Ava Langford

Jesse Green

Independent Study & Mentorship

24 September 2024

Research Assessment #3

Subject: Globalization of Financial Capitalism and its Impact on Financial Sovereignty

MLA Citation:

Guoping Li, and Hong Zhou. “Globalization of Financial Capitalism and Its Impact on Financial Sovereignty.” *World Review of Political Economy*, vol. 6, no. 2, 2015, pp. 176–91. *JSTOR*, https://doi.org/10.13169/worlrevipoliecon.6.2.0176. Accessed 24 Sept. 2024.

Assessment:

In a period of neo-liberalism, China’s economic monetary policies and industrial capitalism has changed the way global capital has developed. Globalization of financial capital has led to improved political and economic sovereignty, especially in China. In the World Review of Political Economy, economists attempt to protect China’s financial sovereignty to promote domestic and international economic growth.

China is a global powerhouse. Its industrial efforts on the international stage demonstrate how developed countries utilize financial resources to improve economic sovereignty. Although China’s economy vastly differs from that of America, it is essential to consider global perspectives of economic development. Thus, I am able to grasp a deeper understanding of how countries organize their economy. Compared to the United State’s economy, China focuses on exports, making prices of consumer goods lower, although unethically, while the United States focuses on manufacturing. I can thereby implement my knowledge of the United States's economy and compare it with international markets.

When I first read Li and Zhou's paper, I thought the paper was redundant. It kept on repeating the topic of financial capitalism in economic systems or governments. However, I did not realize that the paper was structured as a a global perspective that narrowed into an analysis of China's economic system. Therefore, I will structure my commentary based on the paper's structure.

The introduction of the paper introduced a new term, financial capitalism, which creates wealth (and essentially the term capitalism) through financial systems. This idea is pretty broad, but can be applied for most developing countries' financial systems, per the paper's claims. Li and Zhou emphasized the implications of globalization of financial systems on political and economic government structure, affecting sovereignty. The paper's introduction indicates that Li and Zhou will be analyzing numerous developing countries. Prior to the paper, I believed that China was a developed country due to it's large influence as a global power; however, after researching about China, I have come to realized that its focus on low-cost manufacturing and exports makes it vastly different than a manufacturing and enterprise-based economy like the United States. This thought that China is not developed as I previously thought shifted my way of thinking; China's financial sovereignty appears more fragile than what is portrayed in the media.

Instead of analyzing China's economy, Li and Zhou choose to further define financial sovereignty. They argue that financial sovereignty is a complex topic, which manys studies have failed to define correctly, stating that it is similar to national sovereignty. Through the paper, I have learned that Li and Zhou categorize national sovereignty into a few topics: financial, state, economic, and monetary. In a Chinese perspective, national sovereignty is the rights that states use to make financial decisions, internally and externally. However, my perspective differs from that of the paper. I define national sovereignty as more than financial sovereignty. National sovereignty is the ability for a state to make decisions. National sovereignty includes more components than financial dependency; it includes political, militaristic, and social aspects of the state. Yet, Li and Zhou communicate financial sovereignty with three rights, which piqued my curiosity because their views indicate that some part of China's believes the same. The three rights are "the right to choose and establish a domestic financial system," "the right to make financial policies," and "the right to regulate domestic financial markets, financial institutions, and financial activities." However, I still argue that a state having financial authority over its own state extends past solely financial systems and into political systems. But, the paper has substance. By focusing on the financial analysis of economics systems, more specific research can enhance my knowledge.

Li and Zhou shift their focused into how globalization affects financial sovereignty from a financial perspective. I agree with their argument that globalization of financial systems can affect the safety of a state, namely its "regulatory authority," creating systematic risks that can result in a global financial crisis like the financial crisis of 2008. The financial crisis of 2008, although referenced but not explained in the paper, is a significant variable that changed the financial systems of America's economy. The crisis was caused by cheap credit, lax lending (when leaders prioritized loan quantity over quality), and two Bear Stearns hedge funds collapsing in 2007. The financial crisis of 2008 caused house prices to crash and led to the Great Recession. The crisis led the world's financial systems to crash, but ultimately led to an improvement in China'as economic situation. The financial crisis of 2008 proves the negative effects that globalization has on economies, despite China benefiting from the recovery period. For further study, I would like to focus on the financial crisis, learning what decisions led to the two Bear Sterns hedge funds to crash and if there were any external factors that led to the crisis.

One possible factor that is attributed to less sovereign authority of a country (but not to the financial crisis) are international private authorities like monopolistic multinational corporations (MNCs). Some examples are Standard & Poor's, Moody's, and Fitch, which were the three biggest credit rating agencies in 2004 and today. After reading Li and Zhou's perspective of the large potential effect that MNCs have on global markets, it can be inferred that the 2008 financial crisis was partly caused by the influence of such MNCs.

Overall, Li and Zhou's research has piqued my interest about the financial crisis of 2008. In the conclusion of the paper, the financial crisis was theorized to resurge in the near future, making me curious about what will happen to Chinese and American economies. Although the paper attempts to provide solutions to the negative effects of globalization on financial economies, the solutions ultimately convey that the way that China protects its financial systems and maintains its stability is still a significant challenge for the developing country. With new insight from Li and Zhou's analysis, I should direct a portion of my research on the financial crisis of 2008, discovering the causes, effects, and future implications of the crisis on an international scale.