

From "Ticket Economy" to "Modern Finance": Research on the Changes of Monetary System Based on Political Economy, Monetary and Financial Theory

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Abstract: Political Economy Money and Financial Theory, as well as its development, are guides for understanding the laws of modern currency circulation and properly handling the relationship between physical and virtual economies. The over 40 years' great historical journey has witnessed the transformation from the "ticket economy" system of the period of the Social System of China exploration to the current "modern financial" system. As the legal currency, the function of the renminbi has gradually become complete after going through the imperfections of the system in which economic factors are controlled and regulated to the gradual completion of the market economy. Information technology revolution has given birth to a new form of currency based on credit, and financial reform and development have opened up vast space for the gradual perfection of renminbi functions. This article interprets the applicability and guiding role of Political Economy Money and Financial Theory behind different historical periods of currency systems and their respective functional completeness.

Keywords: Currency Reform; Ticket Economy; Modern Finance; Political Economy Money and Financial Theory

1. Introduction

Monetary and financial theory as an important part of political economy is mainly developed in "Capital." Although there are certain limitations on the analysis of money and capital from an era perspective, they still have important theoretical and practical significance for today's monetary policy formulation and financial system innovation [1]. This paper holds that the transformation of China's currency system is dependent on the different

requirements of industrial development at various times. Additionally, the "internal conflict" principle of product development is the driving force for the continuous innovation of political economy monetary thoughts.

2. The Ticket Economy: "Shadow Currency" that Cannot be Traded Separately

2.1 The Rise and Fall of the Ticket System

Entered into Chinese history during the early period of the People's Republic of China. "certificate economy" gradually matured and became established. With the introduction of the autumn grain crisis of 1953 and the policy of unified purchase and sales of grain, the spring grain crisis of 1955 further strengthened this policy. From October 1953, the country implemented a policy of unified purchase and sale of grain and oil (including edible oil). In August 1955, China promulgated the Interim Measures for the Quantitative Supply of Grain in Towns, and thus grain coupons and grain purchase certificates entered the historical stage of New China's ticket system as the first ticket. Subsequently, oil coupons, cloth coupons, sesame sauce coupons, meat coupons, etc. were issued one after another. Plan tickets were the vouchers for planned supply issued in large quantities during the era of the system in which economic factors are controlled and regulated. Originally a temporary measure for planned supply, it became a far-reaching system due to the "systemic shortage" caused by the planned economic system.

After more than 30 years of operation, the ticket system had accumulated a large number of contradictions that were not compatible with economic and social development by the early stage of the reform and opening up. After 1992 the goal of establishing a the Social System of China market economy system, the complete

marketization of grain prices in 1993, the withdrawal of grain ticket trading behavior and grain tickets themselves from the historical stage, marked the collapse of the ticket system. The rise and fall of the "ticket economy" is an effective exploration of China's construction in the economic field during the primary stage of Chinese characteristic social system, and also a stepping stone for later embarking on the right track of monetary economy.

2.2 The Interpretation of the Perspective: Political Economy Monetary Theory behind the Concept of "Ticket Economy"

In developed commodity economies, currency has the functions of value scale, circulation means, storage means, payment means, and world currency species. Currency has developed from the commodity economy and is a material that expresses the value of commodities. It is a means of exchanging commodities, so the scale of value and the means of circulation are the two most basic functions of currency [2]. In the process of commodity circulation mediated by currency, the movement of commodity circulation can be manifested as the movement of currency as a means of circulation, manifested as the circulation of currency. Generally, equivalent goods can only be truly called currency when they have both a value scale and a means of circulation.

The "ticket economy" is actually a planned means by which the state forcibly deprives paper currency of its function as a means of circulation based on the issued paper currency. During the era of the "ticket economy" in China, the main form of currency was the Renminbi, which consisted primarily of a large amount of paper money. Various types of certificates represented by grain coupons do not have legal circulation and trading functions, but gradually become "shadow currencies" in actual operation; The RMB can only be used in conjunction with bills to complete trading activities [3]. Starting from political economy analysis of the function of currency, in the era of "ticket economy", the RMB could price commodities to achieve the function of value scale. However, due to the relationship between money supply and commodity flow, the RMB could not circulate freely in the market.

On the one hand, combining political economy

discourse on the circulation laws of paper currency, analyze the historical background of the ticket economy. At the beginning of the founding of the People's Republic of China, there was a great deal of waste waiting to be revitalized. In terms of industrial nature, China is essentially an agricultural country, and there is a serious imbalance between urban and rural workers and farmers. The monetary sector has inherited the vicious cycle brought about by severe inflation in old China. Money flows from cities to rural areas, and daily necessities (such as food and meat) flow from rural areas to cities. The money in the hands of farmers is actually a form of "excess liquidity" [4]. On the other hand, China before the reform and opening up was a society with extremely scarce material resources. The system in which economic factors are controlled and regulated is a shortage economy, and the relative oversupply of money due to supply shortage is a normalized phenomenon. The total supply of the entire society cannot even meet people's needs for food and clothing. The state must deprive the renminbi of its function as a means of circulation on limited resource commodities in order to regulate the currency with excess liquidity at the macro level. By utilizing regional and diverse types of tickets to establish a bridge between RMB, tickets, and commodities, the new resource allocation method solved the problem of resource scarcity to some extent. In the era of ticket economy, the state satisfied people's basic level of physiological needs through monopolistic distribution, stabilizing the social order and easing existing social contradictions. This measure has practical relevance and will also show limitations as the situation changes [5].

3. Monetary Economy: Free Circulation and Operation of RMB

3.1 The Contradiction between the Ticket System and Economic and Social Development in the Early Stages of Reform and Opening up

The "ticket economy" is a product of China's grain unified purchase and sales policy, which has accumulated a large number of contradictions that are not compatible with economic and social development, and subsequently intensified under the wave of

reform and opening up ^[6]. On the economic level, the traditional ticket system is seriously disconnected from the market in terms of resource allocation. On the one hand, it forcibly limits people's consumption quantity and hinders the circulation of goods. No matter how much money it cannot gain goods, and the relevant vouchers for daily necessities are even more useful than RMB ^[7]. On the other hand, the parallel of the "ticket economy" and the commodity economy results in a "price dual track system" of planned prices for ticket purchases and private market prices. A common phenomenon is arbitrage by buying affordable grain at lower planned prices and selling it as "commodity grain". On the social level, on the one hand, there are regional differences in the issuance of tickets. In order to maintain the minimum standard of purchasing conditions for survival goods, people can only stay within the issuance scope of tickets in their respective provinces, cities, counties, and other regions for production labor. This to some extent restricts population mobility, hinders the rational allocation of labor factors, and restricts the development of the Social System of China industry. The emergence of the ticket system, to a certain extent, also planted the foundation for the strict registered residence management system established later in China. On the other hand, the resource allocation model planned by the ticket system limits the enthusiasm of the majority of workers. Under the Social System of China, distribution according to work is reflected in the egalitarian distribution based on planned tickets, and workers gradually become accustomed to the regulation and arrangement of their own lives by the planned ticket system.

3.2 Interpretation from the Perspective of Political Economy Monetary Theory on the Return of RMB to Complete Monetary Function

Capital mentions that the state can enforce the issuance of paper currency, but the circulation of paper currency or value symbols is still governed by internal laws; unlike the amount of circulating gold determined by the price of goods, the value of circulating paper tickets is entirely determined by their own quantity. This indicates that under the conditions of paper currency circulation, the money supply has an

exogenous phenomenon, and the actual circulation of money is governed by its inherent laws of circulation. Although a country can determine the quantity of banknotes to be put into circulation, it cannot determine the value of banknotes. The value of circulating banknotes depends entirely on their own quantity, and the quantity of banknotes directly affects the currency value and commodity prices ^[8]. Therefore, the derivation of Political Economy Theory of commodity currency has important theoretical and practical significance for the formulation and implementation of monetary policy in today's era, which has led to the contemplation of paper currency ^[9].

The urgent need for the renminbi to become a complete currency lies in the fundamental reason that, with the recovery of productivity and the need for economic growth, the currency circulation allowed by the ticket system during the system in which economic factors are controlled and regulated period is no longer matched with the scale of commodity transactions. The ticket system, as a regulatory tool for the country to solve the problem of total supply being less than total demand and suppress the vicious cycle of inflation, reduces the amount of money circulating in the market, especially causing a decrease in the speed of money circulation. From the perspective of Western economics, it is an external manifestation of deflation ^[10]. As an economic process that is opposite to deflation, deflation is usually a continuation of over corrected regulatory mechanisms after inflation is effectively resolved. The urgent need for the retirement of the ticket system and the urgent return of the fully functional RMB are the trend and inevitable progress of history. In the period of underdeveloped productivity and scarce material resources, the supply of goods is far less than the demand, and the quantity of paper currency is far greater than the actual circulation required to maintain price stability. The ticket system effectively controls the currency circulation in the planned market. However, once the market breaks free from the regulation of national planning methods, currency flows from static to dynamic, from reserves to purchases and investments. The market is a breeding ground for commodities and a harbor for currency circulation. Only through the free circulation

and operation of currency in the market system can it break the label of being just a "value symbol", fully realize its function as a means of circulation, and further open up a vast space for improving the function of currency. The liberation of the monetary function of the renminbi only means that it has restored its most basic monetary function. In a mature market economy, traditional currency has been continuously developed and extended, gradually giving rise to new forms of currency and circulation methods.

4. Modern Currency: Gradually Performing Virtualization Credit Currency

4.1 Credit Currency, Virtual Capital, and Financial Innovation

In Political Economy Theory of commodity currency, the buying and selling of commodities is a two-way equal transfer movement between the value of commodities and the value of currency. With the further development of the commodity economy, the exchange form of credit currency has overcome the inconsistency of legal paper currency in time and space, and is a unilateral value transfer movement based on the relationship between creditor and debtor. The development of credit system has gradually extended from commercial credit to bank and enterprise credit, and virtual capital is the result of the development of credit system ^[11]. The information technology revolution has injected strong impetus into financial innovation and given birth to electronic currency. From the perspective of carrier performance and issuing institutions, the former's electronic currency is represented by various types of card based electronic currency and computer network electronic currency, while the latter is represented by digital currency issued by legal and private monetary institutions.

4.2 Interpretation of the Forms and Functions of Modern Currency from the Perspective of Political Economy Monetary Theory

The function of currency is to summarize the essence and external manifestations of currency in the process of commodity exchange. Firstly, the payment function of currency has generated commercial credit.

Secondly, the speed of currency circulation not only depends on the process of buying and selling, but also on the connection of various forms of currency payments when making monetary payments. Political Economy Theory of general equivalence is an absolute prerequisite for analyzing worthless currency. In the process of performing its functions, commodity currency gradually evolves into an advanced and worthless form of credit currency. Legal tender (paper currency) issued by the state mainly plays the role of a means of circulation in commodity exchange, while credit currency issued by banks and other financial institutions mainly has the characteristics of a payment method.

Whether a financial asset belongs to currency does not require all four functions: transaction medium, value scale, payment method, and value storage. Instead, the focus is on examining whether it has liquidity. The higher the liquidity of assets, the stronger their ability to transform into real circulation and payment tools, and they can better play their role as transaction media in the commodity market; On the contrary, the lower the liquidity, the limited its ability to transform into real circulation and payment tools, and thus more of a value storage function as potential purchasing power.

Electronic currency can be seen as the legal tender issued by the most important bank in China, which is processed and presented in electronic form through the electronic information technology of commercial banks. From the perspective of production mechanism, most electronic currencies themselves are further improvements to the limitations of paper currency and credit currency, greatly reducing manufacturing and transaction costs, and still perform the function of paper currency as a means of circulation. But emerging electronic currencies represented by Bitcoin have no connection to paper currency. The essence of Bitcoin is actually a set of special solutions generated by complex algorithms. The price fluctuations of this type of electronic currency are similar to stocks. As long as there are buyers, this type of currency can be converted into legal tender based on real-time prices. The pricing and trading of some goods even require the use of specific currencies for payment, thereby achieving its monetary function of value scale and

circulation means.

5. Modern Finance: Serving the Real Economy

5.1 Financial System Reform and Industrial Integration

Currency virtualization is a prerequisite for the generation of virtual capital, and the evolution process of currency forms is also a catalyst for financial system reform. The innovation of financial systems has further opened up space for the continuous development and improvement of currency forms and functions [12]. Throughout the nearly 40 years of changes in China's currency form, the characteristic of coordinated development between modern financial system and industrial system has become increasingly evident. In December 1993, the Decision on Financial System Reform was promulgated, which clarified the two major functions of the People's Bank of China in formulating and implementing monetary policy and implementing financial supervision, and explicitly proposed to turn China's professional banks into real commercial banks. In September 1997, it was proposed to establish a sound and effective the most important bank in China operation mechanism, accelerate the reform of state-owned commercial banks, improve a multi-level and multi type financial institution system, and further standardize and expand financial commodities. In November 2002, it was officially proposed to properly handle the relationship between the development of the virtual economy and the real economy. In 2012, it was clarified to deepen the reform of the financial system, improve the modern financial system that promotes macroeconomic stability and supports the development of the real economy. In recent years, modern finance has become more deeply integrated with the real economy, technological innovation, human resources, and other industries, collaboratively developing the industrial system.

5.2 Interpretation of Modern Financial Political Economy Money Theory from the Perspective of Serving the Real Economy

Virtual economy refers to economic activities related to virtual capital, which is derived from but different from actual capital. The real economy refers to the economic activities that

provide tangible products and services in agriculture, industry, transportation, commercial logistics, construction, and service industries. The virtual economy is an activity in the market economy that arises from the credit system and capital securitisation, originating from the real economy and relative to the virtual capital of the real economy. The detailed analysis of virtual capital in Volume 3 of Capital, although only involving the first two types of virtual capital, emphasizes that virtual capital itself has no value, but can generate profits through circular activities and obtain surplus value in some way. Political economy analysis of the virtual economy still has important guiding significance in today's research on the virtual economy.

At present, China is in a difficult period of economic structural adjustment and transformation development, with an overall stable economic operation. However, the imbalance between the development of the virtual economy and the real economy, as well as the hollowing out of the development of the real industry, are prominent issues. In modern economic systems, the real economy has always been the foundation on which society relies for survival and development. In fact, the foam economy in Japan in the 1980s, the financial crisis in Southeast Asia in 1997, the foam economy in the IT industry in early 2000, and the global financial crisis triggered by the US subprime mortgage crisis in 2008 sounded the alarm bell for the development of the virtual economy. The common reasons behind it are all caused by the excessive expansion of the financial system away from the real economy. The stable operation of the national economy requires the coordinated development of the virtual economy and the real economy. From a theoretical and practical perspective, modern financial services are indispensable for the development of the real economy.

6. Research Conclusion

This article systematically reviews the monetary system changes in four historical periods, namely the ticket system, monetary economy, modern currency, and modern finance, from the perspective of Political Economy Monetary and Financial Theory. It interprets the applicability and guiding role of Political Economy Monetary and Financial

Theory behind specific monetary systems and their functions, which is of great significance for better understanding the laws of modern monetary circulation and handling the relationship between the real economy and the virtual economy. The article believes that we should pay attention to the coordinated development of the virtual economy and the real economy, expand the positive effect of virtual capital on social and economic benefits, and then stimulate consumption and investment demand through wealth effects, while avoiding the foam economy and financial crisis caused by excessive speculation.

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