The Development Strategy of the Fusion of the Fictitious Economy and the Real Economy

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Abstract. With the fast progress of science and technology as well as the rapid economic and social development in China, in recent years, the fictitious economy which directly relies on the financial system as the main circulation develops rapidly. One of the most influential and controversial is the Internet economy, it almost touched various fields of society, the old economic order has been broken down, and the pattern of interests has been reshaped. This article analyzed the interaction between the fictitious economy and the real economy, discussed the development strategy of the fusion of the fictitious economy and the real economy.

1. Introduction

Fictitious economy or virtual capital is associated with capital movement. The meaning of fictitious capital is constantly changing with the constant improvement of the economic development level of the human society. In the primary stage, the fictitious economy is an economic activity that the movement cycle of the virtual capital depends on the financial system. In brief, it is directly to the activities of the money. Its essence is the trading of rights and interests of retrieval operation of the virtual capital for the purpose of value. Virtual capital is the product of the highly developed market economy and monetary capitalization. Later dramatic change in the price appear financial derivatives, it is development phase of the virtual economy. At the end of last century, along with the development of network technology there produced a large number of web services tools and sites; it was the mature stage of virtual economy. The mature stage of virtual economy started in the mid-1990s, the development of the Internet, the emergence of network supermarket, the expanding of virtual space, with the adoption of digital storage technology, the traditional concept of time and space is undergoing a profound revolution. As Jiangqiping said, in the sense of virtual economy in restructuring information space is the new economy, putting the information space set on the national economy, the concept has formed the generalized virtual economy.

The real economy is refers to the economic activity of the production, sales and provide related services of the material products and spiritual products. The concrete existence form of the real economy in the process of social reproduction is monetary capital, production capital and goods capital; they are all real capital and carry out different capital function. Compared with the real economy, virtual economy has the characteristics of high liquidity, instability, high risk and high speculative [1].

Modern market economy is the dialectical unity of interdependence and interaction of the real economy and virtual economy. Real economy determines the virtual economy, virtual economy affects on the real economy and virtual economy has the relative independence. To correctly handle the relationship between the real economy and virtual economy, the development of fictitious economy can not be separated from the foundation of the real economy. The key to the stability of fictitious economy lies in whether the fictitious economy can create good market conditions.
2. The Interaction of the Virtual Economy and the Real Economy

Virtual economy depends on the real economy, but its effect on the real economy is great, it can promote the development of the real economy and may restrict the development of the real economy.

2.1 The real economy determines the virtual economy

The real economy determines the virtual economy, and it is embodied in the following aspects:

First of all, the real economy is the foundation of the virtual economy. The emergence of the commodity exchange, especially monetary produce marked the entity economy entered a new stage. Under commodity money economy, unbalanced distribution of monetary wealth objectively produces the necessary of monetary funds to be adjusted. The existence of private ownership determines the mode of borrowing can be only adopted when we adjust the currency. In this kind of borrowing, IOUs became the earliest form of virtual capital, the activity of credit obtaining the interest from borrowing also subsequently evolved into the initial virtual economic. Virtual economy is only a kind of economic activity that the real economy develops to a certain stage, and the real economy has always been the foundation of survival and development of human society.

The other is that the performance of the real economy is the foundation of the healthy operation of the virtual economy. The virtual economy is based on the real economy system, and it is attached to the real economy system. When the real economy is running in good condition, the virtual economy will thrive; otherwise, the economic problems caused by all sorts of reasons in the real economic eventually will inevitably conduct and affect the virtual economy.

2.2 The influence of virtual economy to the real economy

The influence of virtual economy to the real economy, it is embodied in the following aspects:

First of all, the virtual economy is to promote the real economy. Promoting effect mainly displays in: (1) it provides more financing tools and the way of financing for the real economy, but also it make the financing enterprises have more risk-averse method, thus it reduce the financing cost and risk. (2) It is helpful to improve the efficiency of the distribution of social capital. Through the market issuance and trading of virtual capital, it can adjust the flow of funds, accelerate the development of excellent enterprises; through the assets reorganization such as property right transaction, the capital can be realized the optimal allocation again in different real economy. It is also beneficial to change savings into investment, promote the optimized allocation of social capital. (3) At the same time, the expansion of virtual economic provides many new employment opportunities in promoting the development of the real economy.

Secondly, the virtual economy has inhibitory effect on the real economy. Its restriction function mainly displays in: (1) it distorts the allocation of resources, reduces the efficiency of the resource allocation. (2) It is easy to cause the financial crisis. (3) It will eventually lead the recession of the real economy. With the rise of the bubble economy, a lot of capital flow to the virtual economy, lack of funds led to hamper the growth of the real economy. After the bursting of the bubble economy, debt default appears, the enterprise bankruptcy is frequent, enterprise’s recession will affect the financial system, financial system is also a large number of non-performing loans, this can make the financial institutions instinct to reduce the credit risk, reduced lending. Therefore, inevitably the recession of credit intermediary function appear and the lack of enterprises investment. Meanwhile, after the collapse of the bubble economy, the stock assets of residents shrunk dramatically, it inevitably lead to a drop in consumer demand, interaction between these two aspects caused the decline of the real economy.

3. The Impact of the Virtual Economy to the Real Economy in Reality

Development of virtual economy is the trend of the times, in a sense it promotes the development of the real economy, however, the development of the virtual economy has a larger negative effects to the real economy. If we emphasis on virtual economy too much while ignoring the real economy,
then we may step the path of the United States. The United States, it once emphasizes the virtual economy to cause a downturn of the real economy, especially the Internet bubble burst in 2001, it made the U.S. economy go into recession for a long time.

The main show of negative effect of virtual economy is distorting the consumer behavior, affecting the survival of the real economy and safety, etc. Specific performance is as follows [2]:

First, it takes up the supply of funds of the real economy. A large number of the capital flow into real estate and high-risk industry outflow from the bank, and the real economy enterprises especially the small and medium enterprises cannot get loans; they can only go to borrow usury. Due to the struggling, a lot of small and medium enterprises are forced to go out of business.

Second, a large number of virtual economy companies attract customers at very low prices, such as online shopping, it leads to the real economy enterprise unsustainable and closed because of the lack of technological innovation, they just maintain business by cutting prices.

Third, virtual economy makes young people become unreal and do not love reading. Especially now the Chinese young people don’t want to read book and learn technology, but they are keen to see network novel, do network communication, play online games and online shopping. Thus, workers having the technology content that the real economy needs are scarce in the era of knowledge economy, in recent years, a amount of new generation growing up with the Internet don’t want to work in the production line.

Fourth, the virtual economic distorts consumer behavior, deteriorates domestic balance. When people see the virtual assets held at the high prices, the expected future income will be greatly increased, it will increase consumption. If excessive consumption increase, it inevitably leads to a sharp increase in borrowing costs of imported foreign products, with the increasing of the labor costs, it will weaken the competitiveness of their products in the international market. The result will lead to domestic imbalances and trade imbalances.

Fifth, the excessive speculation bubble of the virtual economy is bound to develop. It will inevitably affect the running order of the real economy. The book value of the financial assets of banks is much greater than its actual value, and it produces a financial bubble and could trigger the debt crisis.

4. The Development Strategy of the Fusion of the Fictitious Economy and the Real Economy

The real economy is the foundation of the virtual economy, and the virtual economy promotes the development of the real economy. The modern market economy is established on the basis of the credit system, if credit system is short of effective restriction and the necessary regulatory scrutiny, the virtual economy will lead to the bubble economy, which could produce a series of chain reaction, impact the whole national economy and even the global economy, the economic crisis will break out. So, how to realize the coordinated development between the virtual economy and real economy? The author thinks that there are the following strategies:

4.1 Don’t exaggerate the virtual economy on the public propaganda and demeaning to the real economy

Over the years, the Internet industry and the importance of virtual economy is more and more big, but we must not infinite magnified the role of the Internet, especially the mainstream media can’t excessively, and it will only bring to the great misleading to the society and national. In fact, the Internet is important, but the products of the production, research and development have to rely on the real economy of the factory or company, without the real economy, there could not produce any commodity, grain of food, make out a screw, or a building on the Internet, etc. these all have to rely on the real economy to solve, so we don’t be misled by Internet effect of infinite expansion, at any time, the Internet economy can only as a supplement of the real economy.

4.2 Establishing the “negative list” to the virtual economy

Since 2013, along with the economy enters the new normal, facing the depth adjustment of industrial structure in our country, the increasing of the economic downward pressure. Central bank
implemented a slightly loose monetary policy operation has always insisted on monetary policy under the premise of tone remains the same. China’s economy appears to be stabilizing in 2016; the undercurrent of accumulation of excessively financialization from the virtual economy and real estate market is hidden below the surface of calm.

The negative effect of virtual capital is mainly increased the possibility of national economic turmoil and crisis. In the environment of the virtual economy, people who have money don’t need to attend any labor and management of the real economy, they can make money rely on the money, and the pursuit of money became the sole purpose of people to participate in all economic activities. The capital operation of virtual economy more developed, the higher the cost of economic operation, the macroeconomic control is the worse, the greater the economic bubbles, the greater the potential of the financial crisis, people’s quality of life is to be neglected. So we have to build a “negative list” of the virtual economy.

4.3 To advocate the use of information technology developing the real economy

With the leap type development of information technology, the Internet, cloud computing and Internet of things as a representative, electronic commerce and the real economy become the forefront in commercial fields, one of the most active and most influential hotspots, with the depth fusion of the electronic commerce and the real economy. E-commerce has a great convenience in the information search; negotiate bargaining, fund payment and product distribution. It reduces the intermediate links, reduce the transaction cost, and improve the circulation efficiency. At the same time, it can also integrate information, capital and logistics to support the implementation of personalized consumption and flexible production in modern society, it is promoting the optimization of the circulation system.

Xi jinping said efforts should be made to promote the development of the Internet and the real economy depth fusion, promote the innovation and development; it should play a positive role in the transformation of the pattern of economic development and the adjustment of the economic structure [3].

4.4 Adjust the overheating virtual economy

In 2012, we clearly put forward to firmly grasp the solid foundation of the development of the real economy in China, and resolutely curb real to virtual to prevent excessive loop and inflation of the virtual economy, preventing hollowing out phenomenon of the real economy.

In recent years, part of the social capital and private capital are becoming more and more speculation: out of banks, exit the industry, give up the industry, go into the asset investment project, etc. the industry capital gradually is converted into financial capital, and the financial capital is further converted into speculative capital. The biggest risk of the virtual economy is which destroy the real economy. The entity economic foundation is not firm, the whole building of the national economy is swaying; the ego inflation of the real economy inevitably leads to difficulties of enterprise financing, the loss of blood and anoxic of the real economy, contraction of the national economy, it not only will affect the development of the real economy, expanding of the social gap between rich and poor, but also can increase the economic and financial risk and social risk.

To sum up, focusing on the development of the real economy has always been the foundation of survival and development of human society. The virtual economy needs to develop, but it must be rooted in the real economy, and to serve the development of the real economy.

References