

# The Impact of Financial Capital on Contemporary China and Global Development Trends

Jiaxin Zhang \*

China Railway Fifth Survey and Design Institute Group Co., Beijing, 102625, China

\*Corresponding Author: Jiaxin Zhang

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## ABSTRACT

Since the 1980s, financial capital has gradually assumed a dominant role in global economic development. Emerging as a new form of capital, financial capital has expanded globally; however, its essence remains tied to the general laws of economic development. The historical trajectory of financial capital has been profoundly shaped by the unbalanced political economy led by capitalist states, cyclical global financial crises, and the transformation of Western capitalist values, which has led people to pursue the "greed" inherent in capital. Marx analyzed the development of capitalism and posited that capitalist crises are inevitable, with the unlimited expansion of capital being a fundamental characteristic of capitalist development. Therefore, in critiquing the globalization of financial capitalism, it is necessary to base the analysis on Marx's theoretical framework regarding the logic of capital, while also focusing on the developmental trends of capital on the global stage. Furthermore, the implications of this development require careful analysis and consideration. In this context, China's unwavering commitment to the path of socialism with Chinese characteristics should also be thoroughly examined, with a view to building a community of shared future for humanity.

## KEYWORDS

Globalization of financial capital; Financial capital accumulation methods; Contemporary capitalism; Socialism with Chinese characteristics in the new era; Community of shared future for humanity

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## 1. THE ORIGINS AND ESSENCE OF FINANCIAL CAPITAL

The concept of "financial capital" can be traced to the article *The Trusts in the United States and Their Economic, Social, and Political Significance* written by Lafargue in 1900, which refers to the emergence of a new form of capital that arises from the expansion of industrial capital [1]. This expansion leads to an interpenetration between industrial capital and banking capital, forming a new capital structure. However, the most in-depth and systematic explanation of this concept was provided by Schiffrin in his work *Financial Capital*. According to Schiffrin, financial capital is primarily controlled by banks and is available for use by industrial capitalists. From this, it is clear that, at its inception, financial capital served the same purpose as commercial and industrial capital, such as the rational allocation of resources and promotion of production.

However, during the shift of capitalist development from the production sector to the financial sector, financial capital began to take on a more autonomous role. It increasingly controlled production, capital operations and circulation, as well as industrial distribution, with capital becoming more "financialized." Over time, the core elements of financial capital have come to dominate not only the economy but also various sectors of national economies, such as social production, cultural industries, and basic living standards.

From a Marxist perspective, the emergence of capitalist crises is inevitable. According to Marx, in order to overcome these crises, capitalism must eliminate surplus production capacity and seize new markets, thereby consolidating control over both old and new markets [2]. This pattern can be observed throughout the various stages of capitalism, particularly during the period of financial capitalism. In Western capitalist nations, where financial regulation has often been neglected, the "financial explosion" has led to the rapid capture of new markets. By encouraging governments in developing countries to adopt neoliberal economic policies—such as reducing tariffs, opening up domestic markets, and taking on debt—capitalism has spread globally, further promoting its development [3].

In the early stages of commercial capitalism, global development was relatively limited, while industrial capitalism marked a significant expansion. During the financial capitalism phase, the powerful bourgeoisie controlled much of the global financial market, consolidating their position and causing capitalist development to evolve rapidly, drawing the world closer to a phase of global financial capitalism.

Therefore, as banking and industrial capitals began to merge, financial capital grew as a new form of capital. The interconnection and interpenetration between the two led to financial capital becoming a dominant force in shaping social, economic, and political systems [4]. Marx had already discerned the underlying patterns of this transformation during the era of free competition and attempted to scientifically explain financial capital. Under the control of financial capital, capitalist economies take on a fetishistic character, where the only source of surplus value is derived from the surplus labor of wage workers in the capitalist production system. Marx argued that the materials of production and cheap labor, once acquired by capitalists, produce goods containing surplus value, which are then sold to realize their final value [5].

However, financial capital operates primarily in the circulation realm and exhibits high liquidity. The surplus value created in this sphere is not generated by financial capital itself but is extracted from the surplus value created by industrial capital. Thus, financial capital does not create new surplus value; rather, it divides the surplus value produced by industrial capital, giving rise to the illusion that "money makes money."

**Table 1.** Key Theoretical Contributions on Financial Capital

Author	Work/Source	Contribution to Financial Capital Theory
Lafargue	The Trusts in the United States	Introduced the concept of financial capital arising from the merger of banking and industrial capital.
Schiffirin	Financial Capital	Expanded and systematized the concept, emphasizing that financial capital is primarily controlled by banks and available to industrial capitalists.
Marx	Das Kapital	Analyzed the role of financial capital in the context of surplus value and the fetishism of capital.
Lenin	Imperialism: The Highest Stage of Capitalism	Argued that the development of financial capital was an inevitable stage of capitalist evolution, leading to imperialist expansion and global capital export.

## 2. THE INHERENT ATTRIBUTES OF FINANCIAL CAPITAL ACCUMULATION

Monopoly and rent-seeking are two prominent characteristics of financial capital. In form, financial capital is manifested as monopoly capital, with elements such as monetary capital pricing, technology, ownership, and market dominance being clear expressions of this monopoly. These elements further highlight the specific ways in which financial capital accumulates.

Market prices, in both the past and present, are determined differently today. Previously, market prices were set by free competition; today, they are largely dictated by financial capital, making coercion and plundering evident in the process. This has led to the term "primitive accumulation" being used to describe the process. According to Lenin and Schiffrin, unlike industrial capital, financial capital no longer requires traditional freedom, but rather operates through domination, characterized by accumulation based on deprivation [6].

In terms of content, rent-seeking capital is a clear feature of financial capital, which can be divided into productive and non-productive forms of accumulation. In productive accumulation, financial capital functions as monetary capital that is integrated with the production process, ensuring the rational distribution of value and wealth, thus generating profits. In non-productive accumulation, monetary capital operates separately from the production process, evolving into an effective method of wealth accumulation outside the real production process. In this sense, both forms of accumulation are dissociated from the direct production process.

### **3. THE EVOLUTION OF FINANCIAL CAPITAL ACCUMULATION**

Financial capital began to develop during the late 19th century monopoly period. Lenin, in his work *Imperialism: The Highest Stage of Capitalism*, argued that the emergence of financial capital was inevitable [7]. The major capitalist countries used specific accumulation methods to export capital and expand their influence globally. This process also led to inevitable imperialist wars, triggered by disparities in national power and the unequal distribution of colonial possessions.

During Lenin's time, financial capital was in its infancy, and its development was not yet fully apparent. However, after World War II, significant changes occurred in the global landscape.

Firstly, financial capital began to control and monopolize global industrial chains. Initially, financial capital developed in tandem with the nation-state, particularly in Europe's major capitalist countries [8]. These countries extended their control through colonialism, progressively shifting from a national focus to a global one. After World War II, barriers to trade and market segmentation were removed, and the geography of financial capitalism began to consolidate. As global industries restructured, developed countries experienced shifts in their economic dynamics. With the rise of financial investments, manufacturing industries increasingly focused on overseas production and expanded globally, thus becoming part of multinational financial monopolies. This transformation led to changes in the production patterns of nation-states, resulting in cross-border production. In this scenario, financial capital adopted new forms of control over key global sectors, while lower-tier industries shifted to developing countries, especially emerging economies, thus exacerbating the divide between core and peripheral nations.

Secondly, the explosive growth of virtual economies became a dominant force [9]. From the 1970s onward, virtual economies, particularly financial derivatives such as asset securitization, expanded rapidly, fueling global financial crises. During this period, the structure of the two major financial markets, foreign exchange and government bonds, shifted significantly. The development of the foreign exchange market was a consequence of the decoupling of the dollar from gold, the relaxation of currency controls, and the disintegration of the Bretton Woods system. Simultaneously, government bond markets emerged as a result of fiscal crises in welfare states seeking financing from global markets. In this new era, the virtual economy outgrew the real economy, marking a shift toward financial derivatives and internal capital accumulation, while contributing to various financial crises.

**Table 2.** Phases of Capitalism and the Emergence of Financial Capital

Period	Characteristics of Capitalism	Role of Financial Capital
Early Commercial Capitalism	Limited global reach, resource-based economies	Capital accumulation primarily through trade, with minor influence from financial markets.
Industrial Capitalism	Expansion of production, global trade networks	Financial capital begins to support and control industrial production, leading to capital concentration.
Financial Capitalism	Globalized financial markets, monopolistic practices	Financial capital dominates industrial capital, leads to financialization of global economies.
Global Financial Capitalism	Transnational corporations, financial crises	Financial capital monopolizes key industries, influencing global economic relations and national policies.

#### **4. THE IMPACT OF FINANCIAL CAPITAL ON CONTEMPORARY INTERNATIONAL DEVELOPMENT TRENDS**

Marx likened society to a building, where the economic base determines the superstructure, and the superstructure, in turn, affects the base. Thus, societal and political crises are often the result of the accumulation of financial capital, which is now transforming into a broader global crisis in international relations. This period has been marked by the deterioration of international relations.

The accumulation crisis of financial capital has weakened U.S. hegemony and exerted profound effects on international relations. Historically, the decline of hegemonic powers triggers deep adjustments in international relations, as these powers are reluctant to relinquish their global influence [10]. Consequently, this uncertainty manifests in shifting diplomatic policies. Initially, the U.S. promoted neoliberalism and globalization, but now it has retreated into protectionism, criticizing China for not fully liberalizing its economy while paradoxically leading global free trade. Previously, under the banner of "universal values" and economic freedom, the U.S. did not mind other nations benefiting from global development. Today, however, all moral and ideological rhetoric is subordinated to "America First," with external pressure being exerted through economic sanctions and political coercion. This shift is a direct consequence of the transformation in the global status of hegemonic states.

In conclusion, the changing international landscape is primarily driven by strategic competition between hegemonic and emerging powers.

#### **5. CHINA IN THE AGE OF GLOBAL FINANCIAL CAPITAL**

##### **5.1. China's Search for Opportunities in Adversity**

In the rapidly changing global landscape of the present day, China presents a unique case. Financial capital first entered China in the late 20th century, attracted by its vast and promising market [11]. Despite the onslaught of financial capital, China's economy did not succumb to the exploitative tendencies of financial capitalism. Instead, under the leadership of the Communist Party of China (CPC), the country has managed to retain its sovereignty while also integrating into the global economy. China's rapid economic development, spurred by reforms, has had a profound impact on global trade and the economy, establishing it as a key player in the global economic system.

**Table 3.** China's Position in the Global Financial Capital Era

Phase in China's Economic Development	Key Events/Changes	Impact on Global Financial Capital
Pre-1980s (Closed Economy)	Centralized economic planning, limited market opening	Minimal interaction with global financial markets.
1980s–2001 (Reform and Opening Up)	Economic liberalization, joining WTO (2001)	China begins to integrate into global finance, attracting foreign investments.
Post-2001 (Rapid Growth & Globalization)	Accelerated economic growth, "Made in China" dominance	China becomes a major player in global trade, challenging Western financial hegemony.
Present (Belt and Road Initiative)	Expansion of global influence, strategic investments worldwide	China asserts influence in global financial capital networks, countering Western monopoly.

## 5.2. The Major Global Shift of the Century

Under the leadership of the CPC, China has undergone a remarkable transformation, moving from a phase of national recovery to one of economic prosperity and global influence. Today, the world is witnessing a "once-in-a-century" transformation, as the center of global economic activity shifts from a unipolar to a multipolar world. The new scientific and industrial revolutions are reshaping global economies, profoundly affecting people's lives and ideas. China's successful development model provides hope for other nations in disadvantaged positions [12, 13].

## 6. CONCLUSION

In summary, analyzing the historical development of financial capital from a Marxist standpoint offers important insights into the nature of financial monopoly capitalism. Critiquing the financial capital accumulation system is not only necessary but also an essential responsibility of contemporary Marxists. The current environment presents both challenges and opportunities. We must remain strategic and committed to promoting peace, development, cooperation, and mutual understanding while safeguarding national interests. By doing so, we can continue to contribute to global peace and stability, ensuring that the world progresses toward a more equitable and just future.

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