

# Study on the Inner Mechanism of Coordinated Development of Real Economy and Fictitious Economy in the Period of Economic Transformation

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**Abstract:** China's economic transition into the deep-water zone, the real economy and the development of the virtual economy are directly related to the coordination of high-quality economic development. The imbalance between the excessive expansion of the fictitious economy and the pressure on the development of the real economy is becoming obvious, which restricts the steady operation of the national economy. Based on the background of economic transformation, this paper defines the core connotation and characteristics of the two types of economies, analyzes the internal mechanism of the interaction between the two types of economies, digs into the core incentives of unbalanced development, and explores the path of coordinated development from three aspects of consolidating the foundation of the real economy, regulating the virtual economy and constructing the collaborative mechanism, to clarify the linkage logic of the virtual and real economy, solve the unbalanced development predicament, provide theoretical support and practical ideas for promoting the benign interaction and coordinated progress between the real economy and the virtual economy during the economic transformation period, and help the sustainable and stable development of the national economy.

**Keywords:** Economic transformation; Real economy; Fictitious economy; Coordinated development

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## 1. Introduction

Economic transformation is a key stage of our country's economic development from high-speed growth to high-quality development. The real economy, as the foundation of the national economy, is the core carrier for creating social wealth and ensuring people's livelihood and employment. The virtual economy, relying on the derivative development of the financial system, is an important tool for optimizing the allocation of resources and activating the vitality of the market. The two should have formed a development pattern of mutual support and coordinated symbiosis. However, in the process of economic transformation, the profit-seeking nature of capital has led to a large number of funds from the real economy to the virtual economy, the blind expansion of the virtual economy from the real economy, the real economy is facing difficulties in financing, expensive financing, lack of development momentum and other difficulties, and the problem of disjointed development of the virtual and real economies has become increasingly prominent. In this context, it is of great theoretical value and practical significance to explore the internal mechanism of the coordinated development of the

two types of economies, identify the causes of imbalance and build a positive interaction mechanism, which will help to resolve economic operational risks, promote the steady progress of economic transformation and achieve sustainable and high-quality economic development.

## **2. Summary of real economy and fictitious economy in the transition period**

### **2.1. Core connotation of real economy and market development value**

The real economy is an economic system covering the production, circulation and related services of material products, covering the core fields such as manufacturing, agriculture and the service industry, and is the basis for the survival and development of human society. The core value lies in creating real material wealth and social value, and providing solid support for the operation of the national economy. At the stage of economic transformation, the quality of the development of the real economy directly determines the ability of the national economy to resist risks and core competitiveness, and is the key to coping with external fluctuations, stabilizing employment and guaranteeing the supply of people's livelihood.

The market value of the real economy is also embodied on the basis of steady economic development, which is different from the property of capital flow of the virtual economy. It forms a complete industrial supply chain by relying on actual production and operation, and promotes the efficient flow and utilization of production factors. During the economic transformation period, the real economy undertakes the core tasks of industrial adjustment and transformation of old and new growth drivers, and the traditional industrial upgrading and cultivation of emerging real industries are the core contents of transformation.

### **2.2. Basic attributes of the virtual economy and characteristics of market operation**

The virtual economy, with the financial system as the core carrier and relying on money, capital, credit and other tools to carry out capital appreciation activities, covers the fields of finance, securities, insurance and so on, has high liquidity, high risk, speculation and dependence, and does not directly create material wealth itself, but provides financial services for the real economy through capital allocation. During the economic transition period, financial innovation promotes the rapid development of the virtual economy, with diversified operating modes and accelerated capital flow, and is significantly affected by market expectations, policy regulation and international capital flow, and the price fluctuations are large<sup>[1]</sup>.

The virtual economy also has the characteristics of non-synchronism with the real economy. When the market is good, it is easy to expand rapidly, and the development speed is far faster than the real economy. When the economy goes down, it takes the lead in shrinking and amplifies the risk of economic fluctuation. Its operation relies on the credit system and market confidence, depends on the improvement of supervision and legal constraints, centers on capital appreciation, and guides funds to concentrate in high-yield areas.

### **2.3. Overall status quo of the two types of economic development at the stage of economic transformation**

At present, the economic transformation of our country is in the key period of structural adjustment, and the development of the virtual and real economy presents an obvious imbalance. In terms of the real economy, the traditional manufacturing industry is facing the problems of excess capacity, insufficient innovation and rising costs. Small and micro real enterprises have difficulty and expensive financing and limited development vitality, and the process of industrial transformation and upgrading is slow despite policy support. In terms of the virtual economy, the scale of the financial market continues to expand, a large amount of social capital pours into the fields such as finance and real estate, and pursues short-term high returns, which leads to the blind expansion of the virtual economy, some financial products form a self-circulation out of physical demand, the pace of development of the two types of economy is out of sync, and the allocation of market resources is seriously mismatched.

From the perspective of development coordination, the linkage effect of virtual and real economies during the economic transformation has not been effectively exerted, the support of entities to virtual is weakened, and the service

function of virtual to entities deviates. It is difficult for the development of the real economy to support the virtual economy, and the expansion of the virtual economy occupies the resources for the development of the real economy, forming a vicious circle of “getting rid of the real economy and becoming a virtual economy”. At the same time, the eastern region is rich in financial resources and has a high degree of integration of virtual and real life.

### **3. Interaction mechanism between the real economy and the fictitious economy**

#### **3.1. The real economy is the solid foundation for the stable development of virtual economy**

The real economy provides the material basis and demand premise for the fictitious economy. The capital increment of the fictitious economy relies on the production and management of the real economy. The development scale and quality of the real economy directly determine the development boundary and stability of the virtual economy. The healthy development of the real economy will generate a large number of financial demands, expand the market space for the virtual economy, and promote the innovation of financial products and services.

The industrial upgrading and technological innovation of the real economy can also promote the optimization and transformation of the virtual economy, and the high-end and intelligent development of entities will give rise to diversified financial demands, forcing the virtual economy to innovate tools, improve systems and improve allocation efficiency. The higher the quality of the development of the real economy, the more stable the foundation for the operation of the virtual economy and the stronger the ability to resist risks; if the development of the real economy is weak, the virtual economy will lose its value support and the idling of capital will easily lead to financial risks.

#### **3.2. A fictitious economy is an important support for the real economy to improve quality and efficiency**

The virtual economy provides capital guarantee for the real economy through capital allocation, broadens the financing channels of real enterprises, and solves the financing problems of medium, small and micro enterprises. The financial market gathers social idle capital, converts it into industrial capital and invests in such fields as technological research and development and capacity expansion to inject liquidity, reduce financing costs and enhance the vitality of enterprise development<sup>[2]</sup>. At the same time, financial instruments such as futures and options can help real enterprises avoid the risks of price and exchange rate fluctuations and stabilize business expectations.

The virtual economy can also promote the innovation and upgrading of the real economy, and the profit-oriented financial capital will guide the flow of funds to the high-potential real industry, forcing traditional enterprises to accelerate innovation, eliminate backward production capacity and optimize the industrial structure. With the rise of financial technologies and digital finance, improve the accuracy of financial services by virtue of big data and artificial intelligence technologies, achieve an efficient connection between capital and entities, and reduce resource waste.

### **4. Major causes of imbalance between real and virtual economic development in the period of economic transformation**

#### **4.1. Deviation of development structure caused by the inclination of market resource allocation**

Spontaneous profit-seeking of market resources is the core inducement of imbalance between the virtual and real economy. Capital and labor spontaneously flow to a virtual economy with high returns and a short cycle. The real economy, especially the traditional manufacturing industry, has a long investment cycle, high costs and thin profits, which are not attractive enough to the factors, resulting in the serious inclination of resource allocation to the virtual economy, the entity is facing the dilemma of factor shortage and lack of development, the virtual economy is over expanding, and the two types of economic development structures are gradually unbalanced, forming a market pattern of resource mismatch.

The imperfection of the market resource allocation mechanism further aggravates structural deviation. There are

structural problems in the resource allocation in the financial market, large financial institutions prefer to serve large enterprises, and medium, small and micro entity enterprises have a high financing threshold and narrow channels. The capital market prefers short-term speculative projects and lacks financial support for long-term industrial investment and transformation.

#### **4.2. Disorderly expansion of financial capital squeezes the development space of entities**

The direct reason of squeezing the entity space is that the financial capital drives it to expand blindly out of the entity. During the period of economic transformation, financial innovation is constantly carried out, some financial derivatives become idle without meeting the needs of entities, and capital circulates repeatedly in the financial system to obtain profits, leading to the false expansion of the scale of the virtual economy. The disorderly expansion of capital makes it impossible for a large amount of funds to flow to entities, the financing channels of micro, small and medium-sized enterprises are occupied, costs are climbing, production, operation, technological innovation and other activities are difficult to carry out, the development space of the real economy is continuously compressed, and the development vitality is continuously declining, forming the situation of overheated virtual economy and cold real economy.

Over-financialization of real estate exacerbates the disorderly expansion of capital, the influx of a large amount of financial capital pushes up housing prices and land prices, increases the cost of physical production and employment, squeezes the consumption capacity of residents, and restricts domestic demand and entity development. At the same time, the disorderly expansion of capital led to asset bubbles, increased financial market risks, and follow-up regulatory policies to tighten liquidity, further deteriorating the physical financing environment.

#### **4.3. Disorder of development due to an imperfect industrial supervision system**

The lagging behind and imperfection of the regulatory system are the institutional incentives for the disorder of the virtual and real economic order, the rapid development of the virtual economy and the new business forms in the economic transition period, the inadequate adaptability of the existing regulatory system, the lag of the regulatory rules, modes and means, the inadequate supervision of the disorderly expansion of capital and speculation, and the regulatory gaps and loopholes<sup>[3]</sup>. The lack of inter-departmental regulatory coordination and the lack of all-around regulation of cross-market virtual economic activities lead to the chaotic operation order of the virtual economy, the wanton flow of capital in violation of regulations and the deviation from the direction of serving entities, further aggravating the imbalance between the development of the two types of economies, and it is difficult to form an effective restraint mechanism.

The lack of supportive supervision and a guarantee mechanism of the real economy aggravates the imbalance of development. The existing regulation focuses on the prevention and control of financial risks, lacks long-term regulation and policy support in such aspects as burden reduction, financing support and fair competition for real enterprises, fails to effectively regulate market monopoly and unfair competition, and virtual economic monopoly enterprises occupy the development space of small and medium entities and worsen the physical development environment.

### **5. Promote the coordinated development of the real economy and the virtual economy**

#### **5.1. Stabilizing the foundation of the real economy, tamping the base of overall economic development**

To stabilize the foundation of the real economy, we need to promote the transformation and upgrading of the real industry, increase policy support for core physical fields, implement tax reduction, fee reduction and cost control policies, reduce the operating costs of enterprises, enhance the profit space of the industry, and enhance the attractiveness to production factors. Focus on supporting micro, small and medium-sized real enterprises, broaden financing channels, optimize the business environment, encourage enterprises to innovate in technologies, products and models, promote the transformation of the real economy to high-end, intelligent and green ones, and enhance core competitiveness and anti-risk capability.

To consolidate the base of the real economy, it is necessary to promote the in-depth integration of the real economy and the digital economy, carry out digital transformation by virtue of digital technologies, improve production and management efficiency, cultivate emerging physical business forms and expand development space. Increase the investment in the research and development of physical technologies, encourage the collaborative innovation of enterprises, universities and research institutes, break through the bottleneck of core technologies, and promote the transformation of physical industries to technology-intensive, green and low-carbon industries.

## **5.2. Regulating the operation of the virtual economy and holding the bottom line of financial market development**

In order to regulate the operation of the virtual economy, we need to strengthen the construction of the financial regulatory system, improve regulatory rules, innovate regulatory models, apply digital technologies to enhance the accuracy and timeliness of regulation and eliminate regulatory gaps. We shall strengthen the supervision over capital flow, financial innovation and real estate financing, severely crack down on speculation and capital idling, restrict disorderly expansion and guide the virtual economy to return to the core positioning of service entities. Establish a financial risk prevention and control mechanism, monitor and warn against asset bubbles and highly leveraged risks, promptly resolve potential hazards, guard against systemic financial risks, and ensure orderly and compliant operation of the virtual economy<sup>[4]</sup>.

To regulate the development of the virtual economy, it is necessary to optimize the capital allocation structure, guide financial institutions to increase the supply of real credit, focus on supporting the financing needs in the fields of real innovation, transformation, green development, etc., introduce financial products suitable for the entities, and improve service efficiency and accuracy. Reasonably control the development scale and speed of the virtual economy, balance the development ratio between the virtual economy and the real economy, and avoid excessive expansion and squeezing the real space.

## **5.3. Constructing the blending mechanism of reality and reality and promoting the benign symbiosis of the two kinds of economy**

In order to build a virtual-reality integration mechanism, it is necessary to build an efficient docking platform, break down information and resource barriers, establish a normalized coordination mechanism between financial institutions and real enterprises, and enable financial institutions to accurately grasp physical needs, customize exclusive service plans, and achieve efficient docking between capital and real industry. Promote the deep integration of financial capital and the real industry, guide the capital to be invested in the key fields of the real industry, develop integrated business forms such as supply chain finance and industrial finance, carry out financial services by relying on the real industry chain, realize the seamless connection between finance and the production and operation of the real industry, enable virtual capital to truly support the development of the real industry, and form a development model combining the virtual and the real industry.

To promote the benign symbiosis of the two types of economy, it is necessary to establish a long-term mechanism for regulation and control of coordinated development, make an overall plan for the development of virtual and real economies, balance the development speed, scale and distribution of benefits, and avoid the imbalance of resources. Improve the policy coordination system, combine the policies on entity support and virtual supervision, guide the reasonable flow of production factors, and strengthen the entity support role and virtual service function.

## **6. Conclusion**

The coordinated development of the real economy and the virtual economy in the period of economic transformation is a key measure to crack the imbalance in economic development and promote high-quality development. The two are complementary and inseparable; the real economy is the foundation and the virtual economy is the support. Only by realizing positive interaction can the economy move forward steadily. At present, the problem of unbalanced development

stems from various factors such as resource allocation, capital expansion and regulatory system, etc., and we shall, based on the internal mechanism, solve the problem of turning the real into the virtual by stabilizing the foundation of the entity, regulating the virtual operation and constructing the integration mechanism.

## Disclosure statement

The author declares no conflict of interest.

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