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COMMENT ON
“HOW SHOULD WE THINK ABOUT COMMON PROSPERITY AND
CHALLENGES IN THE CONTEXT OF FINANCIALIZATION?”

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Commented Article: CUI, Zhanmin; LIAO, Zhihua; LUO, Yuxiao. How should we think about common prosperity and challenges in the context of financialization? **Trans/Form/Ação**: Unesp journal of philosophy, v. 46, Special Issue, p. 291- 318, 2023.

This article examines financialization from the critical perspective of Marxist political economy, citing the case of financialization in China and discussing the real and ideological challenges to common prosperity. Cui, Liao and Luo (2023) analyze the essence of a new form of fetishism – financial fetishism. It introduces the concept of narrative value, thus exposing the distortion of financial fetishism on people’s value ideology and the cover and erosion of labor value by the mystification of narrative value (Title “HOW SHOULD WE THINK ABOUT COMMON PROSPERITY AND ITS CHALLENGES IN THE CONTEXT OF FINANCIALIZATION”).

Common prosperity is a concept in economics and should be defined with knowledge of economics. Wealth means having a lot of property and being rich means owning a lot of money, materials, houses, land, etc. Poverty is having little money, materials, houses, land, etc. “Common prosperity” means that the people’s masses will eventually achieve prosperity, but it is by

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no means “[...] simultaneous prosperity, simultaneous prosperity, or equal prosperity.” (CHEN; LIU, 2006, p. 42). It is necessary to allow some people and some regions to become rich first and help those who get rich first to get rich later to gradually realize common prosperity.

Common prosperity essentially includes two aspects: productivity and production relations. On the one hand, common prosperity refers to the fact that the development of productive forces can create material wealth that enables all members of society to get rid of poverty, to distribute social wealth according to work or according to needs. Based on this, “common prosperity” is defined as, on the basis of public ownership of means of production, in order to eliminate effectively all systems of exploitation and polarization, especially the system of private property ownership in a capitalist society. It continuously liberates and develops productive social forces. Ultimately, it realizes the free and comprehensive development of all members of society and the goal of sharing the fruits of development with all human beings (CHENG; LIU, 2012, p. 41).

In reaction to the global economic crisis of the 1930s, major capitalist nations implemented financial and capital controls to restrict the scope of financial capital operations. Under the influence of the ideological movement of the socialism, limitations on financial capital have been steadily eased, and monetary funds have gradually separated from industrial capital. Consequently, economic capitalists and financial institutions have continued to implement financial innovations, developed numerous derivative products and absorbed extra money, resulting in the rapid growth of financialization. The prosperity and expansion of the securities market and the innovation of financial derivatives reflect that various financial assets have more abundant forms of movement under the leadership of the financialized value form $G-F-G'$. The financialization of the economy in Western capitalist society has made financial groups with a lot of money. Still, it has done more harm than good to industrial capital and has become increasingly harmful, turning the United States, Britain and other Western countries into “casino capitalism.” Financialized financial capital has had a major impact on the economies of Western countries, exacerbating economic fragility; political manipulation has also become increasingly serious (FU; GAO, 2022, p. 11). Under neoliberalism, financial groups use policies to influence market asset prices through their government agents. They are trying in vain to realize the fantasy of making money without using the production process as a medium.

The impetus of capitalist financialization is to find an intermediary that governs the various scattered physical elements to realize value proliferation as efficiently as possible. The financialization of capitalism is a process of ebb and flow between the power of the financial capital and the available one. In other words, it is the financial capital process from the initial production of additional functional capital to the basic balance of the two forces until the absolute control and domination of the functional capital. From the perspective of the evolutionary trajectory of capitalism, it is the financialization that rescued capitalism from the plight of stagnant development and allowed it to grow further. Its driving force is the controlling effect of the financial capital on the functional one and the dominating effect of abstract forces on physical links. In the process of capitalist development, when functional capital has exerted its maximum energy and caused the capitalist economy to stop growing at a certain node, the financial capital begins to play a leading role. It promotes economic development by controlling various physical elements – the moment capitalism continues to develop.

The financialization of real estate is an important reason for the wealth gap and family income inequality in China. The initial difference in real estate distribution and the subsequent distribution mechanism lead to large differences in wealth and income among families of different income classes. Under the guidance of real estate prices, some residents regard real estate as an investment product and purchase real estate over demand, resulting in an unbalanced state of market supply. The rising housing prices far exceed the ordinary residents' affordability, resulting in a situation in which the supply of new housing is in short supply, and a large number of second-hand housing are idle at the same time, resulting in low efficiency in the allocation of social resources and threatening the smooth operation of the national economy. Stimulated by the ever-increasing demand from the residential sector, real estate companies continue to increase leverage for investment and reconstruction to obtain high capital returns. At this time, real estate has become the main gathering place of social capital, which affects the normal movement of capital. This poses the danger of capital return interruption. To quickly return funds, real estate companies take advantage of the wealth effect of real estate appreciation, creating a unique "black hole effect" in the real estate market, resulting in a large number of idle real estate and difficulties in purchasing homes for migrants, which exacerbates wealth inequality. In addition, the some residents' speculation on real estate has increased the level of financialization of real estate, exacerbated the stratification effect of real

estate, widened the gap between the rich and the poor in society, and hindered the achievement of the objective of common prosperity.

Financialization affects the migration of migrants, reduces the regional demographic dividend and hinders the realization of the goal of common prosperity. The immigrant population is an important part of the demographic dividend. The immigrant labor force has greatly contributed to the development of the city and has also profoundly affected the development process of it. Good income and employment conditions are important reasons for attracting migrants to migrate. Immigrants choose the city to move to, based on the employment environment and income conditions of the region. Suppose the degree of financialization in the region is too high. In that case, the immigrant population's living cost will be greatly increased, which will cause the population's reverse movement. The disappearance of the demographic dividend will hinder the economic development of the region and widen the income gap between urban and rural areas. Presently, the demographic dividend in various regions of our country is gradually fading, and the labor dependency ratio is increasing yearly. The increase in labor burden is forcing the progress of social technology and the improvement of labor productivity. The rapid rise of technology will further increase the low-skilled laborers' bargaining power. Coupled with the housing pressure brought about by the high cost of living, low-skilled workers will face a greater risk of unemployment, exacerbate income inequality among residents and hinder the realization of the goal of common prosperity.

The deepening of financialization will inhibit the enthusiasm of enterprises to innovate and hinder the realization of the goal of common prosperity. Financialization has led to high profits in the financial industry, and a large amount of social capital has flowed into financial companies. In contrast, the cost of real companies has risen, and investment funds are insufficient. The source of the gap between the rich and the poor has gradually shifted from differences in labor income to differences in property, exacerbating the inequality in the distribution of social wealth, and forming an imbalance between the increase in profits in the financial industry and the decrease in profits in real companies, causing investors in real companies to invest more capital (GREEN; SERGEEVA, 2019, p. 636).

The reliance on the financial sector has constrained the investment space for technological innovation, hence hindering technological advancement and the nurturing of innovative capabilities. Due to the uncertainty and long-

term nature of innovative research and development, investors' expectation of quick returns also encourages companies to pursue "short-term fast" returns, thereby reducing investment in technological innovation and weakening the long-term competitiveness of the companies. However, in the context of deepening globalization and accelerating scientific and technological progress, innovation capability has become a crucial factor for the sustainable development of enterprises, the primary driving force for the transformation and upgrading of real enterprises, and a crucial means of achieving regional economic growth and shared prosperity.

The increase in the degree of financialization will increase the rate of return on financial investment, thereby attracting enterprises and investors to expand investment in finance and reduce investment in the real economy. This will further accelerate the separation of financial capital from the real economy and promote capital in the financial system. We are carrying out "self-circulation," exacerbating the trend of industrial structure "shifting from real to virtual," hindering the healthy development of the real economy. At the same time, due to the large number of funds flowing to the financial industry, real enterprises, especially small and medium-sized ones, face more serious problems of "difficult and expensive financing." Based on the above reasons, some investors' motivation to invest in real estate has continued to increase, which has deepened the idling of funds in the financial system, resulting in a continuous decline in financial efficiency. At the same time, it has also increased the groups' wealth income that hold more financial assets. The widening gap between rich and poor, among ordinary groups who rely on labor income, hinders the realization of the goal of common prosperity (KAKWANI *et al.*, 2022, p. 28).

In economic financialization, the nature of financial fetishism is a huge invisible driving force, especially its profit-seeking, greedy and fanatical nature, which promotes financial capital to expand, speculate, bubble and globalize. The unrestrained expansion and the expansion of virtual financial capital eventually led to the frequent outbreaks of international financial crises, the continuous economic recession after the crises, the polarization of wealth distribution, the continued high unemployment rate, the sovereign debt crisis, the ordinary people's heavy debts and other serious consequences. It intensified the basic contradictions of capitalist society. The financialization of the capitalist economy driven by financial fetishism and its negative effects

have an important warning effect on the development of the socialist market economy in our country.

Financial fetishism promotes the formation of a virtual financial relationship network above the real economy. It penetrates every corner of capitalist society, dominating the political and economic life of the society. Due to the profit-seeking nature of financial capital, it must continue to develop and expand globally. Its expansion will bring serious consequences to capitalist society when it exceeds a certain limit.

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