

Discussion on the New Normal of China's Economy under Marx's Economic Cycle Theory

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Abstract: China's economic development has entered a critical stage - the new normal of the economy, how to achieve the new normal of China's economic development is an urgent problem that China needs to solve. Based on the above background, this paper proposes a study on the new normal of China's economy under Marx's economic cycle theory. Firstly, Marx's economic cycle theory is introduced in detail. Secondly, based on it, the solutions of the new normal of China's economy are studied and analyzed. It is mainly divided into two aspects: the economic new normal needs to achieve the adjustment of economic structure and the adjustment of income distribution.

Keywords: Economic cycle theory; Marx; China; Economy; New normal

1. Introduction

China's economy has begun to enter a critical period of development - the new normal of the economy, which means that China's economy has begun to enter a critical period of development. How to fully understand and analyze the new normal of China's economy, so as to achieve the development of China's new normal. After reading and thinking about the literature, it is found that Marx's economic cycle theory can explain the specific content of the new normal of China's economy. Therefore, this paper mainly studies and discusses the new normal of China's economy under Marx's economic cycle theory [1].

2. Marx's Economic Cycle Theory

In Marx's economic cycle theory, the economic development cycle refers to the cyclical economic crisis caused by the capitalist system. Although the theory studies the changes in the capitalist economic cycle, there are normal economic fluctuations in China, and it is compatible with the theory. In addition, the theory plays a guiding role in China's new normal [2].

There are four branches under Marx's economic cycle theory. The first one is capital accumulation; the second is the ownership of commodity production; the third is income distribution; the fourth is class relations. The main content of this theory is the economic cyclical economic crisis caused by the capitalist system. The specific cause of the economic crisis is the serious disharmony between supply and demand, which shows that supply is far greater than demand and production is relatively surplus. Marx pointed out: The root cause of all economic

crises is that people's consumption ability is limited, that is, the limit of productivity should be the absolute consumption ability of society.

Economic cyclical fluctuations are inevitable. The cyclical fluctuations of capitalism mainly depend on its basic contradictions, but the cyclical fluctuations of the socialist economy are fundamentally different from it. They do not depend on basic contradictions, mainly because the socialist system is based on non-confrontational contradictions. Although the socialist system essentially eliminates the private-sector economic base in capitalism, it still has cyclical economic fluctuations and is compatible with Marx's economic cycle theory.

In the primary stage of socialism, China implemented the market economic system. At that time, the basic contradiction of capitalism has not been eliminated, it still exists, and it has an important impact on the economy. In the primary stage of socialism, China has formed an economic system in which multiple forms of ownership coexist, which makes production anarchy, but the contradictions among stakeholders are gradually deepening. This has caused serious damage to the normal proportion of national economic development. At this time, the behavior of private entrepreneurs is mainly dominated by the law of capital accumulation and the law of surplus value, which leads to the spontaneous and blind production and exchange of goods. This directly leads to the gradual increase of overproduction[3].

Due to the existence of factors such as surplus value and capital accumulation, there are certain conflicts between them, which cause economic fluctuations together and cannot be avoided. Economic cyclical fluctuations are essentially the characteristics and laws of the market

economy, that is, the supply is far greater than the demand.

Regardless of whether the background is socialism or capitalism, as long as the market economy is under the conditions of the market economy, the cyclical fluctuations of the economy mainly manifest in the following three aspects. The specific situation is shown in Table 1.

Table 1. Performance aspects of economic cyclical fluctuations

Performance aspect	Specific process
Industrial proportion imbalance	The industrial structure dominated by the first and second industries for a long time has a great imbalance in the proportion of the industry, which will lead to insufficient stamina for economic development, resulting in a decline in economic growth.
Over-investment causes insufficient consumption	Under the market economy, investment will gradually increase under the influence of supply and price, resulting in excessive investment and a decline in economic growth.
Declining profit margin	The organic composition of capital has increased, resulting in surplus labor, declining consumption ability, and overproduction. This will indirectly lead to a decline in profit margins and a decline in economic growth.

3. The New Normal of China’s Economy under Marx’s Economic Cycle Theory

In the economic cycle theory, the reason for the cycle is the contradiction between the private ownership of production materials and the socialization of production. Although China is a socialist country, cyclical economic fluctuations may still occur.

First of all, with the continuous development of the commodity economy, the situation of out of control of supply and demand is very likely to occur, leading to the economic crisis. In addition, with the application of the currency credit relationship, the material foundation has been laid for the generation of cyclical fluctuations in the economy.

Secondly, the characteristics of China’s economic development are large industries, and the development of large industries requires a large amount of investment in fixed assets, which forms the material basis of China’s economic fluctuations. Therefore, it can be seen that there is no inevitable connection between economic cyclical fluctuations and social systems, which is an inevitable phenomenon of commodity economy society. When a country’s economy develops at a high speed for a period of time, there will be a phenomenon of economic growth shifting[4]. According to the survey, most countries’ economic development has experienced a process of declining the growth rate from 7% to 3%. It can be seen from this that economic cyclical fluctuations exist objec-

tively. Since China’s reform and opening up, there have been four relatively large cyclical fluctuations in economic development. The specific situation is shown in Figure 1.

As shown in Figure 1 below, this paper mainly uses the “valley” cycle division method. As can be seen from Figure 1, before 1978, we believed that economic development has experienced a complete cycle, 1978-1981 is the first recessionary phase of cyclical fluctuations, 1982-1990 is the second cyclical fluctuation phase, 1991-1999 is the third cyclical fluctuation phase, and from 2000 to now is the fourth cyclical fluctuation phase. Therefore, the Chinese economy has entered a new normal of development, and the economic growth rate has dropped from about 10% to 6%-7%. This is in line with the law of economic development, and certainly conforms to Marx’s economic cycle theory.

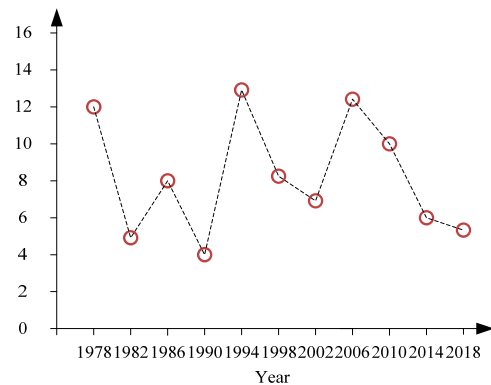


Figure 1. Cyclical fluctuations in China’s economic development

3.1. The new normal of the economy needs to achieve the adjustment of the economic structure

According to the economic cycle theory, the renewal of fixed assets is essentially the beginning of a new round of production. Therefore, large-scale fixed assets renewal is the key method to get rid of the economic crisis. In the process, production resources and labor will be reconfigured, and the income of workers will also change accordingly. This will indirectly affect the structure of supply and demand, industrial structure, distribution structure, regional structure and so on. Therefore, the update of fixed assets will promote the adjustment of the economic structure.

At present, China is in the new normal of economic development. In order to re-implement rapid economic development, it is necessary to update fixed assets, which will lead to the adjustment of economic structure [5]. In fact, the essence of China’s economic growth shifting is the adjustment and upgrading of the economic structure. The industrial structure of China is shown in Figure 2.

As shown in Figure 2, the proportion of the added value of China's tertiary industry has exceeded the secondary industry since 2013, reaching 45%. In the next two years, its proportion has been rising, reaching 50% in 2015. Now China is in the middle and late stage of industrialization. According to the law of economic development, the growth rate of the tertiary industry will exceed the secondary industry and become the leading industry. In the current stage of economic development, with the adjustment of the economic structure, the tertiary industry can take advantage of this good opportunity to develop vigorously.

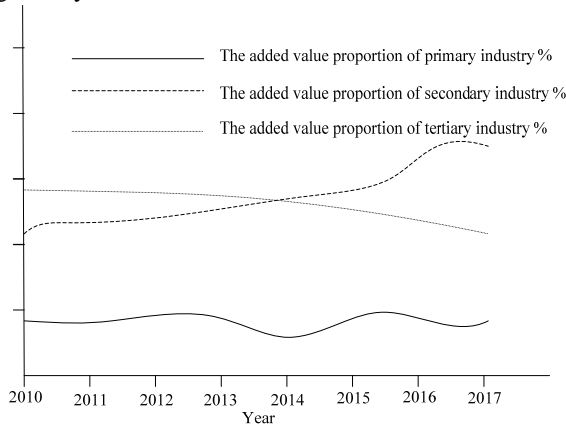


Figure 2. China's industrial structure diagram

3.2. The new normal of economy needs to achieve the adjustment of income distribution

The economic cycle theory points out that the fundamental reason for the emergence of economic crisis in capitalism is the uneven distribution of social wealth. This is mainly because a spot of capitalists' income is used for consumption, most of their income is used to expand production, and the workers' income is very low relatively. At the same time, The proportion of workers in society is very high, which leads to the demand is far less than supply, resulting in overproduction and leading to economic crisis. Based on the theory of economic cycle, it is thought that if only a few people get high income, most people's income is low, it will lead to insufficient demand. While high-income groups continue to expand production in order to obtain profit, it will result in overproduction and lead to the economic crisis.

Today, the income gap of Chinese residents is growing year by year. The Gini coefficient represents the population income gap. The specific situation of China's Gini coefficient is shown in Figure 3.

The international standard of the Gini coefficient is 0.4. As shown in Figure 3, China's Gini coefficient has already exceeded the international standard, and it was as high as 0.491 in 2008.

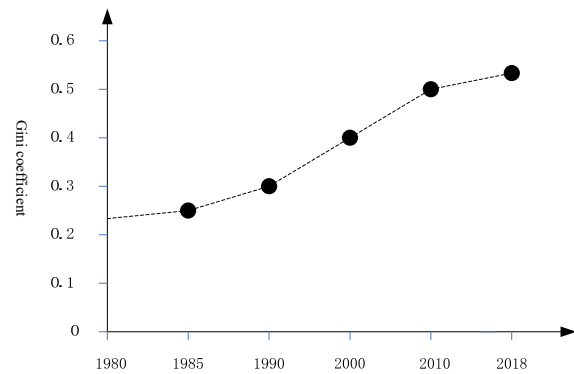


Figure 3. China's Gini coefficient situation

Although China has been trying to adjust the income distribution structure in recent years, the result is not ideal. There is a small decline, but it is still higher than international standard. This fully illustrates the extreme uneven income distribution in China.

According to the above situation, it can be seen that if China wants to get out of the new normal of economic development, it must increase demand, mainly referring to the consumption demand. Therefore, in order to stimulate the consumption demand of workers, it is necessary to adjust the income distribution structure, increase the income level of ordinary workers, and gradually reduce the income gap, thereby increasing demand and increasing economic growth.

4. Conclusion

This paper first introduces Marx's economic cycle theory in detail, and then based on it, studies and analyzes the solutions of China's new economic normal, which are mainly divided into two aspects: the new normal of economy needs to achieve the adjustment of economic structure and the adjustment of income distribution. It is hoped that this paper will help future research.

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