Narrative, Capital, and Power: The Industrial Political Economy of the AI Era

— A Multi-Dimensional Inquiry into Modern Governance Through a Technology-Industry Episode

Abstract. This essay takes as its analytical sample a series of public reports and regulatory disclosures surrounding the November 2026 leadership upheaval at a leading global AI-chip company and the concurrent initial public offering of a closely related large-model firm. Rather than adjudicating the contested facts of the episode, it uses the case as a window onto five interrelated questions of industrial political economy: (1) how "doomsday narratives" function as a discursive resource combined with strategies of regulatory capture; (2) the structural relationship among media ownership, attention economics, and agenda-setting; (3) the theoretical meaning of IPO lock-up design, insider selling, and supplier guarantees as capital-market signals; (4) the property-rights definition and market-based pricing of data as a factor of production; and (5) the enduring tension between procedural and substantive justice, together with broader questions of leadership versus institutions and the diversity of development paths. All factual statements rely on public reporting and regulatory filings, with contested claims attributed to their sources. The aim is not to judge any individual or institution, but to explore institutional and governance questions of general significance.

Keywords: regulatory capture; agenda-setting; signaling theory; circular financing; data property rights; institutional corruption; governance and leadership; path dependence

---

I. The Case: What One Technology-Industry Episode Reveals

In November 2026, the global AI-computing sector witnessed a widely followed sequence of events. According to multiple international media reports, the founder of a leading chip company resigned as chief executive under the dual pressure of "national-security concerns" and "corporate-governance controversies." Almost simultaneously, a large-model company with close commercial ties to the chipmaker proceeded toward a public listing despite a sharply reduced valuation outlook; its prospectus disclosures concerning related-party arrangements, political expenditures, lock-up provisions, and enormous compute-purchase commitments provoked extensive market debate.

Several threads in the public record warrant careful attention. According to reports by The New York Times, Bloomberg, and The Wall Street Journal, Singaporean authorities investigated a related computing firm for eight months before closing the matter for insufficient evidence to support criminal charges; according to disclosures in Washington, changes in the wording of an intelligence assessment as it moved up the chain drew congressional and public scrutiny; and according to Senate lobbying registries and Federal Election Commission data, the relevant companies' federal lobbying expenditures and political contributions multiplied during the

2025–2026 election cycle. The details and causal chains remain contested, and this essay makes no final determination of the underlying facts.

Yet regardless of how the specific allegations are ultimately resolved, the episode offers a rare analytical window into how the contemporary technology-capitalist system actually operates. The academically valuable question is not "who was right," but rather: **through what mechanisms do narrative, capital, and power convert into one another and reinforce one another in this system?** The sections that follow take up this question in turn.

II. The Political Economy of Narrative: Doomsday Discourse and Regulatory Capture

1. The valuation function of "doomsday narratives"

A striking feature of AI-industry fundraising is the tendency of some firms, when addressing the public and policymakers, to emphasize the "dangerousness" and "disruptiveness" of their own technology—describing model capabilities in terms approaching strategic weapons. Viewed through the intersection of communication studies and finance, such doomsday narrative is not merely risk warning; it performs a clear capital function. In venture-capital pricing logic, "powerful enough to pose systemic risk" and "powerful enough to justify extreme valuations" are two sides of the same coin. The more alarming the story, the greater the attention, and the larger the financing premium.

This mechanism extends the attention economy into financial markets. When technical evaluation is so specialized that ordinary investors and regulators cannot verify claims independently, narrative itself becomes the core pricing variable—precisely the phenomenon described by narrative economics (Shiller): a story's transmissibility can, for extended periods, overpower the cold arithmetic of discounted cash flow.

2. From narrative to legislation: the classic script of regulatory capture

Narrative's function does not end with fundraising. Industrial-organization theory offers a mature concept—**regulatory capture** (Stigler, 1971): incumbent firms have an incentive to promote costly barriers to entry, because compliance costs are a fixed expense for well-capitalized incumbents but an existential threat to challengers.

Applied to current AI policy advocacy, a clear strategic structure emerges:

1. **Demand creation:** doomsday narratives shape public opinion around the premise that AI must be tightly controlled;
2. **Rule design:** advocacy for compute licensing, mandatory audits, and hardware tracking—requirements that are costs for leaders but walls for startups and open-source ecosystems;
3. **The closed loop of interest:** once regulatory barriers are codified, incumbents' market positions receive institutional protection, and earlier lobbying expenditures convert into durable monopoly rents.

Public lobbying registries show that several leading AI firms multiplied their federal lobbying expenditures in 2025–2026, with priority bills covering chip export controls and hardware-

tracking provisions. From the standard perspective of industrial political economy, whatever the advocates' stated motives, the objective effects match the predictions of the capture model: **the safest market position is not technological leadership, but leadership guaranteed by law.**

A caveat is necessary: sober assessment of AI risk is legitimate—any technology with broad externalities requires public governance. The real question concerns agenda authorship: when the definition of "safety," the evidence for it, and the proposed remedies are supplied chiefly by interested incumbents, the boundary between public and private interest blurs. This is the new form regulatory capture assumes in the digital age.

III. Media, Capital, and Agenda-Setting

1. The structural constraints of commercial media

Agenda-setting theory in communication studies long ago established that mass media may not determine what people think, but powerfully influence what they think about. In this episode, the intensive, serialized, multi-platform coverage by mainstream outlets objectively constituted a key variable in the formation of public opinion.

Understanding this requires looking at the governance structure of media institutions. Major American newspapers typically exhibit two superimposed features. First, some newspaper groups employ dual-class share structures in which super-voting shares concentrate in family trusts, ensuring continuity of editorial orientation across decades. Second, floated shares concentrate among large asset managers, while advertising and subscription revenue depends heavily on corporate clients and institutional subscribers. This structure does not imply that specific coverage is dictated—modern newsrooms maintain institutional separations between editorial and business operations—but it does imply that **topic prioritization, resource allocation, and narrative framing cannot float entirely free of the incentive system formed by ownership structure and market environment.**

2. The dual nature of investigative journalism

A transnational, year-long investigative project can cost millions of dollars. From a business standpoint, such upfront investment necessarily demands maximal distribution returns—cross-platform promotion, podcast tie-ins, multilingual editions are routine means of recovering costs and building reputation. This interweaving of journalistic professionalism and commercial logic is normal and unobjectionable in itself.

Yet critics—including media scholars and some technology-industry figures—raise a question worth taking seriously: when an investigation's topic happens to align closely with a particular interest group's policy agenda, when its timing falls precisely within a critical legislative window, and when its narrative framework closely matches the public claims of a particular lobbying network, public skepticism is not groundless. In an environment of deep information asymmetry, **journalistic objectivity depends not only on whether each fact is accurate, but on the selection, ordering, and timing of facts**—and the latter is precisely what outside observers can least verify.

The lesson: in the contemporary information ecology, the core of media literacy is no longer "distinguishing true from false information" but "understanding the incentive structure behind information supply." Structural scrutiny of any single source—however authoritative its brand—is the first lesson of independent judgment.

IV. Signals and Discipline in Capital Markets

1. Lock-up design: the most honest polygraph

Signaling theory in financial economics (Spence, 1973) offers a powerful lens for reading IPOs: in markets of asymmetric information, **costly actions are more credible than cheap talk.** Founders' genuine confidence in long-term value cannot be verified through roadshow rhetoric, but can be observed through equity-disposal behavior—because selling decisions are paid for with private wealth.

The IPO literature contains an established empirical finding: the length of lock-ups and the pace of insider selling correlate statistically with post-listing long-run performance. The standard 180-day lock-up exists to give secondary markets a performance-verification window. Conversely, when a firm permits large founder sales on day one and schedules frequent subsequent release windows, then regardless of how optimistic the public narrative, the share structure itself transmits the opposite signal.

Furthermore, when a private-market valuation is cut substantially during the roadshow—in this case, by several hundred billion dollars according to public reports—that too is a pricing signal from institutional capital voting with its feet. An issue price never records the seller's intentions; it records the real balance of power between buyer and seller.

2. Circular financing and supplier guarantees: the credit foundation of a boom

The deeper financial meaning of this case lies in the structure called "circular financing": an upstream supplier makes equity investments in or credit guarantees for downstream customers, who then use the financing so obtained to purchase the upstream firm's products—revenue and financing circulate within the same system.

Such structures can form self-reinforcing positive feedback during boom phases, but their fragility is structural. Per public disclosures, some AI firms' long-term compute-purchase commitments run into the hundreds of billions of dollars, while their revenue is predominantly usage-based with limited long-term contract coverage. Financial economics calls this **maturity mismatch**—obligations are rigid and long-dated; revenue is elastic and short-dated. Once growth expectations reverse, every link in the guarantee chain converts from a credit-enhancement tool into a risk-transmission channel.

Note also the banking system's role in this chain. Commercial credit logic requires verifiable debt-service cash flow; when borrowers cannot meet this condition independently and must rely on guarantees from a third-party giant, the guarantee itself amounts to an indirect qualification of the underlying asset quality. This gives outside observers a compact criterion: **to assess an industry's credit quality, look not at valuations but at the cost at which it can raise unsecured debt.**

3. The sequencing logic of equity and debt finance

Pecking-order theory holds that firms typically prefer internal funds, then debt, then equity. For high-risk unprofitable firms the sequence reverses: equity absorbs risk first, and debt markets open only after the business model is validated. When a company without stable positive cash flow is forced toward large-scale debt financing—executable only with supplier guarantees—the marginal supply of equity capital has usually tightened: venture funds, bounded by fund size and LP return pressure, cannot indefinitely underwrite exponentially growing capital expenditures.

This clarifies the timing logic of an IPO. When private equity tightens, debt depends on guarantees, and the valuation narrative remains elevated, a rapid public listing that disperses shares across a broader investor base becomes, in insiders' eyes, "the last best window." This logic is a neutral law of capital markets—it proves neither inevitable failure nor inflated valuation. But it reminds investors: **the timing of an offering is itself an expression of insiders' informational advantage.**

V. Property Rights and Pricing of Data: From Enclosure to Exchange

A collateral debate of this episode concerns how training data should be obtained: by simulating human browsing to circumvent platform rules, or by purchasing it through transparently priced licensed interfaces?

Institutional economics offers a clear framework. The early internet content ecology rested on an implicit reciprocal arrangement: search engines crawled content and, in exchange, delivered traffic, which sites monetized through advertising. When AI applications consume content without returning traffic, the reciprocity breaks, and the externality of content production appears—creators bear production costs but cannot share downstream gains. If the externality remains uninternalized, rational sites respond by closing public access, and the open corpus gradually dries up: a classic tragedy of the commons.

The remedy lies in institutional design for property rights and transactions. The "pay-per-crawl" mechanisms emerging in recent years amount to an engineered application of the Coase theorem: define explicit property rights over crawl access, then pair them with low-cost transaction infrastructure (identity verification, automated pricing, real-time settlement), allowing the externality to be internalized through market prices. The economic virtues of this mechanism:

- **Price discovery:** high-value professional content commands high prices, incentivizing quality supply; low-value content circulates cheaply or freely—each to its own;
- **Efficiency screening:** payment forces demand side to abandon "locust-style" bulk scraping in favor of precise procurement of genuinely valuable data, which in turn improves training-data quality;
- **Ecological sustainability:** content producers gain a new revenue channel, the open web survives, and a positive cycle of "creation–pricing–transaction–re-creation" takes hold.

Seen macroscopically, this epitomizes a stage in the digital economy's development: **when a factor of production shifts from "free for the taking" to "available only for purchase,"**

that factor's market is coming of age. The market-based pricing of data follows the same historical logic as the markets for land, capital, and technology before it.

VI. Procedural Justice versus Substantive Justice: The Institutional-Corruption Debate

1. The boundaries of the "legal"

Another widely discussed phenomenon in this episode: certain interest arrangements—such as executives investing through private funds in outside companies and then steering large platform contracts to those portfolio companies, or corporations channeling political contributions through super PACs to legislators who advance favorable bills—prove difficult to sanction under existing law once board notification, disclosure, and other procedures have been completed.

Legal economist Lawrence Lessig named this **"institutional corruption":** when an institution's outcomes systematically deviate from its proclaimed public purpose while the deviation itself remains entirely legal, corruption ceases to be a blemish of individual character and becomes an output of institutional design. The legal infrastructure supporting this condition includes the business judgment rule in corporate law (courts in principle do not review business decisions made through due process), constitutional precedent extending free-speech protection to political spending, and the high evidentiary bar—proof of an explicit quid pro quo—for criminal corruption convictions.

2. The millennia-old debate between procedure and substance

"Procedural justice first, or substantive justice first?" is among the oldest controversies in jurisprudence. The defense of procedural justice is solid: procedure is the dike against arbitrariness; without procedural constraint, "substantive justice" becomes a synonym for the sovereign's personal will. But the critics' rejoinder is equally forceful: when the making and application of procedure is itself systematically shaped by the resource-rich side—the selection of independent committees, the format of disclosure, the cost threshold of litigation—procedure can be transformed from "the weak party's dike" into "the strong party's moat."

Cross-jurisdictional comparison enriches the discussion further. Different legal systems choose different balance points between "formal compliance" and "substantive review": some emphasize procedural disclosure with ex-post market discipline; others apply substance-over-form, look-through scrutiny to related-party dealings. Each orientation carries its own institutional costs—the former may tolerate interest transfer beneath a lawful veneer; the latter imposes extraordinarily high demands on the regulator's competence and self-restraint. The scholarly value of institutional comparison lies not in declaring winners, but in revealing that **every governance system must trade off the rigidity of rules against the substantive judgment of enforcement—and the trade-off itself reflects a society's deep structure of trust in power.**

VII. Leadership and Institutions: Revisiting an Ancient Duality

1. "Laws cannot execute themselves"

More than two millennia ago, the Chinese thinker Xun Kuang wrote: "There are men who govern well; there are no laws that govern of themselves… Laws cannot stand alone; categories cannot apply themselves. With the right person they endure; without the right person they perish." This proposition resonates continually in contemporary organization theory and state-governance research: institutions are static sets of rules whose vitality depends entirely on the will, capability, and determination of those who execute them.

Historical evidence abounds. The same written statutes and bureaucratic architecture produce strikingly different governance outcomes under different occupants of the helm—one dynasty's golden age and its decline can share an identical legal code. Corporate history rhymes: the same bylaws are a blueprint for cohesion under an exceptional founder, and an instrument of factional strife under a mediocre board.

The Western counterpart to this "governance-by-persons" view is Carlyle's great-man theory—history is shaped at decisive moments by the decisions of exceptional individuals. Its antithesis is the institutionalist tradition: new institutional economists such as North emphasize that impersonal rule systems are the foundation of long-run prosperity, because they reduce transaction costs, stabilize expectations, and free prosperity from dependence on the accident of a "wise ruler."

2. A contemporary reconciliation of the two traditions

Contemporary governance research is moving beyond this ancient opposition toward a more synthetic understanding:

First, leadership sets the ceiling of institutional performance; institutions set the floor of governance. Exceptional leaders break deadlocks and open new vistas through vision and resolve; institutions ensure that when the helm is mediocre, society still functions without instant disorder.

Second, moments of transformation and periods of normality obey different logics. In extraordinary times that break old equilibria, concentrated decisiveness is a scarce resource—protracted deliberation amid crisis can mean the permanent loss of opportunity. In normal times, the stability and predictability of rules become key to lowering the friction costs of society. Any mature governance system needs the capacity to switch between the two modes.

Third, the highest form of leadership converts personal will into institutionalized capability. Truly durable transformers not only break through with an iron hand but, after the breakthrough, deposit their achievements into organizational rules that do not depend on any single person—allowing the accomplishments of the "person" to endure through the "law." Conversely, when the fruits of change remain tied to one individual, the historical cycle of "the policy lives with the person and dies with the person" is hard to escape.

This synthesis applies equally to corporate governance: the bright side of founder authority is strategic consistency and execution; its risk side is key-person exposure and succession

uncertainty. The finest founders deliberately build the organizational capacity to "make themselves dispensable"—perhaps the most modern commercial interpretation of the old duality.

VIII. The Diversity of Development Paths: Against the "Single Template"

The final proposition of this essay concerns the transferability of institutions. The "single-model universalism" popular in the late twentieth century—the belief in one standard institutional recipe for all nations—met systematic empirical refutation in the decades of global development that followed: numerous developing economies that mechanically transplanted foreign institutions did not obtain the promised prosperity, but fell instead into governance imbalance and social fracture.

Development economics has matured in its explanations: institutions are not cuttings that survive detached from their soil, but ecosystems deeply coupled with historical tradition, social structure, and stage of development. Identical rules produce widely divergent outcomes under different conditions—the core finding of research on path dependence and the varieties of capitalism. Every successful modernization case has been the product of absorbing external experience while innovating institutions on the foundation of one's own conditions.

This recognition cuts both ways: it rejects enthroning any particular model as the world's standard answer, and equally rejects using "particularity" as an excuse to refuse objective tests of governance performance. The ultimate criteria of institutions remain substantive—whether they maintain social stability, advance technology, improve livelihoods, and withstand crises. Only the foot knows whether the shoe fits; but whether the foot walks far, the road itself will tell.

IX. Conclusion: Independent Judgment as a Modern Literacy

Return to this essay's point of departure. A technology-industry episode deserves repeated scholarly scrutiny not for its drama or its personalities, but because it acts like a searchlight simultaneously illuminating multiple cross-sections of the contemporary political-economic system:

- how narrative converts into valuation, valuation into lobbying capital, and lobbying capital into legislative agendas;
- how media ownership structures shape information supply, and information supply shapes public judgment;
- how the share structure of a capital-market offering transmits insiders' true expectations more honestly than any roadshow script;
- how the market-based design of factor pricing determines the sustainability of an entire ecosystem;
- and how ancient propositions—procedure versus substance, leadership versus institutions, template versus fit—reappear in the newest technological context.

Facing a world dense with narratives and interwoven interests, the individual's most reliable defense is not any particular stance but a method: **look through narrative to incentives, through incentives to positions, through positions to cash flow; maintain structural**

scrutiny of every authoritative source; demand verifiable evidence for every grand claim; first understand how the world actually works, then discuss how it ought to be improved.

History never rewards those who shout loudest; it rewards those who see clearest and walk steadiest. Technologies rotate, companies rise and fall, institutions evolve—but respect for facts, independent thinking, and truth-seeking from facts: these plain qualities remain the passport across every cycle.

Note: This is a commentary-style academic essay based on public reporting and frameworks of institutional analysis. All case-specific facts derive from public media reports and regulatory filings; contested statements have been attributed to their sources. The views expressed are offered for scholarly discussion only; nothing herein constitutes an accusation against any individual or institution, nor investment advice of any kind.