US military expenditures - and interventions abroad - accelerated after after 1999. Naudé (2025a) describes several post-Cold War "War-as-a-Racket" projects aimed at boosting economic growth via the MIC, including the War on Terror (costing around US \$8 trillion between 2001 and 2022), the militarization of Africa, the containment China and the Ukraine-Russia War. Soon after Trump entered the White House for a second term in 2025, he is reported to have sought "\$1.01 trillion in defense

spending for fiscal year 2026”, which is a 13% increase, moreover at a time when other budget items are being reduced (Demarest, 2025).

The Ukraine-Russia conflict has not only benefited the military oligarchs in the US, but also the European military industry, providing an economic boost to a continent that has been stagnating since 2008. For instance around 64% of the USA’s aid to Ukraine since the invasion in 2022 - estimated by end of 2024 to be around US\$ 111 billion - flowed back to US defense contractors (Freyman, 2024). Industrial production in the US defense and related industries has grown by more than 17% since the invasion. Former NATO Secretary General Jens Stoltenberg has reportedly indicated that NATO should commit itself to providing US \$43 billion worth of arms and military equipment to Ukraine each year moreover, to the delight of the MIC - for an unlimited time (Benjamin and Davies, 2024). No doubt under pressure from US President Trump to raise their defense spending (a large bulk of which will benefit US arms producers), in March 2025 the EU published its *White Paper for European Defense-Readiness 2030* (the *ReArm Europe* Initiative). It plans to spend an additional €800 billion on defense. Not surprising, as the financial press in the Netherlands recently reported, “Manufacturing companies open hunt for defense billions” (Van Engen, 2025).

The one sector of the US - and global- economy that saw some growth and innovation after the Cold War, was the digital economy. It provided a temporary respite from the general trend of the Great Stagnation that has been afflicting Western economies since the 1970s, with major productivity gains seen in the late 1990s and early 2000s (Naudé, 2024b, 2022). The term digital economy was in fact coined by Tapscott (1995) in 1995, and refers to the increased digitalization of the world economy through advances in ICT technologies, including in compute (Moore’s Law), the personal computer, the internet and WWW, and in the 2000s, Artificial Intelligence (AI) based on big data and the Internet of Things. Due to the nature of the digital economy, where network effects, demand-economies-of-scale and winner-take-all effects dominate, several economically powerful digital platform companies

arose over the past two decades, predominantly in the US: corporations such as a Google, Meta, Amazon, Microsoft and others (Naudé, 2024b). These have been described as “Technofeudalists” (Varoufakis, 2024). The majority of the top 10 most valuable corporations in the world measured by market capitalization are now digital platform firms¹³ - such as (as of November 2025) *Apple, Microsoft, Alphabet (Google), Amazon, Meta, and Tencent*.

Increasingly, however, the Digital Platform giants of the US have plucked the low-hanging fruit of the digital revolution, and are facing stagnating prospects. This is reflected in the phenomena of the “Enshittification” of the internet and the AI investment bubble. *Enshittification*, a word invented by Cory Doctorow describe the gradual decline in quality and functionality of online services over - due to platforms’ need to extract maximum profits from limited, stagnating markets by prioritizing profit over user experience (Cheong and Shin, 2024; Verso Books, 2024).

And as far as AI is concerned, it is clear that the profit potential of AI appears to have been largely extracted after 15 years. The AI industry faces significant financial pressure. Although *OpenAI* generates about \$2 billion from ChatGPT and access fees, it is also reported to be suffering substantial losses, estimated to require at least US\$5 billion per year in new investments just to cover these losses (Barrabi, 2024; Shields, 2024).

One estimate suggests that AI companies would need to earn US \$600 billion per year to justify their current investment levels, which is about six times the best-case projected revenue for the AI industry (Shilov, 2024). At the same time, the quality and development of modern AI systems depend on vast amounts of data, but the data commons are in rapid decline as consumers and websites become reluctant to give away their data, leading to a proliferation of restrictions on web crawlers associated with AI development (Longpre et al., 2024).

¹³See: <https://www.fool.com/research/largest-companies-by-market-cap/>

As a result of the over-exploitation and saturation of traditional markets for the products and services of the tehnofeudalist they have discovered the military as a new potential source of revenue, and as per the Luxemburg thesis, and pivoting to extract what profit they can from this sector. They do so by now only wooing the MIC, but gaining access to the MIC through capturing the political process and in the process further eroding democratic governance.

It has to be kept in mind that oligarchs - in tech and elsewhere - not only need to influence politicians to bend to their will, but moreover need to undermine democracy. The simple fact is that the will of the majority is largely at odds with the desires of the oligarchy. Billionaire oligarchs fundamentally dislike democracy because citizens tend to vote for peace, environmental protection, and better working conditions- all outcomes that hinder maximum profits (Chomsky, 2017; Monbiot, 2016). Billionaires may also dislike democracy for ideological reasons: as Chalmers et al. (2025, p.4) discuss, these *ideological entrepreneurs* often “perceive liberal democracy as unworkable and seek to either hasten its collapse or build pathways for elite exit. Their ventures often focus on creating technologies or physical spaces that facilitate withdrawal from democratic oversight.” As an example, Marquis (2025) discusses the case of billionaire entrepreneur Peter Thiel, “cofounder of PayPal and Palantir, early backer of Facebook, and political patron of Donald Trump and J.D. Vance” who has become “the philosopher-king of a growing techno-authoritarian movement.” He relates Thiel’s 2009 utterance¹⁴ that “I no longer believe that freedom and democracy are compatible.”

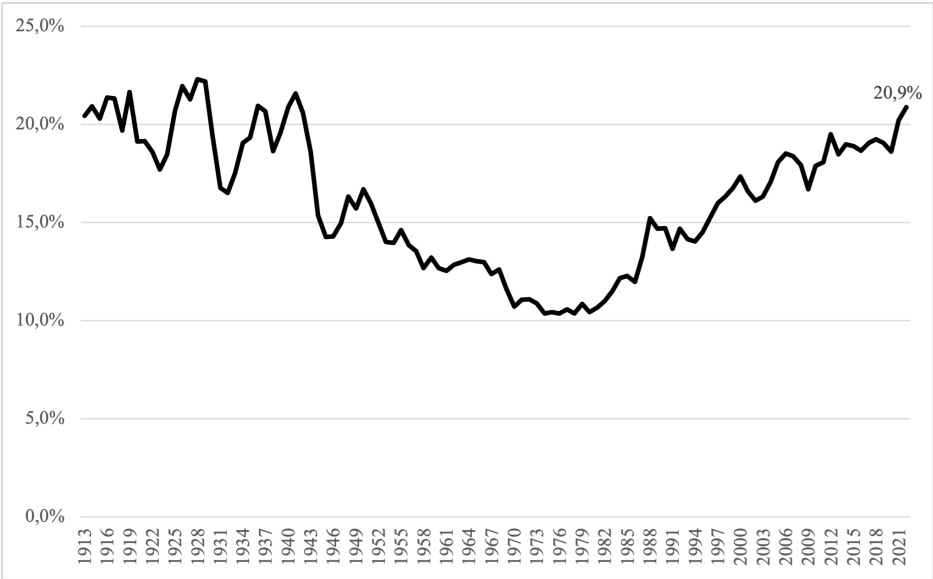
Hence, democracy has to be suppressed as far as possible. For instance, the astounding amount of public resources channeled to the MIC over the past fifty years has come at significant cost of development in the US. It has deviated scarce taxpayers money away from social expenditures towards the military and towards the pockets of a small but powerful minority. Consider that between 1940 and 1996 - during the Cold War - the US spent \$16.23 trillion on the military - compared to only \$1.70 trillion on healthcare (Hedges, 2003).

¹⁴See also Thiel (2009).

The rise in the power of oligarchies, and the rise of the MIC in the US has been accompanied by a decline in several social and health outcomes in the US. It has experienced a consistent relative and absolute decline in life expectancy since the 1980s, and is facing a "crisis of early deaths, "where the number of working-age Americans who died between 2019 and 2021 was significantly higher than "if the US had mortality rates comparable to its peers" (Yong, 2022). The country is also experiencing a crisis of "deaths of despair"- fatalities due to suicide, drug overdose, and alcoholism (Deaton and Case, 2021).

The increasing reliance of the US on the MIC to drive economic growth is not only associated with the decline in the mentioned social and health outcomes in the US, but it is associated with a steady increase global military expenditure and in the number of state-based conflicts worldwide - see Figure 5.

Figure 5: Rise of the Billionaires and the Rise of State-Based Conflicts Worldwide, 2001-2024



Source: Author’s compilation based on data from Forbes and UNDP/PRIO

Although war spending can create short-term economic benefits such as increased economic growth and employment, these benefits come at a longer-term cost. Investing in the PWE provides only the illusion of job creation - in contrast to areas like healthcare and education which creates significantly more jobs per million dollars spent than the military sector

(Peltier, 2023).

In section 4 below the pivot of the Tech Oligarchs to the MIC will be discussed in more depth.

3.2 How the (Tech) Oligarchy Erodes Democracy

The oligarchs maintain their influence over the government and military through political and media control. This includes investing heavily in lobbying and campaign contributions to influence politicians - known as elite capture. Oligarchs also exert influence over public perception by funding think tanks and influencing media coverage, ensuring reports are largely supportive of defense-industry - to help manufacture consent for conflicts and military spending (Hartung and Freeman, 2023a,b). A third method is known as the “Revolving Door” which refers to the movement of government officials into influential private sector positions and vice versa, to ensure policies continue to prioritize corporate interests, including those of defense firms (Hartung and Freeman, 2023a,b). This influencing of political decisions erodes democracy from the top-down, From the top, as elites bypass the public and directly shape policy (Gilens and Page, 2014). As a result of these political control grabbing, the top 400 richest Americans had, back in 2009 already on average about 22,000 times the political power of the average person in the bottom 90% (Winters and Page, 2009).

In recent years, mirroring the dramatically higher share of billionaires from the digital tech industry, the Techno-feudalists have become the new hegemonic power in political lobbying, eclipsing the 20th-century titans of oil and tobacco (Chung, 2021). For example, a 2025 analysis of federal lobbying found that just six major tech companies (*Meta, Alphabet, Microsoft, ByteDance, X, and Snap*) spent a combined \$61.5 million on lobbying in 2024. This represents a nearly 13% increase from 2023, with Meta, ByteDance, and Snap all setting new company records (Minkin, 2025). Amazon and Facebook’s spending alone is nearly double

that of a traditional giant like Exxon Mobil (Chung, 2021). This spending funds a “lobbyist army.” In 2024, the six tech firms mentioned employed nearly 300 lobbyists—in effect, one lobbyist for every two members of the US Congress (Minkin, 2025).

During the 2024 US presidential election, it has been reported that “Silicon Valley poured more than \$394.1m into the US presidential election” (Hernandes et al., 2024). Billionaire entrepreneur who played a significant role in this regard was subsequently appointed as the head of the US’s Department of Government Efficiency (Stanger, 2025).

The political lobbying for power by the Techno-feudalists is only the most visible tool to undermine democracy. Perhaps a more profound mechanism of erosion is how digital technology itself is being used by the dominant digital platform companies. Naudé (2024b) describes this as “destructive digital entrepreneurship” which results in digital dystopias - adverse outcomes that fundamentally undermine a democratic society. As argued by Naudé (2024b) this use of digital technology provides the tech oligarchs with an economic engine of dominance, a control mechanism, and a narrative weapon.

The rise of *Digital Platform Capitalism* itself provides the economic engine of dominance (Srnicsek, 2016). This is the source of the oligarchy’s wealth. Varoufakis (2023) describes how this system stifle competition and consolidate the economic power of their owners, facilitating political capture. They have arguably killed capitalism as Varoufakis (2023) argues, by shifting value extraction from markets to digital platforms that operate like private fiefdoms, extracting cloud rents from users, much like feudal lords extracted payments from serfs. Users, likened to cloud serfs, generate value for these companies through their data and content.

The tech-feudalists who run Digital Platform Capitalism not only extract rent in a way that reminds of the feudal rentiers of old, but like feudal lords they also use their political power to help build moats around their business empires. This includes dealing with possi-

ble competitors from outside the US through unleashing economic warfare - sanctions and prohibitions against countries that present a threat to US business interests. As documented by Stein and Cocco (2024) “*The United States imposes three times as many sanctions as any other country or international body, targeting a third of all nations with some kind of financial penalty on people, properties or organizations. They have become an almost reflexive weapon in perpetual economic warfare.*” In this economic warfare, China, in particular, as the country with the second largest global AI industry and the only viable global competitor to the US tech giants, has become the prime target of technology sanctions to secure Silicon Valley’s global dominance and contain China (Bradford, 2023; Mirrlees, 2021).

In addition to economic dominance, rent-extraction and economic warfare, the so-called *Surveillance State* provides the oligarchs with a direct control mechanism. Digital tech provides the tools for “preventive mass surveillance on [an] everyday basis.” This is distinct from, but reinforces, “surveillance capitalism” (Zuboff, 2015, 2019). This fusion of corporate and state surveillance enables the rise of “Informational Autocrats” (Guriev and Treisman, 2019), contributing to the “rupturing of the social fabric” and of trust and privacy essential for a free society (Tirole, 2021).

Thirdly, the narrative weapon through which tech oligarchs erodes democracy is through what can be termed the loss of sense-making. A handful of tech/media companies, including *Comcast, Disney, Time Warner, Fox, CBS, and Viacom*, control nearly 90% of the media in the USA and other parts of the world (Nayak, 2020). Their core function is to “create domesticated and uncritical mass audience and destroy critical voices, producing social, cultural, and political values that accept the dominance of illegitimate authority and power” (Nayak, 2020). As a result, “The message that has come to dominate the media, the market, and the culture is that the tech titans are building wonderful, world-changing products” (Johnson, 2025).

This control allows the Technofeudalists, and moreover increasingly in partnership with the

MIC, to frame narratives, for example, presenting wars as battles between good guys and bad guys, and using celebrity influence to promote pro-war stances, thereby sanitizing and normalizing the military-industrial complex. For instance, Hartung and Freeman (2023a) describes how experts from think tanks receiving MIC funding were cited far more frequently in major newspapers' coverage of the Ukraine War than those without such ties, and relates how the Pentagon' collaborates with Hollywood, providing resources, expertise, and even script revisions for movies - all contributing to the perception that military solutions are the primary means of addressing global challenges, embedding the MIC's hold on political power.

This loss of sense-making is the epistemic attack on democracy. Many digital tech business models profit from sensationalism, outrage, and mis/disinformation, creating echo chambers and filter bubbles. This and deliberate spread of fake news and deepfakes destroys the shared factual basis (episteme) upon which democratic governance depends - and help fuel the grievance and polarization that Rau and Stokes (2025) identifies as a precondition for democratic erosion.

The top-down erosion of democracy as just described is alas, not the only way in which the oligarchy erodes democracy. The influence of their power also causes a public backlash, which can be seen to erode democracy from the bottom-up. As explained by Rau and Stokes (2025), the growing inequality resulting from oligarchic control causes resentment among poorer and stagnating households, who vote into power leaders who exhibit autocratic tendencies. They refer to these leaders as “backsliding” leaders, explaining that backsliding leaders “fall into two types: right-wing ethnonationalists and left-wing populists.” They give the examples of Evo Morales in Bolivia and Rafael Correa in Ecuador as eroding democracy from the left, and Viktor Orbán and Narendra Modis as “right-wing eroders” (Rau and Stokes, 2025).

Monbiot and Hutchison (2024) describe the bottom-up rise of these democratic backsliding leaders as the “Attack of the Killer Clowns.” The term refers specifically to the rise of

unconventional, frequently anti-establishment politicians, often labeled as maverick leaders, who seize power by leveraging public discontent and outrage. According to Monbiot and Hutchison (2024) the political Killer Clowns are “deeply flawed human beings with over-sized egos and pathological insecurities.” What distinguishes them politically is their reliance on “buffoonery, shamelessness, and a flaunting disregard for justice, due process and political standards” (Monbiot and Hutchison, 2024, pp.91-92).

To reiterate, the fertile ground for the Killer Clowns is the widespread outrage felt across the West. Citizens are justly incensed by the steep increase in inequalities, the wealth of the oligarchs, especially seen against the decline in economic growth and the Great that has increasingly plagued the West since the 1970s. Ironically however, while the Killer Clowns may ride on the outrage against inequality and stagnation fueled by the oligarchy, they themselves are often supported by rich oligarchs. The political instability and chaos stoked by these leaders mask the continuous extraction of wealth by the oligarchy.

4 Silicon Valley’s Pivot to the MIC

As the growth potential from traditional digital markets diminishes, tech oligarchs are following the Luxemburg thesis by seeking new, adjacent extraction zones, most notably the Military-Industrial Complex (MIC) (Wright, 2024). It can be said that the integration of the military with “giant computer-Internet corporations” has created a “military-digital complex.” As a result, tech corporations like Palantir, described as “the AI arms dealer of the 21st century,” are turning war zones (like Ukraine and Gaza) into AI War Labs (Echols, 2024). The world seems to be in “the midst of a military AI bonanza” with contracts for military AI in the US to have “nearly tripled” between 2022 and 2033 and increasing in value by 1,200% (Schwarz, 2025).

Between 2019 and 2022, the top five defense department contracts awarded to Silicon Valley tech firms were collectively worth at least \$53 billion in total (González, 2024). Moreover, between 2021 and 2023, venture capital firms invested more than US\$100 billion in defense industry tech start-ups in the USA (González, 2024), a figure against which the U\$2 billion *OpenAI* earns from ChatGPT pales into insignificance (Naudé, 2024a, 2025a).

The fusion of the digital oligarchy with the military-industrial complex, resulting in a military-digital complex will further erode western democracies for four interlocking reasons.

First, the fusion of private surveillance with state coercion will increasingly result in governments being able to identify and analyze intelligence on political and civil society groups and target them. The distinction between private data harvesting and state surveillance has functionally collapsed. Foster and McChesney (2014, p.23) describe the extent and growth of domestic surveillance in the USA, driven by “a tight interweaving of the military with giant computer-Internet corporations.” It is also becoming pronounced in conflict zones. Abraham (2024) reports how the Israeli military use AI systems known as “The Gospel” and “Lavender” to respectively target infrastructure and people to be bombed - and are allowed to “kill up to 15 or 20 civilians” in each attack as collateral damage.

Second, the nature of violent conflict is set to change irrevocably with the weaponization of AI already mentioned in the previous paragraph. AI is now enabling lethal autonomous weapons and mass data-driven warfare. It reflects Bertrand Russell’s 1952 insight that “every advance in scientific technique means an advance in mass murder” (Wheeler, 1952). Moreover, increasingly institutions of innovation and higher education and being enthralled by the monetary rewards from participating in the military-digital complex and designing the weapons of the future. For example, Hartung (2024) found that in 2022 14 US universities “received at least — and brace yourself for this — \$100 million in Pentagon funding, from Johns Hopkins’s astonishing \$1.4 billion (no, that is not a typo!) to Colorado State’s

impressive \$100 million.”

Third, the military-digital complex is, by its nature, secret, classified, and insulated from public or congressional review. The digital platforms, which already use their “lobbyist army” and narrative-control platforms to evade commercial regulation, are now merging with the least accountable branch of the state. It implies the breakdown of democratic accountability.

Fourth, the military-digital complex is using its control over mass and social media to censure knowledge on the activities of the MIC. Hedges (2025) discusses for example how “*Instagram, Facebook, X as well as other tech platforms and companies like Google, Microsoft and Apple have actively worked to stifle information regarding the genocide in Gaza. Dissent against policies or individuals who enable these decisions is often met with swift reprimand in the form of job loss.*”

In conclusion, the digital oligarchy, a post-2001 phenomenon, has achieved structural independence from the democratic public. Its profits are no longer solely dependent on saturated commercial markets but are now guaranteed by non-market, classified state military contracts. These oligarchs simultaneously control the public narrative infrastructure and the coercive infrastructure - the *Surveillance State* platforms like *AWS* and *Palantir*. They are, therefore, in a position to profit from the wars that they simultaneously shape the public’s understanding of. This is a closed loop of power, structurally hostile to and insulated from democratic review.

5 Concluding Remarks

In 1911 Robert Michels proposed an “Iron Law of Oligarchy” which states that “all complex organizations, regardless of how democratic they are when started, eventually develop into

oligarchies.”¹⁵ This paper documented the applicability of this law to Western democracies, consistent with a long tradition predicting the rise of crony capitalism and its erosion of democracy by among others Marx, Schumpeter, Polanyi, Olson, Hodgson, and more recently Piketty.

This paper began by describing the decline in Western democracy, and especially in the US, over the past two decades. It was argued that this decline is driven by extreme income and wealth inequality and the resulting consolidation of an oligarchy, specifically digital-technology billionaires, termed *Technofeudalists*. The rise in the number of billionaires since 2001 was due to the rapid growth of billionaires in digital tech firms. Moreover, it was stressed that they did so against the backdrop of declining economic growth and rising conflict and state-based violence.

The core contribution of the paper to the growing literature on the decline of the West and the pathologies introduced by the rise of powerful digital platform corporations, was to outline and warn how the digital oligarchs erodes democratic governance both through political capture through lobbying, public perceptions influencing and the revolving door between the public and private sectors, but also through the control of society that their technology facilitate. In this respect, this paper highlighted how the tech oligarchy undermines democracy through the economic control exerted by their digital platforms, their spread of surveillance, and their disruption of the media - fostering a loss of sense-making. In a sense, the combination of technology and wealth empowers tech oligarchs to economically dominate, shape societal narratives to their preference, and assert control.

A further contribution of the paper was to argue that while the existing erosion of democracy through the mechanisms summarized in the previous paragraph is already a cause for serious concern, and behind the rise of the so-called *Killer Clowns* - democratically backsliding politicians - a even graver danger is emerging. This danger is the pivot of the tech oligarchs

¹⁵See: https://en.wikipedia.org/wiki/Iron_law_of_oligarchy

to the Military Industrial Complex (MIC), which subscribes to the Permanent War Economy as a means to revive stagnating Western economies. This pivot, it was argued, can be understood from the perspective of Rosa Luxemburg’s thesis, which explains why powerful corporations eventually become imperialistic. As such, this paper’s narrative was one of tech-feudalism morphing into tech-imperialism.

Finally, by relating how billionaire wealth undermines democracy in the West, the narrative in this paper goes somewhat against the grain of the adulation and praise for the growth of the billionaire class in the mainstream entrepreneurship literature - for instance Henrekson and Sanandaji (2014) argues that billionaires best reflect the essence of entrepreneurship, and that they are “important for a well-functioning economy” (p.1760), while Audretsch and Moog (2020, p.1) claim that entrepreneurship is “inextricably linked to a fundamental value common among the western developed economies, democracy.” Moreover, the mainstream entrepreneurship literature has been more concerned on how democracy fosters entrepreneurship (see e.g. Faré et al. (2023); Johnson (2005); Wolfe and Patel (2022)) - and not so much on how entrepreneurship can erode democracy.

An exception is Brieger et al. (2024) who reports empirical evidence that entrepreneurship, measured by self-employment and early stage activities “is negatively linked with the determinants of democracy.” However, they do not use billionaires as a measure, nor do they explain satisfactorily why and how these self-employed and early stage entrepreneurs, who are not considered innovative, Schumpeterian entrepreneurs by Henrekson and Sanandaji (2014), can erode democracy.¹⁶

This paper therefore suggests that the dominant narrative in the mainstream entrepreneurship literature about entrepreneurship and democracy may need to be revised - the billionaire class and their oligarchies should be recognized for the good-for-nothing entrepreneurs that

¹⁶It is possibly because the growing power of oligarchs pushes innovative firms out of the market and reduce quality jobs (the wage share consistently declines when corporate power increases) leading to more survivalist type of businesses.

they often are, and should not be revered as heroes. Such a revision should also take note that instead of entrepreneurs as the “heroes” of capitalism, they are implicated in ecological overshoot and climate change, and that and “notions such as sustainable entrepreneurship or green entrepreneurship” have become oxymorons (Mazzoni et al., 2025; Naudé, 2025b).

The policy conclusion from this paper is that efforts to regulate and steer the growing digital economy, and more broadly break out of the spiral of stagnation that most Western economies are caught up in, in a way that protects democracy, will only be effective if accompanied by decisive measures to break up the power of the broader oligarchy. Unless the Tech-Imperialists are tackled in a coordinated manner, which includes the dismantling of the Permanent War Economy, the decline in democracy will continue.

How an increasingly powerless electorate is to restore democracy and rein in the oligarchs remains an open question - perhaps the most significant societal challenge facing the world today.

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This paper draws on and extends my previous work on the economic decline of the West, most notably it draws on Naudé, W. (2024a). The end of the empire that entrepreneurship built: How seven sources of rot will undo the west. *Foundations and Trends in Entrepreneurship*, 20(5), 400–492; Naudé, W. (2024b). What They Don't Teach You about Artificial Intelligence at Business School: Stagnation, Oil, and War. *IZA Discussion Paper No. 17306*, September; and Naudé. W. (2025). *The Economic Decline of the West: Guns, Oil and Oligarchs*. Basingstoke: Palgrave Macmillan

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