

Funding the Future

Article URL

Published: January 12, 2026, 5:53 pm

When [writing a post](#) on comment in the *Guardian* this afternoon, I realised that my glossary entry on financial capital was insufficient to encompass the madness of financial capitalism, financialisation and financial engineering.

I have corrected this by writing glossary entries on each of the last three issues. This is the entry on financial capitalism:

Financial capitalism

describes a form of capitalism in which the ownership, control, and accumulation of financial assets dominate economic decision-making, social priorities, and political power.

Under [financial capitalism](#), the primary objective of economic activity is not the production of useful goods and services, but the extraction of financial returns through interest, dividends, [capital](#) gains, fees, and speculative price movements. Wealth is increasingly accumulated by owning claims on income rather than by contributing to productive capacity or social value.

Financial capitalism is characterised by several defining features:

*

Primacy of financial returns

Investment decisions are judged mainly by short-term financial yield rather than long-term productive, social, or environmental outcomes. Activities that generate steady but modest real returns are displaced by those promising rapid financial gains.

*

Expansion of rent-seeking

Income increasingly takes the form of economic rents — unearned returns derived from ownership, monopoly power, intellectual property, land, or financial [leverage](#) — ***rather than wages or profits linked to productive effort.***

*

Subordination of the real economy

Productive businesses, public services, households, and even governments are reorganised to serve financial markets. Cost-cutting, ***asset-stripping, outsourcing, and under-investment become common as financial metrics override operational resilience and social need.***

*

Growth of debt dependency

Households, firms, and states become increasingly reliant on borrowing to sustain consumption, investment, or public ***provision. This strengthens the power of financial institutions and exposes the economy to instability when confidence falters.***

*

Political capture by finance

Financial capitalism reshapes regulation, taxation, and macroeconomic policy to protect asset values and ***creditor interests. Central banks, fiscal rules, and trade agreements are often designed to reassure markets rather than to meet social or ecological goals.***

Financial capitalism should be distinguished from market economies in general. Markets can exist without financial dominance. What defines financial capitalism is that finance ceases to be a supporting system for economic activity and instead becomes the organising logic of the economy itself.

In consequence, financial capitalism tends to generate:

*

Rising inequality of income and wealth

*

Chronic under-investment in public goods and maintenance

*

Asset price inflation disconnected from real economic capacity

*

Economic fragility and recurrent financial crises

*

A weakening of democratic accountability

Within the Funding the Future framework, financial capitalism is understood as a historically specific and unstable phase of capitalism, closely linked to financialisation and financial engineering, and incompatible with an economy organised around care, sustainability, and long-term capital maintenance.

Reforming or moving beyond financial capitalism, therefore, requires not simply better regulation of finance, but a reassertion of social purpose over financial return — redefining what the economy is for, and whom it is meant to serve.

Related entries:

- * [**Capital**](#)
- * [**Capital maintenance concepts**](#)
- * [**Financial capitalism**](#)
- * [**Financialisation**](#)
- * [**Financial engineering**](#)
- * [**Physical capital**](#)
- * [**Human capital**](#)
- * [**Social capital**](#)
- * [**Environmental capital**](#)
- * [**Sustainable cost accounting**](#)
- * [**Income**](#)

Comments

When commenting, please take note of this blog's comment policy, [**which is available here**](#). **Contravening this policy will result in comments being deleted before or after initial publication at the editor's sole discretion and without explanation being required or offered.**