



# Futures or Retail? The Financial Ambiguities behind Internet Market

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## Abstract

The research outlines the sovereign-fund based Ponzi scheme of the People's Republic of China (PRC) rent-seeking powers. It analyzes into the evidence from the internet economy in PRC with Alibaba and the failed Nasdaq Initial Public Offering politics of Ant Group. Five angles have been adopted to describe the phenomena with justification from evidence, and the research has noticed the involvement of the Chinese military in the power competition in the rent-seeking financial realm with oligarchic characteristics. The research concludes that Ponzi schemes do not necessarily have to not involve product delivery, and the element of the time value of currencies is more fundamental to it in the process of truth emergence.

**Keywords:** Anti-trust; Currency; Dumping; Financial crime; International settlement; Nash equilibrium

## Introduction

Albeit the People's Liberation Army (PLA) background of the founder of Huawei Zhengfei Ren has led to the suspicion of the company's ties with the Chinese dictatorship among the Trade War, less known in the international and global community have been the red capitals and shareholders behind the Chinese internet giants such as Tencent and Alibaba (AliPay). The research focuses on Alibaba (AliPay) and its affiliated sectors from the market and stock perspective. Early researches on online purchasing mainly criticized such models' impacts on the economy such as real estate and people's physical mobilities in retail purchases. The research takes another perspective, among the macroeconomic power struggles, in the nature of finance and stock market in the problem of definition on the goods sold on the internet market. From the currency perspective, online purchases from the buyer's market genuinely constitute of futures purchase, yet from the guarantor involvement in monetary custody on the goods sold from manufacturers' ready-made products, the delivery of goods are de facto spot trading. It may be less influence to the costumers quantitatively, but in a buyer's market from the economies of agglomeration on the internet, the time value of currencies are quantitatively accumulated in the "middle-man". The Western

media have captured the power political reasons in halting one of Alibaba's sectorial chains Ant Group's initial public offering (IPO) in Nasdaq, but not the deeper economics and power competition reasoning's behind the phenomenon [1]. The research offers a qualitative analysis from the special framework of the Chinese communist-labelled economy, and may provide some hindsight, if not hurdles of halftime, to the decade's economic and financial problems. In summarizing my research in the literature, my methodological overview outlines the untold reasons for Alibaba's myths of commercial success behind Jack Ma's media appearances first, which is also the main reason for Ant Group's failure in Nasdaq IPO now. The methods are arranged to five subsections: 1) a case analysis on the model of currency chains in terms of real economy with Taobao.com; 2) the inferential and analytic perspective on the twitched currency value of the commercial operations; 3) structural incentive analyses on the stakeholders' dumping strategy formation under the influence; 4) mass market customer behavioral changes under the influence and the influence from Purchasing Power Parity (PPP); and 5) the financial power base coepetition between the People's Bank of China (PBOC) and the internet giants.

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## Methods

Alibaba's key geopolitical stakeholders are apparent in the maritime routes. With geopolitical neighbours Japan, Singapore, and Russia that have seaports, the involvement of the Silicon Valley furthered its global reach, such as the Goldman Sachs Group and Bank Of America's financial backup [2,3]. New York Times Chinese reported the company's then-top-officials' direct family members' holdings in the company, which includes the then-prime-minister of People's Republic of China (PRC) Wen, Jiabao, and others from the military and financial sectors [4]. Its financial involvement in the offshore realm and PRC's sovereign fund determined Alibaba's inevitable success in the global economy [4]. The research started on the question of why on PRC's macro-money over-issuance significantly disproportional to the industrial indicators in the World Bank data up until the year 2017. After the structural framework analyses, the piece delves into the real economic analyses with one of the prominent cases [5,6].

## Currency categories in online purchase

The business model of the Alibaba Groups mainly deals with the business-to-business (B2B) and business-to-costumer (B2C) models. The business model concept would have been unproblematic with the minor details of time variations if not for the financial mechanism of the middleman custodies. With the latter, the customers, either in the B2B or B2C model, only see the photos and text descriptions on the products for customer decisions, and the payments are not directly made to the businesses. Even though to the customers, the middleman claims the transactions are spot goods in nature, the de facto customer decision mechanism and financial arrangements are futures in nature. The methods of delivery from the seller side of businesses are also constituted of futures sales. The sellers do not receive the money for their products being delivered until the customers have confirmed the deliveries. This arrangement borderlines between the banking mechanism of mortgage for customer reach in company laws in PRC and the stock market mechanism of company evaluation. The basis in real economic terms have conceptually shaped the business model of the middleman to be a financial sector entity with its core advantage in market monopoly without necessities in physical goods development. From the perspective in the sectorial finance, the quantitative basis of the said business model is an entity in the service sector while having control of quantitative time values of cash flows no different from a bank. Such business model is apparently in competition with the PBOC and against normative laws governing corporate operations, let alone in a country with strict import and export controls. Therefore, the existence of such a business model is impossible without substantial rent seeking powers. The cash flow

differentiation mechanism of time values is illustrated in (Figure 1).

## Hedged derivatives

The game theoretical model of the PBOC-Alibaba cooperation depends on the levels of players in the dictatorial regime's hierarchy for rent-seeking. In a cooperative model, the price market can be effectively controlled, while in a competition model, the vie for power depends on the relative advantage. From the observation on the Chinese banking's double-entry bookkeeping method, the de facto shaping of accounting for derivatives with Alibaba in macro money, and the oligarchic, if not monopolistic, order of the currency market in PRC representatively by Shanghai CFETS-NEX International Money Broking, Table 1 is summarized on the static competition model between the PBOC and Alibaba. From Table 1 it can be seen that with the strict controls on the currency market by the PRC regime and Nasdaq's de facto inheritance of index methodology from the Bretton-Woods System, Alibaba's Nasdaq IPO sought to swap holdings from liquidity in order to preserve and appreciate the fiat money values of Renminbi (RMB) (Table 1) [6]. If there were no conflict of interests between the centralized banking of PRC and Alibaba, the deal would have been a win-win situation, even though it could have undermined PBOC's power over the real economic market. The conflict of interests was reflected in the dictatorial changes since Xi, Jinping took power in 2013. Apart from the risk models' conflict of interests in bank runs, Xi's power ambition in total control of the regime and Jiang, Zemin's family's lingering controls and influences on the military, financial economy, PRC state department, etc. could have been the main reason. A summary of the competition model is seen in (Figure 2). The objectively positive sum model for country economy is negative sum for the rent-seeking interests of the big families with power. Controls over Shanghai CFETS-NEX International Money Broking have always been the interests of the Jiang family and the succeeding Communist Party of China (CPC) leadership, while PBOC's asset evaluation is critical for Xi's rent-seeking power by over-issuing macro money with the Belt Road Initiative [5]. Like any Ponzi scheme, the crumble starts only from the late-comers and it is the same with the Ponzi scheme on a sovereign level [6]. The CPC's bureaucratic model on economic controls has never exceeded from the supply side hijacking strategy for its partisan ideology of materialism, and the Jiang and Wen families' combined interests would have cashed out PBOC with the geopolitics and the offshore realm against PBOC's gold reserves [7]. Yet in 2013 when Xi initially took power, I was informed that China Cultural Media Group, Co. Ltd., Dong, Ping was summoned by relevant people and subsequently had to sell the company to Jack Ma, currently becoming Alibaba Pictures Group Limited. The information came from Dong's daughter, a personal friend and undergraduate

classmate who was worried about her father during his absence, five years before the formal establishment of the National Supervisory Commission and China Banking and Insurance Regulatory Commission (CBIRC) under Xi, implying the estimated timeframe of Xi's realization. The change of attitudes and actions towards Alibaba since Xi took power reflects a change in realpolitik interest analysis in macroeconomic terms with his "Belt Road Initiative" in 2013. Albeit "Belt Road Initiative" in theory adds up to the capitalization interests of Xi's power with RMB, the existence of Alibaba's financial power without physically capitalizable assets in a custody model equivalent to PBOC can cash out Xi's realpolitik power if Xi cannot exercise effective control over Shanghai CFETS-NEX International Money Broking, which can also substantially undermine Xi's authority by the decrease of PPP of RMB and increase in RMB's currency evaluation in exchange rates [7].

of attitudes and actions in the necessities of establishing CBIRC for macroeconomic totalitarianism, followed by the assignment of new official representatives in Alibaba and other companies in 2019 [8]. The arrest of Caihou Xu, Jiang's power surrogacy in the PLA, in 2014 implies that Xi was not satisfied only being second if not third to the sum of interests in the rent-seeking group. This could be contributed to the fact that in order to sustain the quantity of monetary custody in Alibaba seen in Figure 2, there is an inevitable result of price war and dumping strategy from the downstream of the interest base chain, which could substantially undermine Xi's Belt Road Initiative's power, especially the offshore involvement in military supplies. Since the cinematic industry in PRC is both a propaganda tool for "United Front" and a money laundering tool for military transactions, Alibaba's takeover of China Cultural Media Group, Co. Ltd. could have only implied the initial defense arrangements of the Jiang family [9]. Jintao Hu's initial voluntary submission of the military power over to Xi upon the latter's first term and subsequent arrest of Caihou Xu reveals the military-power-driven motivations in the PRC rent-seeking interest chains, with the macro money indications followed in the reversion of relative advantage between Alibaba and PBOC.

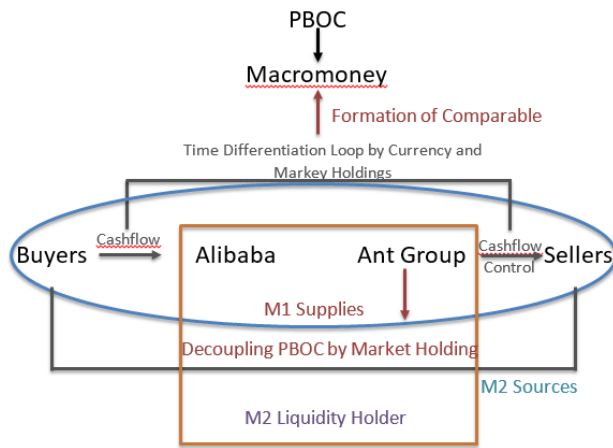


Figure 1: Alibaba's Cashflow by Business Model.

### Degree of freedom field research

There is a unique thing about using sovereign as Ponzi scheme: the belief in power over legitimacy. Hardly anyone questions the nature and use of fiat money under the abstraction of power, and sovereign debt run always seems to be able to be transferred into geopolitical strategies. Ideological control becomes important for the element of tulip prices expectations. Thereby, confounding the buyer's market's perception of spot goods with de facto futures market operations is key to the Ponzi scheme's sustainable development. As long as consumption exists with the fiat money, and as long as supply exists, it does not matter if the tulip is real fresh flower or is made up of plastic. The diversity of goods was critical in the collapse of the Soviet Union, and the globalization of the fiat money with the International Monetary Fund (IMF) eliminated the necessity [6-10]. The institutional design has been there since the founding of the Communist regime with the import / export controls, international settlement, and quantitative restrictions. Market incrementalism further gave room for currency manipulations in expectations with the nature of futures in international settlement [11]. (Figure 3) illustrates the bookkeeping rational underlying the necessities for CBIRC for the sustainability of the Ponzi scheme, which determines the incentives for manufacturers in price wars and dumping. There is a difference to the room for manipulation before and after the currency digitization trends without and with a backend design. Albeit the internet control methods of the PRC regime in the spirit of laws violate fundamental human rights, the motivations, apart from the motivation in ideology control sphere, are driven by the interests in

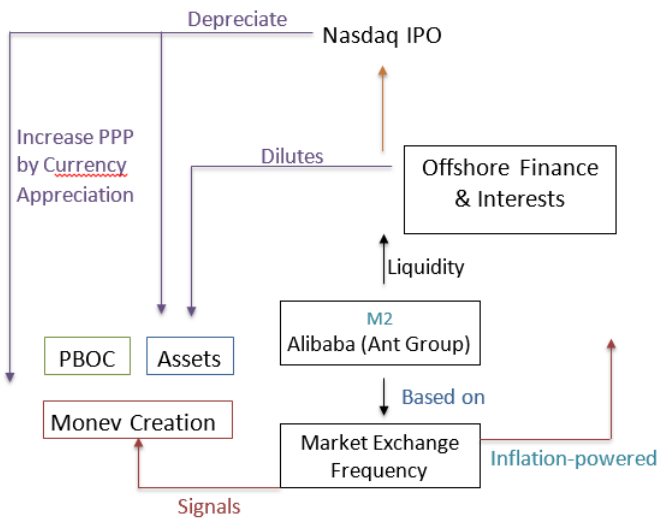


Figure 2: An Objective Model of Alibaba-PBOC Cooperation.

The threat of Alibaba to both the formative power and rent-seeking opportunities of Xi's could have been the reason behind the change

effective currency control [12]. During my research, I witnessed and was victimized by obtaining evidence on the said motivational operations, cashing in credits to debit by satellite-operated internet fraud, at the intersecting moment between the Trade War and COVID-19 pandemic when the global evaluation of Chinese goods was going down, which indirectly proves that the CPC high officials could have known about COVID-19 months before the whistle-blower's signals and fears of the information and World Health Organization's issuance of global public health emergency that can slow down global economy [13,14].

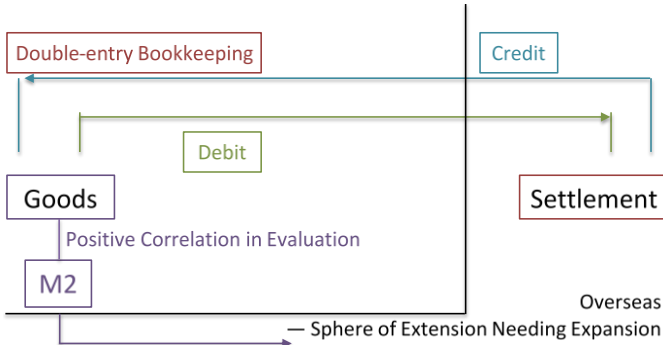
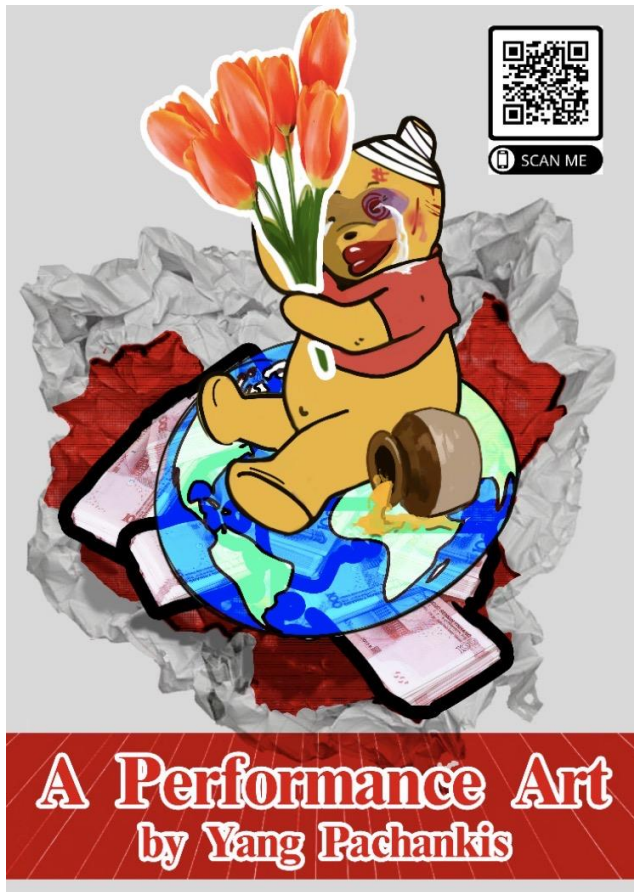


Figure 3: Degrees of Freedom for the Ponzi scheme.



**A Performance Art  
by Yang Pachankis**

### Consumer behaviour changes — lipstick effect

Under the rent-seeking influences seen in Figure 2 and the cashflow seen in Figure 1, the buyers' currency holdings are determined to shrink and a seller's market cannot be shaped — this, however, will not be conducted in the market mechanisms for the disrupted macro money indicators and flows. The buyers naturally will behave in a buyer's market expectation, especially that Alibaba and other internet "retailing" need to maintain the misperception to hold the buyer base in the platforms. The sellers will be incentivized to expect a seller's market for the middleman's incentive in business profits from advertising and financial advantages from supplies. In time with the macro economy and sustained mismatched expectations in micro economy, lipstick effect is bound to take toll with stagflation. The effects are shaped by the competition presumptions of the market, and currently the more and more complex designs in the Taobao affiliated applications and other Chinese internet giants are encouraging the phenomenon of lipstick effect by giving money to customers. After Jack Ma's mass import efforts before retirement.

### Results

The research falsifies PRC as an emerging market, and the "Made in China 2025" initiative was only Xi's attempt in preventing the Ponzi scheme from crumbling down. With the tired finance in macro money issuance, the internet giants in PRC have been attempting to keep the M2 pool with the cash rewards to customers. The behaviours of the internet platforms imply their collective power over the offshore realm and interests for RMB appreciation. This will further incentivize PRC's global purchase behaviours. Even without rent-seeking, the sovereign Ponzi scheme and the internet companies' interests have been aligned. Traditional monetary issuance traces and manipulations needed physical movements of notes and strict adherence to inter-banking regulations. Digital currency doesn't necessarily have to be cryptocurrency, and the issuance of digital RMB can extend the sphere of the Ponzi scheme more effectively with the internet companies' current operational incentives. Donald Trump's previous policies of "Made in America" and "Make America Great Again" would exactly satisfy the expansion necessities of the Ponzi cycle sphere for PRC and CPC's responsive strategies. Export controls are only focused on high-end products but not the commodity market and mass market. Microeconomic solutions to the legitimacy issues of fiat money can never resolve the macroeconomic issues resulted from political legitimacy problems. The global community's room for foreign policies are limited with PRC's Permanent Five member status in the United Nations multilaterally, and the military expansionism developments marginally in bilateral contexts. In a pandemic and post-pandemic context, reshuffling and redefinition of the PLA is an opportunity

in democratization. As economic justice cannot be achieved without democratization, which is not equivalent to the logic that democratization ensures economic justice, the only best way to deconstruct a dictatorial order is to deconstruct its militant organization. Nash equilibrium for the rent-seeking power competition cannot be reached without the involvement of military

power, and the military’s economic interests have been driving the power competition. In the shaping of the dumping strategies, I have also observed that in the oligarchic order in telecommunication in PRC, dumping also exists on Taobao.com. It is inferred that these power come from the PLA for financial interests from the military backends behind the oligarchic telecommunication industry.

*Table 1: Comparison of Advantages between PBOC and Alibaba.*

	<b>PBOC</b>	<b>Alibaba</b>
<b>Power on Sovereign Fund</b>	Nominal	M2
<b>Holdings</b>	Gold & Reserves	Nominal on Commodities
<b>Power on Market</b>	Interbanking	Inter-company and Inter-market
<b>Liquidity Tools</b>	Money Issuance Credit System	Off-shore Realm Passive on Market Share
<b>Military Ties</b>	Nominal	De Facto
<b>Bank Run Risks</b>	Yes	No

### Discussions

I have perceived deliberative pricing to be the key solution to the dumping strategies with consequences in the currency and macro-monetary realm, and currently delivering the message through performance art. The fake brand issues that have been going on with the Chinese internet giants are only a phenomenon of the dumping strategies in selling low quality products for higher prices under the dumping environment. Accounting is the only path to the physical evidence. In the media outlet of the U.S.-China economic and financial working groups decided on September 22, 2023 between PBOC and Treasury Secretary Janet Yellen, the Chinese outlet specifically addressed the IMF’s evaluation of global growth, and not a single word on the World Bank, with the Chinese Commerce Minister Wang, Wentao saying to “seek solutions on trade and investment issues” [15,16]. This may explain the fact that current, the Chinese banks have mandated the bank counters not to offer funds pooling services to the individual customers, which in theory are in the interests of the PBOC, and remain the service only to the companies and the Chinese internet giants. This with the IMF statistical incorrectness can be indicative to the cooperation aspect of the power competition between the PBOC and the oligarchic internet equivalent to the power interdependence theory in international relations. The delivery costs in the PRC internet purchasing are substantially low, and the field research has also noticed that the Alibaba chain has been involved in the further negotiation prices between the sellers and the delivery companies, based on the fact that when the buyers’ rights are violated, taobao.com’s rules are that the buyers need to pay for the delivery costs first and the sellers will compensate the costs later. The customization of this rule is predicted to later benefit the interests

currently being violated of the delivery service side of the physical associations on the double-sided duplicate contract, and prolonging the quantities and time of M2 held by the middleman controlling the contracts. The PLA’s possible current involvement in the dumping environment is not indicative enough in its possible future roles, but indicative enough that the PLA is not a winner in the interests. For the Ponzi scheme based on the sovereign controls in the stead of investor relations, realpolitik considerations are not only the basis, but also the delivery for the dumping strategies for the oligarchies’ non-productive operations. Logistics and realpolitik are homogenous in the designed Ponzi and dictatorial chain. With the dictatorial power in the bureaucratic and hierarchical order of military based on death for any defiance, the combined control on social mobility and autonomous currency flows are the sources for obstructing any attempts in accountant evaluation on the real economic performances. With the civil-military fusion mandates of the PRC and PLA, the strengthened totalitarianism only evidences that without a military based on appropriate missions and autonomy, the civil society and the economic and financial orders cannot be truly restored, with the two sharing substantially the same situation. The autonomous first response to the COVID-19 pandemic by part of the PLA implies that there is room for the PLA’s independence [13].

It is noticeable that the degrees of freedom seen in Figure 3 is interdependent with the tax structures adopted worldwide on both the supply and demand sides. The narratives of global economic growth are not adequately reflected in the lowering of the Gini Index and the Value-Added Tax (VAT) is not out of the causal chain. Albeit employee salaries are deducted before calculating VAT in company financial accounting, double-taxing the demand side has still been the case with sales tax before gross revenues.



This further incentivizes the dumping strategies from the supply side considering the consumers' actual purchasing power after tax and the tax-enclosed market places. The financial model of Ant Group and the tax models together contribute to the Nash equilibrium of the Chinese and global economy with the digitization and internet trends, and PRC is only one of the most prominent case.

Another less obvious beneficiary from the macromoney schemes is the oligarchic telecommunication industry in PRC. The military civil fusion strategies of PRC aim to obfuscate militant goals in the global market with civil economy, and to disguise its operations in violation of the Geneva Conventions. The latter has been a tradition of the CPC in dealing with economy and business matters, and rent-seeking is only an understatement in presenting the scientific evidences.

## Conclusions

The Ponzi scheme does not necessarily have to not involve product delivery, and the element of the time value of currencies is more fundamental to it. To mirror the economic and financial sovereign based Ponzi scheme, I have initiated a performance art project with the internet and cryptocurrency apparatus, in order to balance between the rationale and the perceptions in the societal environment. Scan the barcode below for more information and participation.

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## Conflict of Interest

No conflict of interests is perceived by the author, except for the current event of the U.S.-China finance and economy working group operations.

## Data Availability

Qualitative data from the surveys of the field research are available upon request to the corresponding author.

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