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GLOBAL REGULATORY MODELS TOWARDS AN INCLUSIVE ECONOMY: THREE FACETS OF EMERGING DIGITAL FEUDALISM*

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Abstract. In an era of rapid financial digitalization, the pursuit of an inclusive economy - understood primarily as expanded access to payments, savings, credit, and investment for the unbanked and underserved populations - has become a central policy objective worldwide. Yet this transformation reveals a profound paradox: technologies such as distributed ledger technology (DLT), tokenization, central bank digital currencies (CBDCs), and stablecoins promise democratization of finance, while simultaneously enabling new forms of concentrated power and control. Approximately 1.3–1.4 billion adults globally remain unbanked, despite notable progress in digital financial services. This article examines three distinct regulatory models shaping the digital financial landscape: the European (bureaucratic oversight via MiCA and related acts), the American (private-sector-led innovation with restrictions on retail CBDCs), and the Sino-Indian (state-controlled digital infrastructure). Drawing on neo-institutional theory, we argue that these models, while advancing inclusion, risk fostering variants of *emerging digital feudalism* - characterized by new hierarchies of "cloud lords," platform dependencies, and diminished individual economic autonomy. Updating our prior work (Baltgailis & Menshikov, 2025), we incorporate fresh evidence from 2025–2026 developments, including Project mBridge reaching MVP stage, the U.S. temporary CBDC ban, explosive growth of China's e-CNY, and the implementation effects of Europe's MiCA framework. We identify institutional parameters that determine outcomes in this "game" of digital finance and propose safeguards to balance innovation, inclusion, and freedom. In the age of tokenization and DLT, money ceases to be a neutral medium of exchange and increasingly becomes an instrument of power.

Keywords: distributed ledger technology; central bank digital currency; stablecoins; digital feudalism; financial inclusion; neo-institutional theory; multinational corporations

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1. Introduction

The global financial system stands at a historic inflection point. Digital technologies are reshaping money, payments, and capital markets at unprecedented speed. From tokenized assets and programmable ledgers to stablecoins and CBDCs, innovations once confined to experimental pilots now influence cross-border settlements, wholesale markets, and everyday transactions. Europe's post-trade environment remains fragmented, with an excessive number of central securities depositories and persistent legal and operational frictions. Meanwhile, traditional centralized infrastructures are being challenged - and potentially complemented - by DLT solutions that promise atomic settlement, 24/7 operations, and reduced intermediation.

At the heart of these changes lies the aspiration for a more *inclusive economy*. Financial inclusion - access to basic transaction accounts, savings, credit, and investment opportunities - remains elusive for hundreds of millions. According to the World Bank Group, despite progress, 1.3–1.4 billion adults worldwide still lack a bank account, with particularly acute gaps in low-income economies where over 65% of adults may lack even basic transaction capabilities. Digital tools, including mobile access and low - cost stablecoins, offer pathways to bridge this divide. The stablecoin market has expanded dramatically, with market capitalization reaching approximately \$270–317 billion by early 2026, driven by demand in emerging markets for remittances, savings, and DeFi participation.

Yet this optimistic narrative masks deeper tensions. Pilot projects such as the Eurosystem's DLT settlement experiments (involving 64 participants and nearly €1.6 billion in central bank money), Project mBridge (now at MVP stage with multi-jurisdictional CBDC connectivity), Project Agorá, and China's e-CNY (exceeding 3.4 billion transactions and ~\$2.3 trillion in value by late 2025) demonstrate technical feasibility. At the same time, they highlight diverging regulatory philosophies and governance challenges. The United States has enacted a temporary prohibition on retail CBDCs until 2030, favoring private innovation in stablecoins and tokenized assets, while Europe pursues comprehensive oversight through MiCA, GDPR, DSA, and DMA. China and India prioritize sovereign control, banning or restricting private cryptocurrencies in favor of state-backed digital money and integrated fintech ecosystems.

This divergence is not merely technical or regulatory. It reflects fundamental institutional choices about who controls the "rules of the game" in digital finance. Building on neo-institutional theory, we view the economy as an arena where formal and informal institutions shape the behavior of players (individuals, firms, states, and platforms). Adjusting these rules influences outcomes - from efficiency and inclusion to power distribution and long-term economic dynamism. Our previous studies (Baltgailis & Menshikov, 2025) highlighted how the drive toward inclusivity could inadvertently foster conditions for digital neo-feudalism: concentrated control by bureaucracies, multinational tech corporations, or state nomenklatura, leading to new dependencies akin to feudal relationships in a cloud-capital era.

The central paradox of the inclusive digital economy is that tools designed to democratize access - smart contracts eliminating intermediaries, mobile wallets bypassing traditional banks, programmable money enabling targeted inclusion - simultaneously strengthen surveillance capabilities, platform lock-in effects, and monopolistic tendencies. Network effects, economies of scale in data and infrastructure, and the "winner-takes-most" dynamics of digital markets amplify this risk. As Yanis Varoufakis argues, we may be witnessing a transition to technofeudalism, where cloud capital extracts rent and reconfigures class relations. In all three models under examination, signs of emerging digital feudalism appear: European nomenklatura oversight, American Big Tech dominance, and state hyper-control in Asia.

The *purpose* of this article is to conduct a comparative institutional analysis of the three major regulatory pathways toward digital financial inclusion and to assess their implications for the risks of digital neo-feudalism. Specifically, we aim to:

1. Describe the key features, strengths, and vulnerabilities of the European, American, and Sino-Indian models, drawing on recent empirical developments (2024–2026).
2. Identify the critical institutional parameters (governance, interoperability, compliance regimes, competition policy) that determine whether these models promote genuine inclusion or new hierarchies.
3. Propose policy safeguards to mitigate feudalistic tendencies while preserving innovation and access.

Novelty lies in updating and expanding our prior framework with fresh data on live implementations - mBridge's progress, e-CNY scaling, U.S. legislative pushback, and MiCA's market effects - while integrating perspectives from Mises (consumer sovereignty), Hegel (dialectical balance), and contemporary analyses of cloud capital. In the epoch of tokenization and DLT, money is ceasing to function as a neutral medium of exchange; it is becoming a programmable instrument of economic, political, and social power.

2. Literature review

The pursuit of financial inclusion has gained global prominence. The World Bank Group (2025) reports that approximately 1.4 billion adults remain unbanked, with particularly severe gaps in low-income economies. Digital innovations - mobile money, stablecoins, and CBDCs - are frequently presented as solutions due to their low transaction costs, accessibility via smartphones, and potential for cross-border reach (International Monetary Fund, 2023; World Economic Forum, 2026).

Central bank digital currencies (CBDCs) are positioned as a universal medium of exchange for the digital economy while preserving monetary sovereignty (Bank for International Settlements, 2023). Wholesale CBDCs on permissioned DLT platforms promise faster, cheaper settlements, as demonstrated by the Eurosystem's exploratory work (64 participants, €1.6 billion settled) and Project mBridge, which reached minimum viable product (MVP) stage in 2024 - 2025 (Bank for International Settlements, 2024). Stablecoins, with a market capitalization nearing \$300 billion (European Central Bank, 2024), serve as critical bridges in DeFi ecosystems and remittances, particularly in emerging markets.

However, the literature also highlights significant risks. ECB analyses point to concentration risks, external rule-setting through foreign-dominated infrastructure, and currency substitution if dollar-based stablecoins achieve global dominance (Cipollone, 2025). DeFi, by eliminating traditional intermediaries through smart contracts, offers greater openness but creates challenges for regulation, consumer protection, and financial stability (IOSCO, FSB). Tensions between CeFi (centralized platforms with KYC/AML requirements) and DeFi (permissionless, often pseudonymous) remain unresolved in most jurisdictions.

Previous work by the authors (Baltgailis & Menshikov, 2025) identified how the push for inclusivity could inadvertently accelerate digital neo-feudalism through regulatory capture, platform dominance, or state overreach. This article updates and deepens that framework with 2025 - 2026 empirical developments.

Beyond questions of financial infrastructure and monetary innovation, an emerging body of literature has begun to frame digital transformation through the lens of techno-feudalism and digital feudalism. Building on Sadowski's (2020) concept of the "internet of landlords," scholars argue that digital platforms increasingly derive power not only from market competition but also from their capacity to control access to essential digital infrastructures, data resources, and algorithmic governance mechanisms. Recent studies demonstrate how

platform dependency can emerge across diverse social domains, including education, public services, and collaborative digital ecosystems, creating asymmetric relationships between platform operators and users (Cone, 2024; Chabosseau & Dobeson, 2025). Theoretical debates further examine whether these developments represent a new techno-feudal order or an advanced stage of platform capitalism characterized by intensified rent extraction and monopolistic control over digital assets (Gilbert, 2026; Goodell Ugalde, 2026; Yan, 2026). At the same time, researchers highlight broader societal implications, including the degradation of autonomous social relations, growing dependence on AI-mediated infrastructures, and challenges to academic and institutional self-governance (Seibt, 2026; Shams, 2026; Yang et al., 2026). Collectively, this literature suggests that digital inclusion policies cannot be assessed solely in terms of access and efficiency; they must also be evaluated with regard to the distribution of power, control, and dependency within emerging digital ecosystems.

3. Theoretical basis and methodology of the research

This article builds upon neo-institutional theory as its primary analytical lens. According to this school of thought, the economy functions as a playing field where the final outcome of the “game” is largely determined by the parameters, or “institutions,” established on that field (North, 1990; Olson, 1984). By adjusting these formal and informal rules - laws, regulations, norms, and technological architectures - society can influence the behavior of economic actors who make decisions independently. The degree of perfection of these “rules of the game” ultimately determines the level of well-being for individuals, firms, and society as a whole. In the context of digital finance, institutions include not only regulatory frameworks (such as MiCA in Europe or SEC/CFTC rules in the United States) but also technological infrastructures (permissioned vs. public DLT platforms), governance mechanisms, and the interplay between centralized (CeFi) and decentralized (DeFi) systems.

Our analysis extends this framework by integrating insights from critical perspectives on contemporary capitalism. Ludwig von Mises emphasized that in a pure market economy, wealth results from successfully satisfying consumer demands, with capitalists acting as trustees subject to daily “voting” by consumers. Monopoly prices, however, represent a violation of consumer sovereignty (Mises, 1966). Today, digital platforms challenge this ideal. Network effects, economies of scale, massive data advantages, and high barriers to entry have produced “winner-takes-most” dynamics across search engines, mobile operating systems, cloud computing, app stores, and payment processing. These tendencies risk transforming competitive markets into digital fiefdoms.

Yanis Varoufakis (2023) takes this critique further, arguing that classical capitalism - based on markets and profit from production - has been superseded by *technofeudalism*. In this new system, “cloud capital” (proprietary platforms, algorithms, and data infrastructures) extracts “cloud rent” rather than generating profit through competitive production. This creates a novel class structure: *cloudalists* (owners of platforms such as Amazon, Google, Meta, and Alibaba), *vassal capitalists* (traditional firms dependent on these platforms), *cloud serfs* (users providing free data and attention), and *cloud proles* (workers in data centers and logistics). Varoufakis’s metaphor of technofeudalism, while provocative, effectively captures the power asymmetries emerging in digital finance, where control over payment rails, tokenized assets, and data flows confers unprecedented influence.

Complementing these views, G.W.F. Hegel’s dialectical logic reminds us that speculative reasoning can reconcile opposing forces toward a higher synthesis (Hegel, 2015). In the context of digital financial transformation, the dialectic lies in balancing the drive for innovation and inclusion against the risks of monopolization and loss of autonomy. Neither pure state control nor unchecked private dominance offers a sustainable path; instead, thoughtful institutional design is required to foster genuine competition and consumer sovereignty.

The European Model: Nomenclatura Neo-Feudalism. Europe has adopted a comprehensive, rules-based approach to digital finance, emphasizing stability, consumer protection, and regulatory harmonization. The cornerstone is the Markets in Crypto-Assets Regulation (MiCA), which establishes a unified licensing framework for Crypto-

Asset Service Providers (CASPs), including custody, trading, and issuance of asset-referenced tokens and e-money tokens. By mid-2026, MiCA has moved toward full EU-wide enforcement, with transitional periods largely concluding. Over 185 operators had obtained licenses by April 2026, though compliance costs remain high.

Complementing MiCA are the General Data Protection Regulation (GDPR), Digital Services Act (DSA), and Digital Markets Act (DMA), which together regulate data handling, platform behavior, and gatekeeper dominance. These frameworks target Big Tech while integrating legacy infrastructure such as SWIFT, which is adapting to tokenized assets and CBDCs. The Eurosystem's exploratory DLT work (May–November 2024) involved 64 participants and settled nearly €1.6 billion in central bank money, testing interoperability solutions across trading, custody, settlement, and the full lifecycle of financial assets.

Strengths: The model enhances stability, reduces fraud through strict AML/KYC requirements, and protects against dollar-denominated stablecoin dominance (Cipollone, 2025). It promotes a level playing field and consumer trust.

Vulnerabilities and Feudal Risks: High compliance burdens create barriers for small innovators and DeFi projects, potentially leading to regulatory capture and concentration among “trusted” large platforms and bureaucratic gatekeepers. This fosters a *nomenklatura neo-feudalism*, where EU institutions and approved intermediaries control access to digital financial rails, limiting genuine competition and innovation speed. As noted in the original manuscript, Europe risks insulating its market through bureaucracy while creating new dependencies.

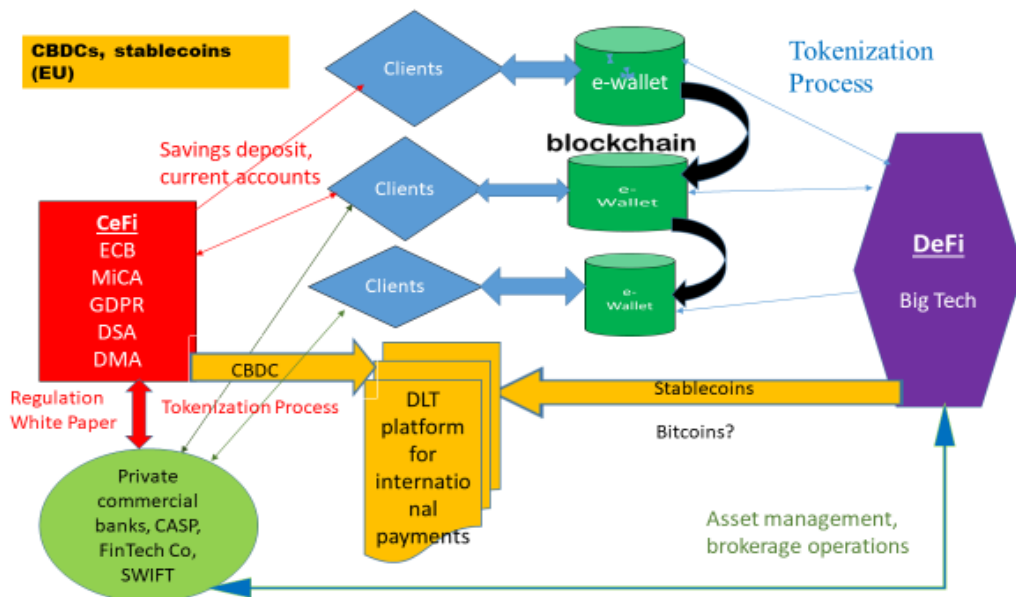


Figure 1. Institutional model of the transition to an inclusive economy in the EU.

Source: (placeholder – elaborated by authors): Institutional Model of European Financial Market Regulation, showing interconnections between MiCA, GDPR, DSA/DMA, Eurosystem DLT platforms, CASPs, and SWIFT.

CeFi is a traditional financial system and centralized crypto platforms. Unlike DeFi (decentralized finance), it uses an intermediary (company) that controls assets, conducts KYC, and is subject to regulators. MiCA establishes a comprehensive licensing framework to ensure that all crypto asset service providers operate transparently, securely, and reliably across Europe. This helps protect investors and the stability of markets while fostering innovation in crypto services. Here are the key provisions of MiCA (Markets in Crypto-Assets

Regulation) regarding crypto asset service providers (CASPs) and their licensing requirements. GDPR (General Data Protection Regulation) is the main EU law on personal data protection (2018). Very strict: huge fines (up to 4% of global turnover). DSA — Digital Services Act (European Parliament, 2022/2024). Regulates large online platforms (Google, Meta, TikTok, Amazon, etc.). It requires combating illegal content, ensuring algorithmic transparency, and protecting users. The Digital Markets Act (DMA) is designed to make digital markets fairer and more competitive. It targets the dominance of large technology companies ("Big Tech"), which act as "gatekeepers" - they control access to users and markets.

The law complements another important act, the Digital Services Act (DSA). SWIFT (Society for Worldwide Interbank Financial Telecommunication) remains dominant in messaging for traditional cross-border payments (especially in dollars). The majority of international transactions still go through it. Active adaptation to digital: SWIFT is conducting numerous pilots integrating with CBDCs, tokenized assets, stablecoins, and blockchains. In the traditional system, SWIFT transmits only instructions, while real money moves through a chain of correspondent banks (often involving dollars and clearing in the US). White paper - CASP companies assume legal responsibility for ensuring that the crypto assets they offer are accompanied by appropriate. These white papers must specify the technological basis (e.g., blockchain protocols); the legal rights associated with the cryptoasset; the economic use cases; and the material risks.

The American Model: Techno-Feudalism and Private-Sector Leadership. The United States has taken a markedly different path, prioritizing private-sector innovation over government-issued retail CBDCs. In March 2026, the Senate incorporated a temporary ban on the Federal Reserve issuing a CBDC (or substantially similar asset) until December 31, 2030, into a major housing bill (passed 89-10). This moratorium reflects concerns over surveillance, bank disintermediation, and government overreach.

Regulation remains fragmented but innovation-friendly. The SEC provides token taxonomy guidance to distinguish securities from commodities, while the CFTC gains authority over digital commodities. Stablecoins and tokenized assets are encouraged, subject to AML/KYC and consumer protection rules. DeFi operates in a transitional "smart regulation" phase that protects non-custodial protocols while tightening controls on centralized elements.

Dominance of Big Tech and Network Effects: The model leverages private platforms, resulting in oligopolistic structures. Visa and Mastercard control ~90% of payments outside China; AWS, Azure, and Google Cloud dominate cloud infrastructure; Google and Apple control ~99% of mobile OS and ~95% of app stores. These "moligopolies" amplify winner-takes-most dynamics through network effects and data advantages.

Strengths: Rapid innovation, high crypto/DeFi adoption, and private stablecoins driving inclusion in emerging markets. The approach aligns with Misesian consumer sovereignty by letting markets test solutions.

Risks: Unchecked platform power leads to *techno-feudalism* (Varoufakis, 2023), with cloudalists extracting rents and users becoming cloud serfs. Concentration risks systemic fragility and reduced autonomy.

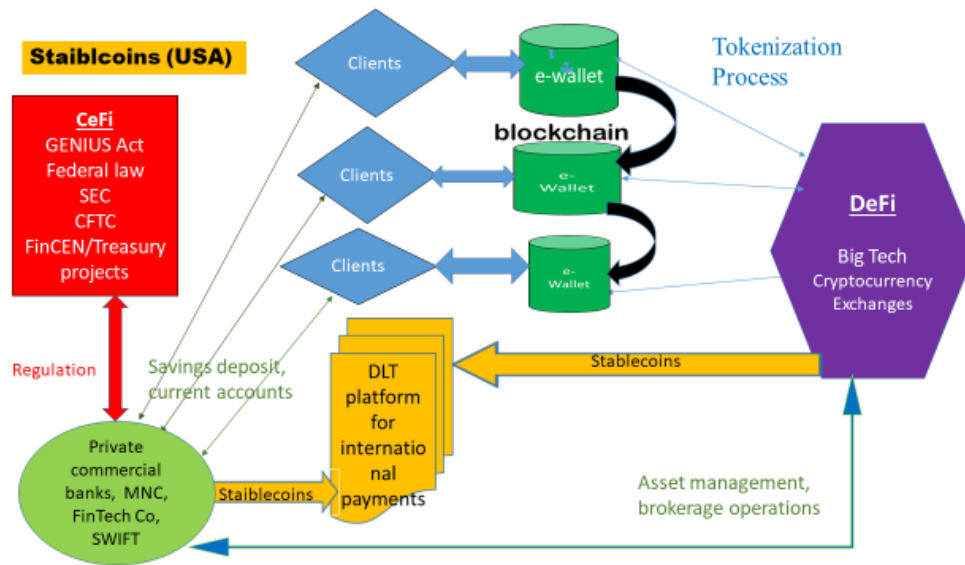


Figure 2. Institutional model of the transition to an inclusive economy in the USA.

Source: (placeholder): U.S. Regulatory Landscape, illustrating SEC/CFTC roles, Big Tech dominance, stablecoin ecosystem, and CBDC restrictions.

GENIUS Act: Landmark legislation regarding payment stablecoins. It establishes a federal framework for regulated issuers (banks and licensed non-banks), covering custody, reserves, and redemption. It permits banks to use DLT/blockchain as a system of record for tokenized deposits and stablecoin operations. **Federal law:** in the US, DeFi is neither banned nor stifled, but rather is in a transitional phase toward "smart regulation"- protecting genuine decentralization (software developers, non-custodial protocols), while tightening controls on centralization and compliance (AML, consumer protection). **SEC (Securities and Exchange Commission):** It regulates if tokens or activities qualify as securities. In 2026, the SEC issued an important interpretation regarding token taxonomy, which helps distinguish securities from commodities/digital assets. Many DeFi protocols can avoid this if the tokens are not investment contracts. **The CFTC (Commodity Futures Trading Commission):** regulates digital commodities (BTC, ETH, and many others after the transition from securities). **FinCEN/Treasury projects:** AML/KYC and money transmission. Some individual states, such as California and New York, are creating their own additional regulatory laws.

The Sino-Indian Model: State-Controlled Hyper-Nomenklatura Neo-Feudalism. China and India prioritize sovereign control and mass inclusion through state-backed digital infrastructure rather than private decentralization.

China: Private cryptocurrencies are banned. The e-CNY (digital yuan) is the world's largest live CBDC experiment. By late 2025, it processed over 3.4 billion transactions worth ~16.7 trillion RMB (~\$2.3 trillion), an 800%+ increase since 2023. It integrates with Alipay and WeChat Pay, supports offline and programmable payments, and advances financial inclusion for rural and migrant populations. Project mBridge (MVP stage mid-2024) facilitates cross-border CBDC settlements, with significant e-CNY volume.

India: The Unified Payments Interface (UPI) handles billions of transactions monthly. The digital rupee (₹) supports offline and programmable features. The Jan Dhan–Aadhaar–Mobile triad has driven banking coverage above 75–80%.

Strengths: Impressive scale of inclusion, reduced corruption via programmable money, and monetary sovereignty. Public-private partnerships with fintech giants accelerate reach.

Risks: Total surveillance, limited competition, and capital controls create *hyper-nomenklatura neo-feudalism*, where the state acts as the ultimate digital lord. Private innovation is subordinated to state objectives.

Table 1. Comparative Overview of Regulatory Models

Dimension	European Model	American Model	Sino-Indian Model
Core Approach	Bureaucratic harmonization	Private innovation + light touch	State sovereignty + control
CBDC Strategy	Wholesale focus, retail cautious	Retail ban until 2030	Full-scale retail CBDC
Stablecoins/DeFi	Strictly regulated (MiCA)	Encouraged with compliance	Restricted/banned
Inclusion Mechanism	Regulated CASPs, fintech	Market disruption, stablecoins	State fintech + biometric ID
Feudalism Facet	Nomenklatura (bureaucratic)	Techno-feudalism (Big Tech)	Hyper-nomenklatura (state)
Key Strengths	Stability, protection	Innovation speed	Scale, sovereignty
Main Risks	Bureaucracy, slow innovation	Concentration, rent extraction	Surveillance, no competition
2025–2026 Milestones	MiCA full enforcement	CBDC ban; stablecoin growth	e-CNY 3.4B tx; mBridge MVP

Source: elaborated by authors based on (Bank for International Settlements, 2024), (Chhangani, 2026), (Altavilla et al., 2026), (Samu, 2026), and authors' synthesis.

All three models advance inclusion metrics (e.g., stablecoins for remittances, CBDCs for unbanked access) but exhibit feudal tendencies: dependency on gatekeepers (Europe), platforms (US), or the state (China/India). Interoperability challenges persist between permissioned CBDC ledgers, public stablecoin chains, and Bitcoin.

4. Common Risks and Manifestations of Digital Neo-Feudalism

While the three regulatory models examined in Section 3 demonstrate different pathways to financial inclusion, they share underlying risks that point toward the emergence of digital neo-feudalism. This section synthesizes these cross-cutting challenges, linking them to the neo-institutional framework and the authors' prior research (Menshikov et al., 2025). Inclusive digital tools - such as CBDCs, tokenization, stablecoins, and programmable ledgers - while lowering barriers to access, simultaneously reproduce and reinforce hierarchical power structures in novel ways.

Concentration of Power: Big Tech Meets Central Banks. A defining feature across all models is the accelerating concentration of economic and informational power. In the American model, Big Tech platforms (Amazon, Google, Meta, Apple, Microsoft) dominate through network effects and control over data, cloud infrastructure, and distribution channels. Visa and Mastercard continue to dominate traditional payments, while stablecoin issuers (often backed by or intertwined with major financial institutions) extend this influence into digital realms. In Europe, bureaucratic gatekeepers and licensed CASPs create a regulated oligopoly of "trusted" intermediaries. In China and India, state-controlled fintech giants (Alipay, WeChat Pay, PhonePe) operate under tight governmental oversight, merging private efficiency with public authority.

This convergence of Big Tech capabilities and central bank monetary tools creates unprecedented leverage. As Varoufakis (2023) argues, cloud capital extracts rent by controlling the digital infrastructure on which economic activity increasingly depends. Central banks, through CBDCs and unified ledgers (e.g., Project Agorá), gain direct programmable control over money flows. The result is a hybrid power structure where private platforms provide technological reach and states provide legitimacy and enforcement. Such concentration risks transforming economic actors into digital vassal's dependent on platform access and regulatory approval.

Transition from Two-Tier to Single-Tier Banking. Traditional banking operates on a two-tier system: central banks issue base money, while commercial banks create credit and serve customers. Digital innovations threaten this separation. A unified programmable ledger capable of handling tokenized central bank money, commercial deposits, and stablecoins could enable direct settlement between end-users and central authorities, bypassing commercial banks (Bank..., 2023). The Eurosystem's DLT experiments and mBridge already demonstrate technical feasibility for atomic, 24/7 settlements.

While this reduces costs and settlement risks, it raises profound structural concerns. Commercial banks could become redundant intermediaries, weakening their role in credit allocation and maturity transformation. In a single-tier system, central banks would gain direct visibility and control over individual transactions - enhancing monetary policy transmission but eroding the decentralised decision-making that characterises market economies. In the Sino-Indian model, this shift is already advanced through state-backed digital wallets. Even in the US, private stablecoins effectively create parallel monetary systems outside traditional banking, while Europe's cautious approach still contemplates expanded roles for non-bank CASPs.

This transition risks concentrating credit and liquidity decisions in fewer hands - either central banks or dominant platforms - further entrenching hierarchical control.

Loss of Privacy, Autonomy, and the Rise of Algorithmic Governance. Digital financial tools inherently generate vast amounts of data. CBDCs, especially retail versions with programmable features, enable fine-grained tracking of transactions for compliance (AML/KYC) or policy goals (targeted social benefits). GDPR and MiCA in Europe attempt to mitigate this through data protection rules, yet enforcement against powerful actors remains challenging. In China, e-CNY integrates with national digital ID systems, creating comprehensive surveillance potential. Even permissionless stablecoins and DeFi protocols often require on-ramps and off-ramps subject to centralized compliance.

Algorithmic governance compounds the issue. Smart contracts enforce rules automatically, reducing human discretion but also limiting contestability. Users become subject to code-based restrictions that are difficult to challenge, while platform algorithms shape access, pricing, and visibility. This erodes individual economic autonomy - the ability to transact freely without constant oversight. As Mises (1949) warned, when monopoly power replaces consumer sovereignty, the market's corrective mechanisms weaken. In a digital neo-feudal order, individuals function as "cloud serfs," contributing data and attention while depending on platform lords for basic financial functions.

Global Implications: Fragmented vs. Unified Ledgers and the Role of Bitcoin and Stablecoins. Globally, the landscape remains fragmented. Permissioned CBDC platforms (controlled by central banks) coexist uneasily with public blockchains hosting stablecoins and Bitcoin. Projects like mBridge and Agorá seek interoperability, but full unification faces technical, legal, and sovereignty barriers. A truly unified global ledger could dramatically reduce cross-border frictions but would also concentrate systemic risk and governance power in whichever entities control the protocol layers.

Bitcoin retains its role as a decentralized store of value and hedge against monetary instability, yet its volatility limits payment utility. Stablecoins, particularly dollar-denominated ones, have become the de facto bridge for inclusion in emerging markets, offering low-cost remittances and DeFi access to the unbanked. However, their dominance risks "digital dollarization," amplifying US-centric dependencies even as other jurisdictions push back (Cipollone, 2025).

This fragmentation creates a patchwork of digital fiefdoms rather than a seamless global commons. Smaller economies risk becoming peripheral to competing techno-blocs (US-led private ecosystems, EU-regulated zone, Sino-centric sphere), limiting true inclusivity.

Connection to Previous Works: How Inclusive Tools Reproduce Hierarchical Structures. This analysis builds directly on the authors' earlier studies (Baltgailis & Menshikov, 2025), which warned that the pursuit of an inclusive economy could accelerate digital neo-feudalism. Inclusive tools such as CBDCs and tokenization were intended to democratize access by reducing transaction costs and bypassing traditional gatekeepers. Instead, they often reproduce hierarchical structures in upgraded forms:

- Tokenization makes assets programmable and traceable, enhancing control rather than freedom.
- CBDCs shift power upward to issuers (states or approved entities).
- Stablecoins and DeFi, while innovative, gravitate toward centralized points of failure (issuers, bridges, major exchanges).

In all three models, the “rules of the game” favor scale, compliance infrastructure, and established players. Dialectically, as Hegel might observe, the thesis of technological democratization encounters the antithesis of power concentration, calling for a synthesis through institutional safeguards that preserve competition and individual sovereignty.

In summary, digital neo-feudalism manifests not as a return to medieval stasis but as a dynamic system of dependencies, rents, and algorithmic oversight. The inclusive potential of digital finance is real, yet without deliberate countermeasures, it risks subordinating individuals and smaller actors to new digital lords—whether bureaucratic, corporate, or state-based.

5. Research results and discussion

The comparative analysis of the European, American, and Sino-Indian regulatory models reveals that all three approaches have achieved measurable progress in expanding financial inclusion, yet they simultaneously generate new forms of institutional dependency. The findings support the central hypothesis of this study: the digital transformation of finance does not automatically produce greater economic freedom and may, under certain institutional conditions, foster the emergence of digital feudalism.

The European model demonstrates the strongest emphasis on legal certainty, consumer protection, and systemic stability. The implementation of MiCA, together with GDPR, DSA, and DMA, has established a highly regulated environment for digital finance. This framework reduces fraud, increases transparency, and strengthens trust in digital financial services. However, the analysis suggests that extensive compliance requirements create substantial barriers to entry for smaller firms and decentralized projects. As a result, market participation increasingly depends on access to legal expertise, regulatory resources, and institutional approval. Financial inclusion therefore expands through regulated channels, but at the cost of growing dependence on bureaucratic gatekeepers. This phenomenon can be characterized as a form of nomenklatura digital feudalism, where access to digital economic opportunities is mediated by regulatory structures rather than by open competition.

The American model produces a different outcome. By prioritizing private-sector innovation and limiting direct state involvement in retail digital currency issuance, the United States has created a dynamic environment for stablecoins, tokenized assets, and decentralized finance. The rapid growth of digital financial services has expanded access to alternative payment mechanisms and investment opportunities, particularly for underserved populations. Nevertheless, the concentration of cloud infrastructure, payment networks, operating systems, and

digital marketplaces in the hands of a small number of technology corporations has generated significant power asymmetries. Network effects reinforce the dominance of established platforms, making it increasingly difficult for competitors to challenge incumbents. The result is a form of techno-feudalism in which economic participation depends not on state authorization but on access to privately controlled digital ecosystems.

The Sino-Indian model demonstrates the highest capacity for large-scale financial inclusion. Digital identity systems, mobile payment platforms, and CBDC initiatives have significantly expanded access to financial services among previously excluded populations. China's e-CNY and India's UPI ecosystem illustrate how state-supported digital infrastructures can rapidly increase participation in the formal economy. At the same time, the analysis identifies substantial risks associated with the concentration of informational and monetary power. Financial inclusion becomes embedded within highly centralized systems that enable extensive monitoring, programmability, and administrative control. In this model, economic participation increasingly depends on integration into state-managed digital infrastructures, producing what may be described as hyper-nomenklatura digital feudalism.

A key finding of this study is that financial inclusion and economic autonomy are not necessarily complementary objectives. While all three models successfully reduce barriers to access, they achieve this goal through mechanisms that simultaneously increase dependence on dominant institutions. In Europe, dependence emerges through regulation; in the United States, through platform concentration; and in China and India, through centralized state infrastructures. The institutional form differs, but the underlying dynamic remains similar: digital financial systems create new hierarchies of control over access to money, data, and economic participation.

The comparative assessment further demonstrates that digital feudalism manifests through three interconnected dimensions. The first is control over digital infrastructure, including payment rails, cloud services, digital identities, and settlement systems. The second is control over data, which increasingly functions as a strategic economic resource. The third is control over governance mechanisms, including algorithms, compliance systems, and programmable financial instruments. Actors that dominate these three dimensions acquire a privileged position within the digital economy, enabling them to extract rents, shape market behavior, and influence economic outcomes.

From a neo-institutional perspective, the findings confirm that technology itself remains neutral; it is the institutional framework governing technology that determines social and economic outcomes. CBDCs, stablecoins, tokenization, and distributed ledger technologies can either promote inclusive growth or reinforce digital hierarchies, depending on how incentives, governance structures, and competitive conditions are designed. Consequently, the principal challenge for policymakers is not merely to expand financial access but to ensure that digital inclusion does not evolve into new forms of dependency and concentrated power.

The evidence therefore supports the argument advanced in earlier research by Baltgailis and Menshikov (2025): the pursuit of an inclusive economy may unintentionally accelerate the formation of digital neo-feudal structures. The future trajectory of digital finance will depend on whether regulatory systems can preserve competition, interoperability, transparency, and consumer sovereignty while simultaneously maintaining financial stability and fostering innovation. The balance between these objectives will determine whether digital transformation strengthens economic freedom or creates a new generation of digital lords and digital vassals.

Conclusions

The comparative analysis of the three regulatory models—European, American, and Sino-Indian—reveals that while each advances aspects of financial inclusion, all carry significant risks of emerging digital neo-feudalism. Whether through bureaucratic gatekeeping, Big Tech dominance, or state hyper-control, the institutional parameters shaping digital finance tend to concentrate power, erode autonomy, and create new dependencies. Updating our earlier work (Baltgailis & Menshikov, 2025), this article demonstrates that technologies promising democratization (DLT, tokenization, CBDCs, and stablecoins) often reproduce hierarchical structures in more sophisticated forms.

A hybrid approach emerges as the most promising path forward. It combines *clear, predictable rules* with sufficient space for private innovation, particularly in stablecoins and DeFi. Regulatory frameworks should focus on consumer protection, AML/KYC compliance, and systemic stability without imposing excessive barriers that stifle smaller players. Key safeguards include mandatory independent smart contract audits, formal verification protocols, ongoing reserve attestations for stablecoins, and robust interoperability standards between permissioned CBDC ledgers and public blockchains. Ethical frameworks - emphasizing transparency, data minimization, and contestability of algorithmic decisions - are equally vital to preserve individual autonomy.

Such a hybrid model would allow stablecoins to continue serving as practical tools for inclusion in emerging markets (remittances, savings, and basic DeFi services for the unbanked), while CBDCs focus primarily on wholesale efficiency and targeted public policy goals. Europe could relax some MiCA compliance burdens for innovative challengers, the United States could maintain its innovation-friendly stance while addressing systemic risks from dominant platforms, and China/India could gradually introduce controlled competition within sovereign frameworks.

Central to this hybrid vision is the *necessity of fostering competition through challenger firms*. Rather than pursuing aggressive breakups of existing monopolies (which often prove ineffective in digital markets due to network effects), policymakers should prioritize lowering entry barriers, ensuring fair access to infrastructure, and supporting open standards. Antitrust policy must evolve to address “*moligopolies*” by focusing on contestability, data portability, and interoperability. This aligns with Mises’ emphasis on consumer sovereignty: true market discipline emerges when new entrants can challenge incumbents through superior service and innovation (Mises, 1966).

International coordination will play a decisive role. Organizations such as the Bank for International Settlements (BIS), International Organization of Securities Commissions (IOSCO), and Financial Stability Board (FSB) are well-positioned to develop global minimum standards for cross-border interoperability, stablecoin oversight, and DLT governance. Initiatives like Project mBridge and Project Agorá already demonstrate the value of collaborative experimentation. These bodies should prioritize public goods - such as standardized tokenization protocols and shared audit methodologies - while respecting monetary sovereignty and avoiding centralized global control.

Looking ahead, the dialectic of digital transformation (Hegel, 2015) demands a balanced synthesis: harnessing technological potential for inclusion without surrendering to new forms of feudal dependency. *An inclusive economy must not become digital feudalism*. The balance between advanced technologies, free markets, and individual freedom remains the key. As Ludwig von Mises consistently argued, only a system preserving genuine consumer sovereignty and open competition can sustainably allocate resources and maximize human well-being.

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