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Abstract: China's Internet economy, the largest online market of users in the world, is experiencing immense growth. However, the growth rate of the Chinese economy has slowed down since 2015. This paper asks how finance capital relates to China's Internet economy. It analyses the financialisation of the Internet industry in relation to monopoly capital and the start-up boom. It argues that such financialisation could result in the build-up and bursting of an Internet bubble and that young workers will be the victims of such a development.

Keywords: China, capitalism, BAT, Baidu, Alibaba, Tencent, finance capital, financialisation

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1. Introduction

In 2016, the world's top financial watchdog warned China about coming face-to-face with a full-blown banking crisis, as its credit vulnerability is "three times over the danger threshold and has continued to deteriorate"¹. The Economist (2016) predicts that China is going to face a financial burst due to its high debt-to-GDP ratio after the 2008 crunch². However, the People's Daily (2016) optimistically points out that Chinese economy is developing smoothly, as it still keeps its GDP growth above 6.7%³. China has the world's largest number of Internet users: The number of Chinese users in 2016 amounted to more than 720 million⁴.

Given the size of the Chinese Internet economy and the fact that the Chinese economy experienced finance market turmoil in 2016, it is interesting to ask: What is the relationship between finance capital and the Internet economy? The paper at hand deals

¹ Data source: http://paper.people.com.cn/rmrhwb/html/2016-12/28/content_1739130.htm, accessed: 4 February 2017

² Data source: <http://www.economist.com/news/leaders/21698240-it-question-when-not-if-real-trouble-will-hit-china-coming-debt-bust>, accessed: 4 February 2017

³ Data source: http://paper.people.com.cn/rmrhwb/html/2016-12/28/content_1739130.htm, accessed: 4 February 2017

⁴ Data source: <http://www.Internetworldstats.com/stats3.htm>, accessed: 2 February 2017



with this question through a focus on Marxist theory and statistical analysis of economic data. In section 2, we point out how Karl Marx conceptualised finance capital. Section three discusses neoliberalism with Chinese characteristics. Section four draws attention to start-ups and monopolies in China's digital industry. Section five discusses finance capital's role in the Chinese Internet industry. Finally, we draw some conclusions in section six.

2. Karl Marx on Financialisation

Karl Marx is widely seen as the most influential analyst and critic of capitalism. 2017 marks the 150th anniversary of the publication of *Capital, Volume 1*. It is a book that is today still relevant for understanding digital capitalism (Fuchs 2016). Marx understands capital accumulation as a process that has the form $M - C (Mp, Lp) .. P .. C' - M'$: A capitalist uses money M in order to buy commodities C (labour power, means of production). Labour uses the means of production in the production process P in order to create commodities that are sold so that when profit is made, the whole cycle can start anew. Capital that is in the hands of banks or operates on stock and derivative markets takes on a different form. It is based on the formula $M - M'$ (Money – More money). Marx analyses finance capital in greater detail in *Capital, Volume 3* (1894): “Here we have $M-M'$, money that produces money, self-valorizing value, without the process that mediates the two extremes” (Marx 1894, 515).

Finance capital does not itself produce profit, it is only an entitlement to payments that are made in the future and derive from profits or wages (the latter for example in the case of consumer credits). The short version of the formula for the capital accumulation cycle is $M-C-M'$: Money (M) – Money (M) – Commodity (M) – Money' = Money + Δ Money (M') – Money' (M'). Finance capital is an entitlement to the control of money that has not yet been created but is assumed to be created in the future. Marx therefore characterises all finance capital as fictitious capital: “The shares in railway, mining shipping companies, etc. represent real capital, i.e. capital invested and functioning in these enterprises, or the sum of money that was advanced by the share-holders to be spent in these enterprises as capital. It is in no way ruled out here that these shares may be simply a fraud. [...] the share is nothing but an ownership title, *pro rata*, to the surplus-value which this capital is to realize” (Marx 1894, 597-598). “All these securities actually represent nothing but accumulated claims, legal titles, to future production” (Marx 1894, 599).

Marx argues that because finance capital (credit, loans, mortgages, the stock market, financial derivatives, debt, etc.) operates as an option on the future, it is artificial and highly risky. “The market value of these securities is partly speculative, since it is determined not just by the actual revenue but rather by the anticipated revenue as reckoned in advance. [...] the rise or fall in value of these securities is independent of the movement in the value of the real capital that they represent” (Marx 1894, 598-599). “Profits and losses that result from fluctuations in the price of these ownership titles



[...] are by the nature of the case more and more the result of gambling“ (Marx 1894, 609). Given the speculative and artificial character of financial values, a divergence between a company’s actual profits and its fictitious capital values can emerge. Given finance capital’s high risks, its presence in capitalism makes the system crisis-prone. The “pivot of these [financial] crises is to be found in money capital, and their immediate sphere of impact is therefore banking, the stock exchange and finance” (Marx 1867, 236). Marx described stock markets as “an entire system of swindling and cheating with respect to the promotion of companies, issues of shares and share dealings” (Marx 1894, 569). Finance exists on the one hand as a mechanism for enabling and financing the founding and operation of capitalist companies. On the other hand, it is also a method that capitalists use with a view to achieving high returns.

Given this understanding of finance capital, we will ask how it operates in the Chinese Internet economy. For giving an answer, we will subsequently analyse neoliberalism in China.

3. Neoliberal China

A historical discussion on capitalist crises can be seen as originating from Marx’s work. For example, John Foster (2007) claims that a housing bubble in the U.S. becomes a basis for financialisation, which could result in a sharp economic downturn and global financial disarray. Due to the asset bubble that generated financial instability, capital turns into speculation and subsequently serious capitalist crises are waiting on the threshold. Based on Wallerstein’s world system theory, Minqi Li (2016, 54) asserts that capitalist profits are squeezed due to rising wages, material and environmental costs, and increased taxation. This tendency has been operating since China accessed the global capitalist system with a neoliberal development model.

John Foster (2007) points out that financialisation as a concept was introduced in the 1990s. As we have seen in section 2, Marx had already analysed the role of finance capital in *Capital Volume 3* (1894). And Rudolf Hilferding (1910/1981) introduced the notion of finance capital in 1910. The emergence of the notion of financialisation has to do with “the increasing role of finance in the operations of capitalism” (Foster 2007, 2). Sweezy (1997, 2) states that the recession of capitalism between 1974 and 1975 has three important underlying trends: “(1) the slowing down of the overall rate of growth, (2) the worldwide proliferation of monopolistic (or oligopolistic) multinational corporations, and (3) what may be called the financialization of the capital accumulation process”. These three trends are intricately interrelated and monopolisation results in the slowing down of capital accumulation and economic growth.

Magdoff and Sweezy (1987) claim that capitalism is an ongoing transformation in relation to stagnation and financialisation. However, as capitalists rely heavily on the growth of finance to enlarge their capital, whilst the financial superstructure obviously



cannot expand independently of its base in the underlying productive economy, financialisation, will never overcome stagnation within production. In other words, financialisation indeed is “an ongoing process transcending particular financial bubbles” (Magdoff and Sweezy 1987, 7). Foster (2007, 7) further points out that financialisation is expanding in U.S. capitalism as noncapital institutions are heavily involved in capital markets, and capital accumulation is increasingly dependent on finance rather than production. Since global neoliberalism becomes an ideological counterpart of financialisation, the growing financialisation of capitalism penetrates into different geographical contexts, including that of China.

As Fuchs (2017, 255-262) points out, there has been a long history of discussing whether China has a socialist or a capitalist economy. For example, theorists like Samir Amin and Giovanni Arrighi perceive China as a typical model of socialism, seeing that China did not choose a capitalist path, which is based on “the transformation of land into commodity” (Amin 2013, 16), rather, China has vastly reduced poverty. Arrighi (2007, 351) highlights China’s high quality of health care, education and welfare, which attracts foreign capital. Arrighi further argues that China’s capital accumulation is based on an egalitarian distribution of resources, rather than dispossession, by taking the example of Township and Village Enterprises.

However, some Marxist scholars emphasise that China is a model of neo-liberalism with its own characteristics. For example, Slavoj Žižek (2008) claims that China embodies a new model of capitalism with “disregard for ecological consequences, disdain for workers’ rights”, within which “everything [is] subordinated to the ruthless drive to develop and become the new world force” (191). Li Minqi (2016) regards Deng Xiaoping’s theory on socialism with Chinese characteristics, which was promoted in the Fourteenth Congress, as the beginning of China’s transition to capitalism. This is when agricultural privatisation and privatisation of state-owned enterprises started, which meant that soon a large amount of cheap labour became available for capitalist exploitation. Li (2016) highlights the Party’s Third Plenum of the Eighteenth Central Committee after the Bo Xilai incident in 2013 as another key point for China’s capitalist economic reform. This plenum promoted the term “mixed ownership”, which is regarded as ‘a euphemism for privatization’ (Li 2016, 15). Li presents a problem caused by this tendency of privatisation: corruption. Based on a report showing that China’s “grey income” in 2013 amounted to 12% of its GDP in 2011, Li (2016, 34-35) claims that Chinese capitalists accumulate wealth via thieving and plundering the state and collective assets. Li (2016, 1) therefore defines China’s neoliberal economic reforms as a process of ‘privatization of the remaining state-owned enterprises and financial liberalization’.

Li (2016, 19) further points out that China’s capitalist economic reform started with its agricultural privatisation in 1982. Since then, individual households have controlled the use of land, even though they were not allowed to buy or sell land. This situation changed in 2002 when the Party extended the duration of rural land contracts to 30



years. Practically speaking, it meant that individual households started to sell their land contracts to rural capitalists. This capitalist agricultural reform was deepened by a refinement of the 'land management rights' in 2016, which allowed villages to collectively transfer their land to corporations in exchange for yearly payments. Even though villagers are still not allowed to sell or buy land, which is in order to keep the state's rural collective ownership system, this model indeed enables capitalists to take loans into the rural economy. In other words, China is deepening its capitalist economic reform via financial speculation in the agriculture industry.

Lin (2012, 441-442) argues that global capitalism is a historical process of the accumulation of capital. Capitalism grows with a geographical process of "accumulation by dispossession" that requires a "spatial fix", as emphasised by David Harvey (2007), in order to overcome crises. In its geographically uneven development, China focuses on "the legitimacy and/or inevitability of joining global capitalism" (Lin 2012, 438) over issues of exploitation and destruction. Lin (2013, 87) further argues that China's current development model violates its socialist promises due to "the persistence of sweatshops, the collusion of money and power, the dictatorship of capital, and the reign of developmentalism". Significantly, Lin (2012, 440) emphasises that China is not purely capitalistic, as it is different from "those of 'dependent development' or 'development of underdevelopment' in the capitalist peripheries", such as South Korea and Japan. In other words, she tends to distinguish the current Chinese development from both pure socialism like the Soviet system and pure capitalism like most Western societies. Rather, China identifies its current reforms as "in line with the country's present developmental stage of 'primary socialism'" (Lin 2013, 64).

David Harvey is another important scholar who argues that contemporary Chinese society is a specific authoritarian model of neo-liberalism. Similar to what we have seen Lin (2012) arguing above, Harvey emphasises capital accumulation by dispossession. Harvey (2006) argues that modern capitalism is facing an over-accumulation crisis, a situation in which "both surplus capital and labour exist but there are no way to bring them together" (96). In order to solve the over-accumulation crisis and maintain the process of capital accumulation, capitalists then search for new geographical spaces and ways to invest surplus capital, such as appropriating both material (such as natural resources in other geographical spaces) and immaterial resources (such as knowledge) into the circulation of capital. This is described as accumulation by dispossession.

Harvey (2007) argues that along with industrialisation, China embraces the free market via heavy foreign direct investments, even in state-owned enterprises, and light industrial products exports relying on cheap labour. Most of this cheap labour is conducted by rural migrants dispossessed of land, land which is turned into private property in the urbanisation process. In order to keep up the fast economic growth, China is now investing heavily into urbanisation projects and the related industries such as

⁵ Data source: <https://www.ft.com/content/9d18ee2a-a1a7-11e6-86d5-4e36b35c3550>, accessed: 4 February 2017



real estate and construction. In this urbanisation investment, Harvey (2007) criticises overbuilding and overinvesting, stating that “the danger lurks of a severe crisis of over-accumulation of fixed capital (particularly in the built environment). Abundant signs exist of excess production capacity (for example in automobile production and electronics) and a boom and bust cycle in urban investments has already occurred” (Harvey 2007, 141). As he points out, China has, on the one hand, created more fixed constant capital than needed, which is overvalued. On the other hand, a large working population is currently unemployed in China. Marx (1894, 359) indeed defines this as over-accumulation. Harvey (1990, 180) sees over-accumulation as “a condition in which idle capital and idle labour supply [...] exist side by side with no apparent way to bring these [...] resources together to accomplish [...] useful tasks [...] [as] indicated by idle productive capacity, a glut in commodities and an excess of inventories” (180). Harvey (2005) says that capital tries to overcome its own crisis by spatial fixes, temporal fixes or spatio-temporal fixes. He thereby means that capital tries to create new spheres of accumulation (spatial fix), using time-oriented strategies (such as credit, debt, financial markets, financial derivatives) or the combination of both (e.g. the lending of money from banks in other countries or to companies in other countries).

Generally, these Marxist scholars claim that Chinese neoliberalism, a result of integrating into global capitalism, features heavy foreign direct investment, capitalist exploitation of cheap labour, and overbuilding and overinvesting. Lin (2013) argues we can predict for a future Chinese society to be characterised by pollution and state incapacity and repression, caused by the problems of China’s neoliberal development. It is then important to explore China’s financialisation in the new media era by asking to what extent the financialisation process relates to the Internet content industry, which occupies a lot of young workers. We ask: will the Internet content industry be a new space for reversing financial crisis, or will it aggravate the financialisation?

4. Start-Up Companies and Monopoly Capital in the Chinese Internet Economy

At the end of 2015, Business Insider listed the most valuable and powerful start-ups in China. Nine out of the eleven companies are Internet content companies that provide online services: the Groupon and Yelp equivalent Meituan-Dianping; Uber’s largest Chinese competitor Didi Kuaidi (also known as Didi Chuxing); Lending Club’s competitor Lufax; the online insurance player Zhong An; the online clothing retailer VANCL; the food delivery company Ele.me, Tencent’s e-commerce investee Koudai Shopping; the Airbnb equivalent Tujia; and Pinterest’s equivalent Mogujie. Most of them have a high market valuation, and 47 of the 211 high-tech companies with post-money valuation of \$1 million or more are China-based, among which 43 companies are providing online services. For example, Didi Chuxing’s post-money value was \$33.7 billion in



September 2016; Lufax's value was \$18.5 billion in January 2016; and Meituan-Dianping's value was \$18 billion in July 2016 (see table 1). As a result, China is regarded as the world's second largest producer of "unicorns"⁶.

Rank	Company	Post-money valuation	Market
2	ANT Financial	\$60 billion (Apr 2016)	Financial Services
3	Xiaomi	\$45 billion (Apr 2015)	Hardware
4	Didi Chuxing	\$33.7 billion (Sep 2016)	Consumer Internet
8	Lufax	\$18.5 billion (Jan 2016)	Financial Services
9	Meituan-Dianping	\$18 billion (Jul 2016)	Consumer Internet
18	ZhongAn	\$8 billion (Jun 2015)	Financial Services
19	DJI	\$8 billion (May 2015)	Hardware
20	Cainiao Logistics	\$7.7 billion (Mar 2016)	Transportation
21	JD Finance	\$7.1 billion (Jan 2016)	Financial Services
23	Home Link (Lianjia)	\$5.7 billion (Apr 2016)	Real Estate
37	LeSports	\$3.3 billion (Mar 2016)	Entertainment
38	Meizu	\$3.3 billion (Feb 2015)	Hardware
43	Miaopai	\$3 billion (Nov 2016)	Consumer Internet
46	Ele.me	\$3 billion (Apr 2016)	Consumer Internet
47	Wanda e-commerce	\$3 billion (Jan 2015)	E-Commerce
48	VANCL	\$3 billion (Feb 2014)	E-Commerce
49	Ping An Good Doctor	\$3 billion (May 2016)	Healthcare
61	Meitu	\$2.35 billion (Dec 2014)	Consumer Internet

⁶ Data source: <http://www.forbes.com/sites/tseedward/2016/04/05/the-rise-of-entrepreneurship-in-china/#3ce3eb786d61>, accessed: 4 February 2017



64	Bona Film Group	\$2.2 billion (Dec 2016)	Entertainment
67	Taobao Movie	\$2.1 billion (May 2016)	Entertainment
72	Beijing Weiyang Technology	\$2 billion (Apr 2016)	E-Commerce
76	Trendy International Group	\$2 billion (Feb 2012)	E-Commerce
78	Firstp2p	\$2 billion (Sep 2016)	Financial Services
91	Lakala	\$1.6 billion (Jun 2015)	Financial Services
103	WeDoctor (Gua-hao)	\$1.5 billion (Jan 2016)	Healthcare
111	Koudai	\$1.35 billion (Oct 2014)	E-Commerce
112	Tujia	\$1.3 billion (Aug 2015)	Consumer Internet
115	58 Daojia	\$1.3 billion (Oct 2015)	Consumer Internet
116	Dada	\$1.3 billion (Oct 2016)	Consumer Internet
120	Lashou.com	\$1.21 billion (Mar 2011)	E-Commerce
128	Sogou	\$1.2 billion (Sep 2013)	Software
157	Wifi Skeleton Key	\$1.05 billion (May 2015)	Software
167	Wandoujia	\$1 billion (Jan 2014)	Software
173	Beibei	\$1 billion (Jun 2016)	E-Commerce
175	Yidao Yongche	\$1 billion (Oct 2015)	Consumer Internet
176	Ubtech	\$1 billion (Jul 2016)	Hardware
178	Zhihu	\$1 billion (Jan 2017)	Consumer Internet
182	Fanli	\$1 billion (Apr 2015)	E-Commerce
184	iwjw	\$1 billion (Nov 2015)	Real Estate
187	Mogujie	\$1 billion (Nov 2015)	E-Commerce
188	Rong360	\$1 billion (Oct 2015)	Financial Services



190	Lamabang	\$1 billion (Mar 2015)	Consumer Internet
197	U51.com	\$1 billion (Oct 2016)	Financial Services
199	iCarbonX	\$1 billion (Jul 2016)	Healthcare
200	Huochebang	\$1 billion (Dec 2016)	Transportation
205	Panshi	\$1 billion (May 2015)	Advertising
208	Douyu TV	\$1 billion (Aug 2016)	Entertainment

Table 1: Private high-tech companies with post-money valuation of \$1 billion or more. Data source: <https://techcrunch.com/unicorn-leaderboard/>, accessed: 17 January 2017

Since 2010, there has been a start-up boom in China, for which the Internet content industry is key. Since 2010, China's start-up companies have doubled to 1.6 million, with a highest growth speed in the world⁷. It is common to find cities in China that are ambitious about being start-up incubators. For example, Suzhou, a third tier city west of Shanghai, have announced to establish 300 incubators holding 30,000 start-ups by 2020⁸. This is a result of the central government's programme of mass entrepreneurship and innovation (*quanmin chuangye*) issued in 2014, with which the state encourages its entire population to start their own businesses and unleash their "innovation potential"⁹. According to the National Development and Reform Commission, the number of newly registered enterprises increased to 2.62 million in the first half of 2016¹⁰.

In order to speed up this start-up boom, both central government and local governments show their support for policies and funds. For example, Hangzhou government initiated a Dream Town (an Internet village) with lavish resources for start-ups, including the provision of loans and subsidies¹¹. In particular, most local governments provide interest-free loans of 100,000 RMB to university graduates for start-ups, as a way to solve the increasing unemployment of university graduates. Moreover, enormous venture funds rush into this start-up boom. For example, China's state-backed venture funds for start-ups raised about 1.5 trillion RMB in 2015¹². And \$49 billion

⁷ Data source: <http://tech.qq.com/a/20151127/030252.htm>, accessed: 4 February 2017.

⁸ Data source: <http://cn.nytimes.com/business/20160905/venture-communism-how-china-is-building-a-start-up-boom/>, accessed: 4 February 2017

⁹ Data source: <http://www.globaltimes.cn/content/1004282.shtml>, accessed: 4 February 2017

¹⁰ Ibid.

¹¹ Ibid.

¹² Data source: <http://knowledge.ckgsb.edu.cn/2016/11/07/entrepreneurship/chinese-tech-startups-great-idea-bubble/>, accessed: 4 February 2017



venture capital money flooded into China in 2015¹³. There is nowhere else for these large funds to go, except into start-ups¹⁴.

Due to this substantial support from policy and funds, “start-up” nowadays is a popular term on everyone’s lips. There is no official figure on how many young adventurers have started their own businesses in the Internet content industry. However, from media reports we can extract that millions of young adventurers enter into the start-up market, usually with some years of work experience, a devoted approach to work, a passion for technology, and a dream of becoming millionaires. For example, streams of 90s-generation Chinese have already joined in the start-up army¹⁵. Forbes also reveals that numerous young Chinese-born people from the 1980s and 1990s, from first and second-tier cities, or even smaller cities, enter into the start-up market. Most of these youngsters are not afraid of failure, as they take the outcome, whether positive or not, as a part of their experience and believes that it will open up more opportunities in the future¹⁶. In other words, the Chinese start-up boom in the Internet content industry is facilitated through governmental support and large numbers of young and willing entrepreneurs.

That being the case, is the market ready for this start-up boom? To what extent does the market have space for start-ups? The Chinese Internet economy is dominated by three companies: Baidu, Alibaba and Tencent (BAT). They form a BAT-empire. Table 2 shows Baidu’s acquisitions in recent years. Apparently, Baidu enters various areas in the content industry, such as website security software, literature, and entertainment. Notably, after it in 2010 invested \$50 million of private equity in iQiyi, an online video company, it obtained the controlling interest in iQiyi in November 2012. In May 2013, it further acquired PPS, another online video business, and merged it with iQiyi (see Baidu annual report 2015). Baidu states the aim of this acquisition was to become the leader of the online video business in China. Baidu also states its aim of acquiring 91 Wireless, a leading mobile application and mobile games operator:

The synergies are mainly attributable to the enhancement of the company’s leading position on the rapidly emerging mobile area, especially the distribution of applications for mobile device, which could better promote the company’s products, reduce costs and expenses by sharing the infrastructure, distribution channel and common research and development results, and further foster an ecosystem with better users experience for mobile products, stronger user loyalty, and greater value for both

¹³ Data source: <http://www.globaltimes.cn/content/1004282.shtml>, accessed: 4 February 2017

¹⁴ Data source: <http://knowledge.ckgsb.edu.cn/2016/11/07/entrepreneurship/chinese-tech-startups-great-idea-bubble/>, accessed: 4 February 2017

¹⁵ Data source: <http://www.chinadaily.com.cn/china/entrepreneursinchina/>, accessed: 4 February 2017

¹⁶ Data source: <http://www.forbes.com/sites/tseedward/2016/04/05/the-rise-of-entrepreneurship-in-china/#306b706b6d61>, accessed: 4 February 2017



customers and developers that enhance the company’s monetization ability on the emerging mobile market (Baidu annual report 2015, 33-34).

Date	Acquired	Market
16 Apr 2015	Anquanbao	Software
9 Oct 2014	Peixe Urbano	Travel and tourism
27 Dec 2013	Beijing Huanxiang Zongheng Chinese literature	Literature
15 Jul 2013	91 Boyuan Wireless	Mobile application
7 May 2013	PPS	Entertainment
13 Feb 2013	TrustGo	Mobile application
16 Sep 2004	Hao 123.com	Web dictionary

Table 2: Baidu’s acquisitions. Data source: <https://www.crunchbase.com/organization/baidu#/entity>, accessed: 29 January 2017

As the above quote mentions, Baidu’s ambition is to “further foster an ecosystem that enhance[s] the company’s monetization ability on the emerging mobile markets”, and thus dominate the mobile market via such acquisitions and investments. This domination via acquisitions and investments indeed is a common strategy shared also by Alibaba and Tencent. For example, table 3 shows Alibaba’s acquisitions, which covers areas like newspaper, video sharing, mobile applications, advertising, etc. Table 4 shows Tencent’s acquisitions, which includes services like music, digital gaming, literature, etc. Both companies state a similar aim of ‘enhancing the company’s leading position on certain area’. In other words, all three giants are dominating emerging areas via acquisition and investments.

Date	Acquired	Market
5 Jul 2016	Wandoujia	Software
6 Mar 2016	AGTech Holdings	Sports leisure
11 Dec 2015	South China Morning Post	Newspaper
16 Oct 2015	Youku	Video sharing
22 Apr 2015	Yueke Software	Entertainment



6 Jan 2015	AdChina	Advertising
11 Jun 2014	UCWeb	Software
13 Apr 2014	AutoNavi	Digital map
25 Sep 2013	Kanbox	Hardware
26 Apr 2013	Umeng	Mobile application
24 Jun 2010	Vendio	E-Commerce

Table 3: Alibaba's acquisitions. Data source: <https://www.crunchbase.com/organization/alibaba#/entity>, accessed: 29 January 2017

Date	Acquired	Market
22 Dec 2016	Sanook	News
14 Jul 2016	China Music Corp	Music
21 Jun 2016	Supercell	Digital game
18 Feb 2015	Miniclip SA	Digital game
27 Jan 2015	Cloudary	Literature
26 Jan 2014	Linktech Navi	Digital map
1 Mar 2012	Zam	Digital game
Feb 2011	Riot Games	Digital game
23 Aug 2010	Comsenz	Community service
20 Apr 2010	Shenzhen Domain Networks	Digital game

Table 4: Tencent's acquisitions, data source: <https://www.crunchbase.com/organization/tencent#/entity>, accessed: 29 January 2017

It is valuable to see how Baidu defines its main competitors for its three segments. In terms of Internet search, its main service, it defines Google and Tencent's search engine "SoSo", merging with Sohu's search engine "Sogou" as part of its investment in



Sogou in 2013¹⁷, as its main competitors. For transaction services, Baidu identifies its primary competitors as being Meituan-Dianping, which was funded \$3.3 billion by Tencent in January 2016, and Koubei, which Alibaba's investment arm Alibaba Capital Partners invested \$1 billion into in October 2016¹⁸. For iQiyi, Baidu recognises Youku-Tudou, acquired by Alibaba in November 2015, and Tencent Video as its main competitors. In other words, Baidu, Alibaba and Tencent are sharing most of the Internet content markets, as all Baidu's competitors are part of Tencent or Alibaba's services.

Moreover, BAT's subsidiaries and investees are continuously acquiring and investing in start-up companies. For example, Tencent's investee Meituan-Dianping, China's largest group deals site, acquired a third-party payment start-up, Qiandai, in 2016, in order to reduce its reliance on the existing mobile payment solutions owned by Alibaba and Tencent, and also to eliminate a possible competitor for Tencent¹⁹. Therefore, it is not surprising to see that BAT is developing a monopoly capitalist accumulation via investing and acquiring companies in various areas, including by subsuming start-ups.

Foster (2007) argues that the monopoly capitalist economy is a productive system that "generates huge surpluses for the tiny minority of monopolists/oligopolists who are the primary owners and chief beneficiaries of the system" (2-3). In the Internet content industry, BAT are obviously generating huge surpluses via acquisition and investments, and most start-ups tend to be subsumed into the BAT empire. However, as Foster warns, the monopoly capitalist production process will result in limited space for productive capacity and investment in new capacity:

As capitalists they naturally seek to invest this surplus in a drive to ever greater accumulation. But the same conditions that give rise to these surpluses also introduce barriers that limit their profitable investment. Corporations can just barely sell the current level of goods to consumers at prices calibrated to yield the going rate of oligopolistic profit. The weakness in the growth of consumption results in cutbacks in the utilization of productive capacity as corporations attempt to avoid overproduction and price reductions that threaten their profit margins. The consequent build-up of excess productive capacity is a warning sign for business, indicating that there is little room for investment in new capacity (Foster 2007, 3).

Also in its annual report, Baidu (2015, 7) highlights the importance of innovation by stating "*this (the high competition) may force us to expand significant resources in*

¹⁷ Data source: <https://www.crunchbase.com/organization/tencent/investments>, accessed: 4 February 2017

¹⁸ Ibid.

¹⁹ Data source: <http://www.dealstreetasia.com/stories/chinameituan-dianping-acquires-third-party-payment-firm-qiandai-54253/>, accessed: 4 February 2017



research and development and strategic investments and acquisitions in order to remain competitive". Baidu seems to heavily rely on "strategic investments and acquisitions", and does not give details of how to "expand significant resources in research and development". Table 5 shows Baidu's research expenses and investing expenses. In 2015, in terms of research expenses, Baidu spent nearly 10.2 billion RMB, 15.3% of its annual revenue; in terms of investing expenses, Baidu spent nearly 55.73 billion RMB, including 31.3 billion RMB cash investments and 24.43 billion RMB non-cash acquisitions of investments, amounting to around 83.96% of its annual revenue (66.38 billion RMB). Apparently, Baidu spent much of its revenue on acquisition and investments, rather than research and innovation, as it claimed to do.

2015	Costs (RMB)	Total revenue (RMB)
Research and development expenditures	10.2 billion	66.382 billion
Cash investment expenses	31.3 billion	
Non-cash acquisitions of investments	24.43 billion	

Table 5: Baidu's research and investing expenses in 2015. Data source: Baidu Annual Report 2015, accessed: 29 January 2017

Therefore, as Foster (2007) argues, if BAT continue to expand their empire via acquiring start-ups that provide new projects and services, rather than inventing, they will occupy the whole market and leave limited space for new productive capacity. For example, Didi dache, which was funded by Tencent and subsequently merged with Kuaidi dache and then funded by Alibaba in 2015, became dominant in China's car hailing market. In a short scope of time, it bought Uber's China unit in 2016 and became the oligopolist in the industry. Didi Chuxing nowadays occupies almost 90% of the ride-hailing market²⁰. This certainly leaves hardly any space for start-ups to enter the market via initiating new services or projects. As Foster argues above, the result is limited space for productive capacity.

Foster (2007, 3-7) further points out that capitalists have maintained and expanded their money capital with diverse financial products, and financial institutions have grown relative to nonfinancial corporations since the 1970s. Capital accumulation in these years seems to relate to finance rather than production. This concentration on financial speculation is financialisation of capital accumulation process. Here, BAT, understood as nonfinancial industries, are subsumed into this financialisation process

²⁰ Data source: http://www.bjreview.com/Opinion/201610/t20161017_800069482.html, accessed: 4 February 2017



via focusing much more on investment and acquisition – the skyrocketing financial speculation has persisted for decades, seemingly in lieu of new inventions.

The Chinese context is specific given the state’s obvious and serious intervention in the Internet industries. For example, Zhao (2003, 63-64) cites several central government officials playing business roles in state-owned media corporations. This shows close relationships between government and business in terms of the fusion of the Party, state and business logic in the Chinese media. Fuchs (2015, chapter 7) points out that specific companies in China’s key industries enjoy tax exemptions, which is lower than the standard enterprise income tax of 25%. For example, Baidu’s tax rate was 15.01% in 2013, because some of its subsidiaries have preferential tax rates of 15% and 10%, as being considered key enterprises in the new technology and software industries. In their 2015 annual report, Baidu also states the risk caused by the state’s regulation. For example, because of Circular 13, a notice prohibiting foreign investors from participating in online game business issued by the State Administration of Press, Publication, Radio, Film and Television, Baidu needs to consider whether its contractual arrangements would be in violation of Circular 13, which would certainly affect its business (Baidu 2015, 61). In other words, the emerging BAT empire is accumulating capital within the state’s regulation and under the state’s support.

There is no official figure on how many start-ups finally succeed, however, according to my interviewee from an investment agency, around 4% start-up survived between 2014-2016, and only 1% of those were not invested or acquired by BAT. As shown in figure 6, BAT monopolise the industry by acquiring and investing in start-ups and upholding their alliance with the state – start-ups may occupy certain parts of the market, as shown in figure 1. However, most of them probably will soon be subsumed by the BAT empire. This monopoly capitalist accumulation process certainly results in financialisation: the BAT empire focuses on capital accumulation via financial speculation rather than productive accumulation, e.g. innovation. Foster (2002, 7) argues that oligopolistic firms under monopoly capitalism will generate a strong tendency toward economic stagnation, as they rely heavily on “cutbacks in output, capacity utilization and new investment”. Therefore, this financialisation certainly will lead to a decrease in innovation and production. Further, it is “an ongoing process transcending particular financial bubbles”, as Foster (2007, 7) argues.



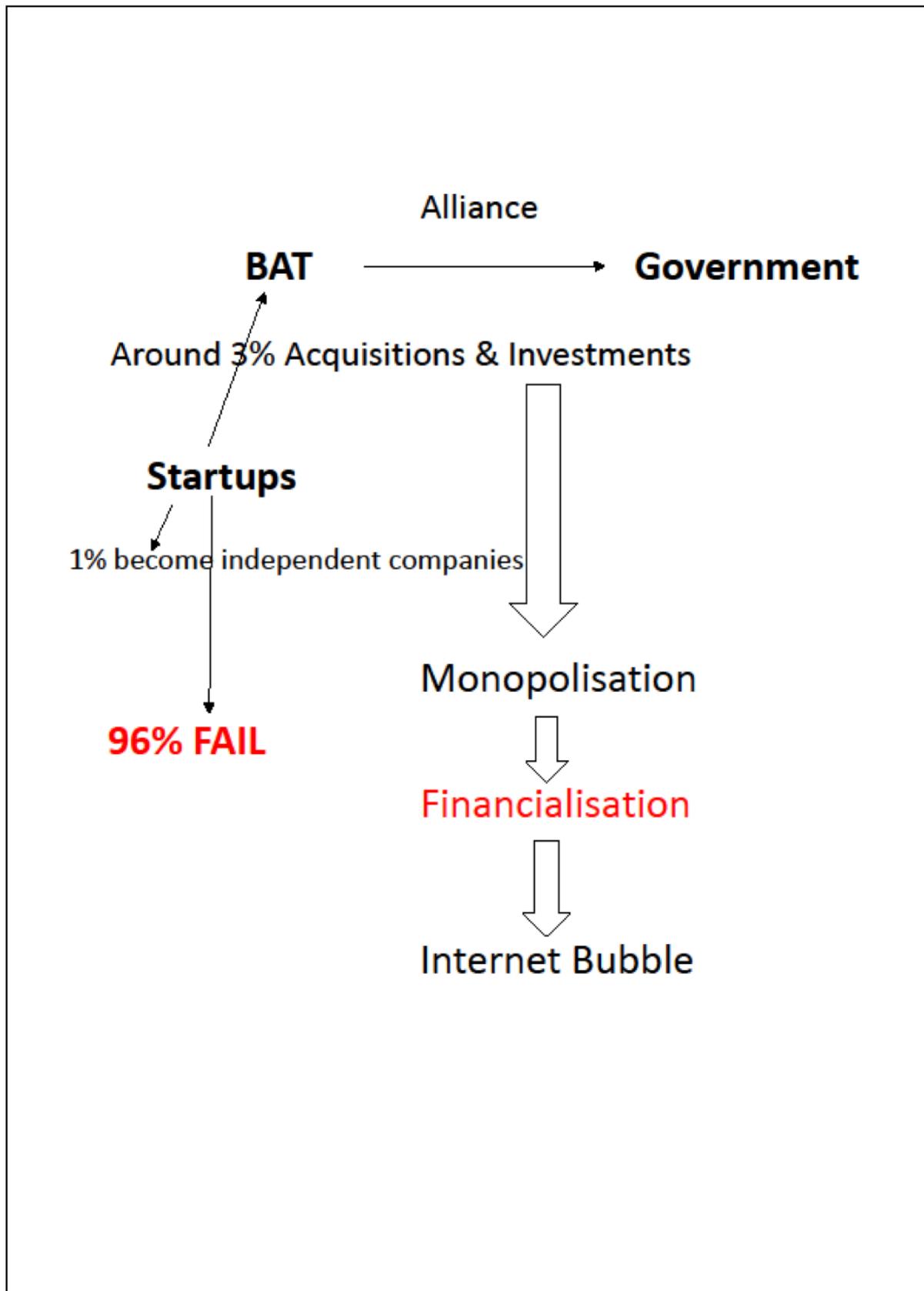


Figure 1: Monopoly capitalist accumulation.

5. The Financialisation of the Chinese Internet Economy

Fuchs (2017, 271) shows a divergence between profits and share values of main players in the Chinese Internet content industry, such as Weibo, which has a Price/Earning ratio²¹ (P/E ratio) of 88.36, much higher than the industry average of 12.5 (see figure 2). Table 6 shows the P/E ratio of all Chinese Internet content companies trading in NASDAQ. The average P/E ratio is 54.72 (see figure 2). The average stock value of these companies was \$9.734 billion in January 2017, whilst the average net income was \$0.078 billion at the end of 2015. The stock value was 124.79 times higher than the average net income. In other words, there is certain bubble in the market, as Fuchs (2017) has argued. Meanwhile, only 33 out of 53 companies are making profits at the end of 2015 (see table 6). This certainly illustrates that the market places high hopes on the Internet industries, even though they have not made the expected profits. Such anticipation of profits-making in unstable industries that are heavily intervened by the State and monopolised by oligopolies, as shown earlier, indeed is highly risky. As we argued in the previous section, the monopoly capitalist accumulation process in the industry has a high possibility of leading toward economic stagnation, due to the limited productive spaces. As a result, the anticipation of making profits from the monopoly capitalist accumulation process is a financial bubble – another possible dotcom bubble after 2000 – that will, at some point, burst.

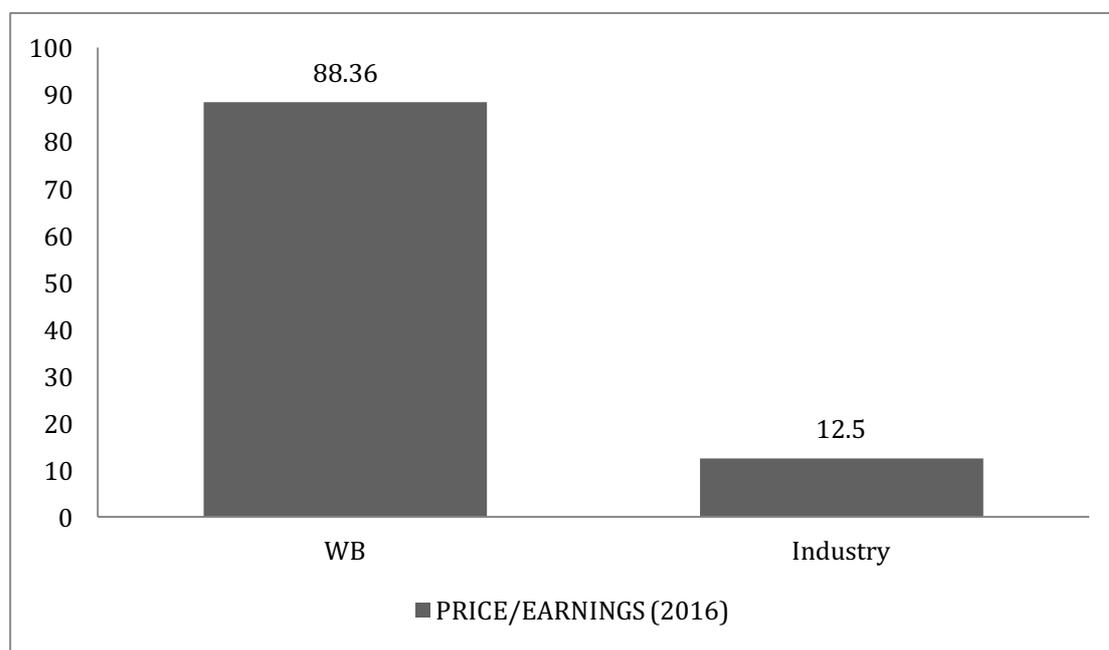


Figure 2: P/E ratio of Weibo. Data source: <http://www.nasdaq.com/symbol/wb/analyst-research> , accessed: 26 January 2017

²¹ Pricing/Earning ratio is the ratio for valuing a company. It is calculated by dividing the current stock price of a company by its earnings per share. Pricing refers to the current stock price, and earning refers to net income (profits after tax) per share of stock for the most recent twelve-month period.

Company	Value (billion USD) (Jan 2017)	Net income (billion USD) (Dec 2015)	P/E ratio
Sina	4.887	0.022	22.94
Weibo	10.052	0.019	123.88
Alibaba	261.36	1.885	54.6
Netease	32.462	0.314	22.22
Sohu	1.6	0.009	None
Baidu	60.887	3.587	13.19
Changyou.com	1.289	0.038	9.17
The9	0.068	-0.030	None
Ctrip.com	21.463	0.021	None
China Finance Online	0.073	0.013	3.86
51Job	2.122	0.021	27.87
KongZhong Corporation	0.328	0.006	8.7
E-House (China) Holdings	0.968	-0.03	None
VisionChina Media	0.02	-0.009	None
UTStarcom Holdings Corporation	0.064	-0.013	None
Semiconductor Manufacturing International Corporation	5.93	0.03	19.89
Action Semiconductor	0.095	-0.013	None



The Financialisation of Digital Capitalism in China

China Techfaith Wireless Comm. Tech.	0.022	-0.003	None
TAL Education Group	6.149	0.010	72.89
China Distance Education Holdings	0.34	0.004	13.57
New Oriental Education & Technology Group	7.492	0.007	31.2
Fang Holdings	1.768	-0.039	None
ChinaCache International Holdings	0.068	-0.089	None
E-Commerce China Dangdang	None	0.029	39
Sky Mobi	None	0.003	12.59
21Vianet Group	0.6	-0.016	None
Renren Inc.	0.554	-0.042	None
NQ Mobile	0.337	0.019	90.25
Phoenix New Media	0.256	0.006	22.44
Taomee Holdings	0.131	0.001 (2014)	None
Vipshop Holdings	6.274	0.073	25.07
YY Inc.	2.326	0.051	13.17
IightIn TheBox Holding Co.	0.206	-0.004	None
58.com Inc.	3.459	0.032	None
Qunar Cayman Islands	4.476	-0.74	None



500.com	0.544	-0.016	None
Autohome Inc.	3.518	0.042	21.27
Bitauto Holdings	1.459	-0.038	None
Tarena International	0.845	0.014	25.17
Leju Holdings	0.554	0.013	19.38
Cheetah Mobile Inc.	1.403	0.008	None
Tuniu Corporation	1.144	-0.080	None
Jumei International Holding	0.646	0.020	73.82
JD.com Inc.	38.786	-1.112	None
Zhaopin Limited	0.87	0.009	21.32
Xunlei Limited	0.261	-0.005	None
Idreamsky Technology	0.631	-0.002	87.06
eHi Car Services Limited	0.643	-0.002	507.5
Momo Inc.	4.452	0.006	71.65
JMU Ltd.	0.311	-0.011 (2014)	None
Baozun Inc.	0.72	0.002	123.18
Yirendai Ltd.	1.247	0.013	10.00
China Online Education Group	0.286	None	None
Average	9.734	0.078	54.72



Table 6: Chinese Internet companies in NASDAQ. Data source: <http://tech.sina.com.cn/nasdaq/list/>, accessed: 26 January 2017

Table 7 shows the P/E ratio of all Chinese Internet content companies trading on HKEX. The average P/E ratio is 34.05, much higher than the average P/E ratio of 12.5. The Average stock value of these companies was 321.929 billion HKD in January 2017, whilst the average net income was 14.884 billion in the end of 2015. The stock value was a staggering 21.63 times higher than the average net income. Table 8 shows the P/E ratios of Internet content companies trading on the Shanghai Stock Exchange and Shenzhen Stock Exchange, and the average P/E ratio is 66.86, again higher than the average 12.5. Apparently the average P/E ratio of Internet content companies trading in mainland China's stock markets is so high that it even exceeds the P/E ratio in many other industries (see table 8). In other words, the high P/E ratios of Chinese Internet content industry, especially companies trading in mainland China's stock markets, indicate a high risk detectable in this industry.

Company	Value (billion HKD) (Jan 2017)	Net income (billion HKD) (Dec 2016)	P/E ratio
Tencent	1942.802	32.902	46.039
KingSoft	21.464	0.386	None
HC Intl	6.307	0.026	140.367
A8 New Media	0.844	0.025	22.600
China Unicom	220.074	11.939	49.496
China Mobile	1805.938	122.817	14.437
China Telecom	51.346	22.767	12.626
Lenovo Group	56.987	-0.362	11.647
DC Hold- ings	8.597	1.046	10.712
Tiange	6.107	0.169	36.860
SMIC	46.074	0.251	21.020



Car Inc	17.470	1.583	8.742
LineKong	1.069	-0.061	None
Average	321.929	14.884	34.050

Table 7: Chinese Internet companies on HKEX. Data source: <http://tech.sina.com.cn/nasdaq/list/>, accessed: 26 January 2017

Industry	Date	Average P/E ratio
Internet and related services	27 January 2014	95.83
	26 January 2015	80.07
	26 January 2016	89.23
	26 January 2017	66.86
Computer and telecommunication	27 January 2014	65.02
	26 January 2015	72.27
	26 January 2016	80.02
	26 January 2017	70.4
Financial sector	27 January 2014	23.23
	26 January 2015	39.11
	26 January 2016	10.75
	26 January 2017	19.08
Real estate industry	27 January 2014	17.74
	26 January 2015	30.8
	26 January 2016	31.16
	26 January 2017	30.74



Culture, sports and entertainment	27 January 2014	53.62
	26 January 2015	50.09
	26 January 2016	55.96
	26 January 2017	42.92

Table 8: P/E ratios of industries trading in Shanghai and Shenzhen's stock markets, data source: <http://quotes.money.163.com/hs/marketdata/hybjsyl.html>, accessed: 26 January 2017

However, this high risk cannot be revealed from the heated start-up market and monopoly capitalist accumulation process, as shown earlier. Meanwhile, according to Internet Society of China and the Ministry of Industry and Information Technology (2015), the top eight companies' profits was 51.47 billion RMB in 2014, equal to 85% of the top 100 companies' profits. This certainly shows a tendency of monopoly capitalist accumulation. The average profit margin of the top 100 Internet companies was 10.7% in 2014, compared to Google's 25.82% in the same year²².

The high stock values with low profitability is further indicated in some Internet content companies' average revenue per user. For example, Baidu's revenue in 2015 was 66.38 billion RMB, with the average monthly active users of mobile search of 657 million (Baidu Annual Report 2015). The average revenue per user of Baidu Search was then 101.04 RMB (approximately \$14.69). Similarly, the average revenue per Tencent user was 147.58 RMB (approximately \$21.46) – they showed a 102.863 billion RMB revenue with 697 million monthly active users of its main services Weixin and WeChat (Tencent Annual Report 2015). By comparison, Google's average revenue per user was approximately \$74.989 – they had a \$74.989 billion revenue with 1 billion monthly active users of Google Search (Google Annual Report 2015). However, at the time of writing (30th January 2017), Baidu's P/E ratio was 12.44²³ and Tencent's was 44.96²⁴, whilst Google's was 28.83²⁵. In other words, based on their profitability, stock values of Baidu and Tencent are overpriced compared to Google's. If we look at the divergence between profitability and stock values of Internet content companies trading in mainland China's stock markets, it would be much higher than the one of BAT.

Ljungqvist and Wilhelm (2003) analyse IPO pricing in the dot-com bubble during 1999 and 2000. They recognise the average first-day returns dwarf in 2000 as the most important feature of dot-com bubble. Among top companies trading in NASDAQ, three

²² Data source: https://ycharts.com/companies/GOOG/profit_margin, accessed: 2 February 2017

²³ Data source: https://ycharts.com/companies/GOOG/pe_ratio, accessed: 2 February 2017

²⁴ Data source: <https://www.bloomberg.com/quote/700:HK>, accessed: 30 January 2017

²⁵ Ibid.



Chinese companies occupy top-five IPOs with the highest first-day return in NASDAQ. Baidu was at 353.9%, Youku was at 161.3% and Qihoo at 134.5% (Renaissance Capital 2017). However, as table 9 shows, the average first-day returns of Chinese Internet content companies' IPO in NASDAQ between 2013 and 2016 show a dramatic decline: it decreased from 65.5% in 2013 to -0.5% in 2015-2016. Put differently, as Ljungqvist and Wilhelm (2003) argue, this average first-day returns dwarf in the recent two years should be taken as a sign for another future dot-com bubble.

Company	IPO date	Close last (\$)	Issue price (\$)	First-day returns
LightIn TheBox Holding Co.	6 Jun 2013	11.61	9.5	22.2%
58.com Inc.	31 Oct 2013	24.12	17	41.9%
Qunar Cayman Islands	1 Nov 2013	28.4	15	89.3%
500.com	22 Nov 2013	20.01	13	53.9%
Autohome Inc.	11 Dec 2013	30.07	17	76.9%
2013 IPO average first-date returns	65.5%			
Tarena International	3 Apr 2014	9.06	9	0.7%
Weibo	17 Apr 2014	20.24	17	19%
Leju Holdings	17 Apr 2014	11.86	10	18.6%
Cheetah Mobile Inc.	8 May 2014	14.1	14	0.7%
Tuniu Corporation	9 May 2014	10.07	9	11.9%
Jumei International Holding	16 May 2014	24.18	22	9.9%
JD.com Inc.	22 May 2014	20.9	19	10%
Zhaopin Limited	12 Jun 2014	14.65	13.5	8.5%



Xunlei Limited	24 Jun 2014	14.9	12	24.2%
Idreamsky Technology	7 Aug 2014	15.94	15	6.3%
Alibaba	19 Sep 2014	93.89	68	38%
eHi Car Services Limited	18 Nov 2014	11.7	12	-2.5%
Momo Inc.	11 Dec 2014	17.02	13.5	26.1%
2014 IPO average first-date returns	13.2%			
JMU Ltd.	8 Apr 2015	10.28	10	2.8%
Baozun Inc.	21 May 2015	10.44	10	4.4%
Yirendai Ltd.	18 Dec 2015	9.1	10	-9%
China Online Education Group	10 Jun 2016	18.98	19	-0.1%
2015-2016 IPO average first-date returns	-0.5%			

Table 9: Average first-day returns of Chinese Internet content companies IPO in NASDAQ in 2013-2016. Data source: <http://www.nasdaq.com>, accessed: 31 January 2017

Fuchs (2017, 272) argues that China's social media economy is a "highly financialized capitalist industry that depends on the influx of investments on finance markets and the confidence of advertisers that advertising works" (272). It is not the main aim of this paper to give a financial analysis of the bubble in the Chinese Internet content industry, and neither is it our main interest to explore what this bubble looks like. However, all figures above indicate an emerging Internet bubble and demonstrates that the Internet market is over-heated and over-evaluated by monopoly capitalists. This result sustains Fuchs' (2015; 2017) analysis of China's social media economy. What this paper is interested in is relating this emerging Internet bubble with contemporary Chinese social context, namely the development of a neo-liberalism with Chinese characteristics. Therefore, it is necessary to ask why the Internet bubble is emerging at the moment: why is the start-up market over-heated and over-evaluated by monopolist companies when we know this is highly risky?



6. Conclusion

Due to its high reliance on foreign sectors, we saw a sharp decline in Chinese exports in 2009 as influenced by the global economic crisis in that period. Harvey (2012, 61) explores that the Chinese government thus over-invests in urban and infrastructure projects with the aim of absorbing unemployed labour that is set free in the export industry – this is a reaction to the global crisis. As a result, a large population of rural migrants who used to work in agriculture is forced to enter urban areas and work as cheap labour in the infrastructure industry.

With this overbuilding and overinvesting in the real estate market, urban housing prices should decrease consequently, if we agree that they are overbuilt. However, as Harvey (2007, 141) points out, Chinese urban housing prices are driven up and thus become an asset bubble. According to Global Property Guide (2015), the average price of a new house in Shanghai's in Q3 2015 rose by 18.6% to 31,844 RMB (\$4,930) per square-metre. Significantly, the price of a second-hand house increased by 8.31%.

Therefore, it is necessary to ask what the driving forces behind China's rising housing prices are. According to Li and Song (2016, 131-135), there are four factors stimulating China's real estate industry. The first is local government's double monopoly. In order to increase revenues and cover fiscal expenditures, local governments rely on land-transfer fees, which pushes the housing prices up. Meanwhile, corruption problems also infer extra transaction costs, which directly adds to the increasing housing prices. The second factor is institutional factors – state-owned developers push up the price of land due to the support offered by banks. Meanwhile, Chinese young men are eager to buy houses with their parents' financial support, which benefits from the pre-reform-built urban properties transferring to urban residents in central areas. This relates to the third factor they state: cultural factors. A significant reason for young men wanting and needing to buy a house is the so-called “mother-in-law” factor. For it is a pre-requisite that grooms purchase a wedding home if a marriage is to take place. The last driving force in their argument is economic factors. For example, it is common in Chinese culture to prefer saving and investing. But most financial investments, including bank saving, have in recent years brought negative returns while inflation has been high. Thus investing in urban housing has become popular among the Chinese. This factor could also be related to Foster's criticism of financial speculation: “capital, lacking investment outlets, increasingly flowed into financial speculation, while the financial services industry, so-called, was able to come up with more and more new instruments to absorb this capital” (2009, 7). In other words, the real estate industry becomes a financial speculation for Chinese people to invest capital with a confidence in high returns as opposed to saving up with little gain.

The four driving factors give us a sense of the skyrocketing of urban housing prices. Definitely, there are other factors driving up the prices, such as the government's intervention. For example, in 2008, Chinese government issued a 4 trillion RMB stimulus package. This enabled developers to obtain loans with lower capital requirements



and buyers to have looser lending conditions and lower interest rates. As a result, housing prices in Beijing and Shanghai surged over 10% in a year²⁶.

All these factors result in skyrocketing housing prices and an asset bubble, as Harvey (2007, 141) argues. In other words, Chinese urban housing is also in the financialisation of the capital accumulation process, as the Internet content industry. Likewise, Li and Song (2016) argue that buying and selling houses become popular ways to invest and a sort of game between local governments and developers. Young people who do not have rich parents who own valuable houses in central areas are the victims in this financialisation process. They are forced to work extremely hard to struggle for the unreasonable high housing prices if they want to have a chance at marriage, though most of them cannot even attain the ticket even after having worked hard for many years.

Workers in the Internet content industry are heavily involved in this financialisation process as the young victims. It is common to hear that young workers are struggling to settle down in big cities such as Beijing and Shanghai where Internet companies have converged, via buying houses.

The main mission for every Chinese man is to buy a house, in order to get married [...] If you earn 10,000 RMB per month in the (Internet) industries, you can never afford a house in Beijing [...] I really want to invite one of my friends to join my start-up company, but he cannot, because he took a mortgage with a monthly pay of 15,000 RM. (Tom, Beijing, December 2016)

It is pre-requisite for a Chinese marriage. Nowadays, it is common that parents pay for the down payment, and young couples take mortgage. (Bob, Beijing, December 2016)

However, as some of them said above, it is hard or even impossible for young men to buy houses without the help from their parents. Therefore, for most young men who do not have rich parents, start-up seems to be the only possible way to get the ticket for marriage.

My friends are starting their own business. It's just a small project that enables them earn enough money for houses. (Bob, Beijing, December 2016)

Start-up enables me to see a bright future. I see chances to succeed here [...] Success means a lot, for example, being rich. And Internet industries are the best place to realise it. (Galeno, Beijing, December 2016)

²⁶ Data source: <http://www.globalpropertyguide.com/Asia/China/Price-History>, accessed: 4 February 2017

From these interviewees, we may get a picture of the over-heated start-up market, as shown in the last section: huge numbers of young Internet workers choose to start their own businesses are sort of driven by earning enough money for buying houses in big cities – a ticket to marriage and settling down. In other words, the over-heated start-up market and the monopoly capitalist accumulation process in Chinese Internet content industry need to be understood in the context of contemporary Chinese society, and thus in relation to the asset bubble.

This paper therefore has shown the over-heated start-up market in the Chinese Internet content industry, which is featured with government's support and large numbers of young entrepreneurs. This paper also shows how BAT is monopolising the industry via acquisitions and investments. This certainly will result in financialisation, as BAT focus on capital accumulation via financial speculation rather than productive accumulation, such as innovation. Meanwhile, we show divergence between Internet companies' stock value and net income, which leads to the over-pricing of the industry.

Foster (2009, 7) argues that the economy relies on the “inflation of one financial bubble after another” in the financialisation of the capitalist economy. Forster (2015, 17) further argues that financialisation of the capital accumulation process “led to an enormous increase in the fragility of the entire capitalist world economy, which became dependent on the growth of the financial superstructure relative to its productive base, with the result that the system was increasingly prone to asset bubble that periodically burst”.

It is not our aim to predict a possible crisis caused by either the Internet bubble or the asset bubble, rather, this paper has aimed to show an emerging Internet bubble based on the financialisation of capitalist accumulation, and has argued that the start-ups boom and the monopolist accumulation in the industry are stimulating the Internet bubble. If the bubble bursts one day – as Foster (2015: 17) argues, such a financial bubble “dependent on the growth of the financial superstructure relative to its productive base” will periodically burst – young workers in the industry, will be the primary victims.

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