

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 financialisation:

Financialisation is the process by which financial motives, financial markets, financial actors, and financial measurement come to dominate the operation of the economy, the behaviour of firms and households, and the priorities of government.

It is not simply about “more finance”. Financialisation describes a structural shift in how economic success is defined and pursued, from producing goods and services to maximising financial returns.

Key characteristics of financialisation include:

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Shift in corporate purpose

Firms increasingly prioritise shareholder value, dividend payments, share buy-backs, and balance-sheet optimisation over long-term investment, workforce development, or productive innovation.

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Household integration into finance

Households become increasingly dependent on financial markets for housing, pensions, education, and security. Rising personal debt substitutes for wage growth, while exposure to asset prices increases economic vulnerability.

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Transformation of public policy

Governments adopt fiscal rules, privatisation, public-private partnerships, and market-based delivery models that embed financial logic into public services. Policy success is judged by market confidence rather than social outcomes.

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Measurement dominance

Financial indicators, including asset prices, yields, credit ratings, and deficit targets, displace real-world measures such as resilience, well-being, capital maintenance, or ecological sustainability.

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Rising instability

As more of the economy depends on leverage, speculation, and expectations of future price appreciation, financialisation increases systemic risk and amplifies economic shocks.

Financialisation is the mechanism through which financial capitalism expands. It describes how finance spreads into areas of life and economic activity that were previously governed by social, professional, or democratic norms.

Within the Funding the Future framework, financialisation is understood as corrosive of long-term capital maintenance, whether that capital be financial, physical, human, social, or environmental, because it rewards extraction today over sustainability tomorrow.

Related entries:

- * Capital
- * Capital maintenance concepts
- * Financial capitalism
- * Financialisation
- * Financial engineering
- * Physical capital
- * Human capital
- * Social capital
- * Environmental capital
- * Sustainable cost accounting
- * Income

Comments

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