

The Vortex of Wild Capitalism and the Democratic Crisis

A Scientific Analysis of Financialisation, Inequality and Political Capacity

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Abstract

This paper analyses the structural transformation of contemporary capitalism into a highly financialised and rent-based system. It examines how democratic institutions have progressively lost regulatory sovereignty to global capital flows, leading to extreme concentration of wealth and declining social mobility. Through political-economic analysis, the paper identifies the mechanisms of democratic capture and explores realistic policy alternatives capable of restoring equilibrium between markets, democracy and human dignity.

Keywords

Political Economy; Capitalism; Democracy; Financialisation; Inequality; Governance

1. Introduction

Over the last four decades, capitalism has undergone a profound transformation. What emerged historically as a system designed to organise production, innovation and capital allocation has evolved into a global architecture of speculative extraction. This mutation has altered labour relations, political sovereignty and democratic legitimacy.

2. The Transition from Productive to Financial Capitalism

Since the 1980s, economic growth has become increasingly decoupled from productive investment. Corporate strategies prioritise shareholder value through dividends and stock buybacks, while long-term innovation declines. Essential sectors such as housing, healthcare and energy have become financial assets rather than social infrastructures.

3. Global Financialisation and Systemic Risk

Financial markets today exceed global GDP many times over. High-frequency trading, derivatives and leveraged instruments generate profits disconnected from real economic value, amplifying volatility and systemic fragility.

4. Democratic Capture and Institutional Erosion

Modern democracies face structural capture through lobbying, revolving doors between government and finance, campaign financing dependency and regulatory arbitrage. While

electoral mechanisms persist, fiscal and economic policies increasingly reflect market imperatives rather than democratic choice.

5. Inequality as a Democratic Threat

Extreme inequality undermines democratic stability. Concentrated wealth translates into disproportionate political influence, media ownership and judicial asymmetry, eroding public trust and social cohesion.

6. Rent Extraction and the Decline of Value Creation

The central pathology of contemporary capitalism is rent without risk. Monopolistic platforms, speculative real estate and financial intermediaries extract value without productive contribution, weakening economic resilience.

7. Policy Alternatives and Institutional Reform

Viable alternatives include strong antitrust enforcement, progressive taxation, strategic public ownership, cooperative economic models, financial transaction taxes and large-scale investment in science, technology and sustainable infrastructure.

8. Political Capacity and Constraints

Although technical solutions exist, implementation is constrained by capital mobility, political fragmentation and media concentration. Structural reform therefore requires supranational coordination and renewed democratic legitimacy.

9. Reform or Systemic Rupture

Historical evidence demonstrates that economic systems unwilling to reform tend toward social rupture. The sustainability of democratic capitalism depends on its capacity for institutional renewal.

10. Conclusion

The challenge of the twenty-first century is not the elimination of markets, but their subordination to democratic control. Without rebalancing capital accumulation and social justice, democratic erosion will intensify.

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