Jin Sun

Study on the Financial Supervision and Anti-Monopoly Regulation of Integration of Industry and Finance — In View of Confronting Global Financial Crisis and Mitigating Domestic Financial Risks

Abstract  With governmental loose control in the major global economies since 1980s, the integration of industry-finance capital generates group companies. The integration of industry and finance (hereinafter as the “IIF”) is on the way to gradually become the mainstream of the world. It is needed to reconsider the IIF in light of the current global financial crisis. The IIF expands economic scale and increases efficiency, bringing two challenges in practice: financial risk overlay and anti-competition of the market power. What is more, the formation and abuse of market power will amplify the effect of risk overlay. To mitigate financial risks and protect market competition and to improve the regulation of the IIF, it is needed to improve both financial supervision and anti-monopoly regulation, as both are crucial.

Keywords  IIF, financial supervision, financial risk, financial crisis, monopoly and restriction of competition, anti-monopoly regulation
1 Definition of the IIF and the Significance of Its Regulation

1.1 The IIF

1.1.1 Financial Capital and the IIF

The West in a long time studies the IIF through a traditional financial capital theory, who believes that the IIF is just an economic phenomenon that industrial monopoly capital and bank monopoly capital merge together to be financial monopoly capital. To better understand the IIF, we need to first briefly review the theory development and connotation of financial capital.

The earliest study on financial capital is the capital accumulation theory of Marx and Engles. This theory holds that when capitalists pursue profit maximization, the capital tends to accumulate in these two ways: On the one hand, means of production separate from labors day by day; on the other hand, means of production concentrate after the separation, which turn freely competitive capitalism to monopoly.\(^1\)

Engles also expounded the dialectical unity of competition and monopoly. He said that “…competition is based on interests and interests generate monopoly. In short, competition turns into monopoly. On the other hand, monopoly cannot hold back the tide of competition and it may trigger competition by itself.”\(^2\) Therefore, the capital accumulation theory has already scientifically foreseen the inevitability of the generation of monopolistic financial capital. Lafargue firstly proposed a concept of “financial capital” in his article American Trust and its economic, social and political effects (1903). He pointed out that with the expansion of industrial capital, the capital of the industry became more and more concentrated, which further promoted the concentration of bank capital. The merger of two kinds of capital ultimately formed a special kind of capital, i.e., financial capital.\(^3\) Rudolf Hilferding further developed the financial capital theory and demonstrated the monopoly problem after the formation of financial capital in his famous work Financial Capital (1910) that hailed as “Continuance of Das Kapital.” He defined financial capital as currency capital that was controlled by banks and used by industrial capitalists, and regarded credit and joint stock company as a powerful lever to stimulate the generation of financial capital. The bank capital and industrial capital, being induced by joint stock

---

\(^1\) 马克思恩格斯全集第 23 卷 (Selected Works of Karl Marx and Friedrich Engels, vol. 23), People’s Publishing House (Beijing), at 688 (1972).

\(^2\) 马克思恩格斯全集第 1 卷 (Selected Works of Karl Marx and Friedrich Engels, vol. 1), People’s Publishing House (Beijing), at 688 (1972).

\(^3\) 拉法格文选下册 (Selected Works of Lafargue, vol. 2), People’s Publishing House (Beijing), at 212 (1985).