

Research on the Causes of Chinese Economic Cycle

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Abstract. In this paper, the economic cycle theory is briefly reviewed. The causes of economic cycles in capitalist countries and China's economic cycle are analyzed. We think that China's economic cycle of the planned economy era is a cycle on the work of the government, and now the economic cycle is fusion cycle on the work of the government and the market economy cycle. The article makes a scientific assumption for the disappearance of the economic cycle.

The Relevant Research Literature Review

The Concepts and Classifications of the Economic Cycle. Clement Juglar pointed out that in the 1860s "the economic cycle is recurring, though not necessarily in the form of economic fluctuations identical." Mitchell Wesley Clair said in 1927 that "Business Cycles: The Problem and Its Setting" in the economic cycle is defined as "the level of economic variables, expansion and contraction of the series." [1]

Wesley C. Mitchell and Arthur F. Burns 1946 in "Measuring Business Cycles" in that "fluctuations in the economic cycle is mainly in the form of industrial and commercial enterprises in the form of organizing its activities. A cycle consists of many economic sectors occurred at about the same time expansion, followed closely by similar overall decline, contraction and recovery, which in turn is combined with the expansion phase of the next cycle; this change sequence is repeated, but not on a regular basis; the length of the economic cycle from a over years to decades, ranging from twelve years; they cannot be subdivided into a similar nature, amplitude and its shorter cycle closest "this is a definition of the current economic cycle has been widely accepted. Robert E. Lucas (1977) is a concise summary, the "economic cycle is the economic variable deviation from steady growth trend." [2]

Kitchin cycle is also known as short-wave theory. In 1923, Britain's Joseph Kitchin "cycle and the tendency of economic factors" in a book put forward the theory. According to the United States and Britain Kitchin 1890 to 1922 interest rates, prices, production and employment statistics, when manufacturers from producing too much inventory will be formed, thereby reducing the production of facts and raised the period. He put this 2 to 4 years of short-term adjustment is called the inventory cycle, that is, in the short period of 40 months appears fluctuating. [3]

1862 French physician, economist Klement Juglar "On France, the UK and the US business cycle and the occurrence of the crisis" presents a market economy there is 9 to 10-year cycle fluctuations, most will experience an economic cycle rise, and liquidation of the outbreak of such three stages. This economic cycle is generally referred to as Juglar cycle, otherwise known as the Juglar cycle. The cycle is to be divided according to the fluctuation of national income, unemployment, production, profits and prices as an indicator.

Kuznets cycle, which is a long economic cycle, the theory is to reveal the major capitalist countries the economic cycle from production and long-term movement in prices. • by the American economist Simon Kuznets in 1930 in the "production and long-term price movement," a book made. He believes that the existence of 15--25 years, the average length of about 20 years of the economic cycle. Since the construction period mainly as a symbol of the rise and fall of this phenomenon to be divided, it is also known as building cycle.

Kondratiev Cycle: also known as long-cycle or long wave length is a Russian economist Kondratiev proposed in 1926 50--60 years of economic cycles. The theory that period, from the late 18th century, has gone through three long periods. The second long-period from 1849 to 1896,

rising part of 24 years, part of the decline in 23 years, for a total of 47 years. The third long-period from 1896 onwards, rising part of 24 years, in 1920 after entering the period of decline. This cycle stress the importance of internal factors capitalist economy rather than external factors to explain the occurrence of long wave, long wave that the economy because the fixed capital upgrading of products, thereby causing economic damage and restore balance. [4]

Schumpeter economic cycle management based on technological innovation as the theoretical basis of business cycle movements. He summarized the previous point of view on the basis put forward their point of view. He believes that the history of capitalist economic development, but there are three economic cycles, respectively Kondratiev long cycle, Juglar and Kitchin cycle in a short period. Schumpeter also capitalist economic development is divided into three long period, but the division and Kondratiev different: (1) from the 1780s to 1840, the industrial revolution period of development, innovation and the textile industry in which played an important role; (2) from 1840 to 1897, the era of steam and steel; (3) from 1897 to the 1950s is electrical, chemical and automotive era. He believes that, historically, there is a long period in six cycles and 18 short cycles. It is through economic growth, changes in the economic cycle to achieve.

The Theory about the Cause of Economic Cycle. Economic cycle theory before World War II

The theory of British economist Hawtrey views represented, this theory suggests that the economic cycle is a purely monetary phenomenon. Cyclical fluctuations in the economy are due entirely to the banking system alternately expanding and tightening credit caused. When the banking system and lower interest rates, easy credit expansion will cause an increase in production and income, which will further promote the expansion of credit, but not unlimited expansion of credit, rising late stage when the banking system was forced to tighten credit, erupts crisis and bring recession.

The theory is an investment with excessive production to explain the economic cycle theory, which is the central argument of production or capital goods industry, the consumer goods industry with a production control, with the excessive development, and production of consumer goods is relatively insufficient. This theory was first started in Russia. Tugan - Baranovsky and Germany A. Excessive investment commentators generally based on the fact that the production of fixed capital increases in many high stages, many in the Great Depression of the reduction, while consumer goods production at all stages of the economic cycle were little changed. They generally think the economy is motivated by rising interest rates low inventing new technologies, new markets and a recession phase. Overinvestment theory can be divided into two factions, one believed to be caused by excessive investment money, so called monetary overinvestment theory; those who think that the new inventions, new markets open up other non-monetary factors caused by excessive investment, so called non-monetary overinvestment theory. [5]

Schumpeter's business cycle theory studies business cycle movement on the basis of technological innovation. Innovation and increased productivity, brought huge profits for innovators, other companies have followed suit, forming a wave of innovation. Wave of innovation allows banks to expand credit, which further brought economic prosperity. With the popularity of innovative technology innovators advantages gradually lost, reducing profit, in turn, bank credit crunch, which caused the recession. Until another innovation appears only economic prosperity again.

Representatives of the British economist Malthus and the French economist Sismondi and Modern British economist Hobson like. This theory has a long history, the main explanation for the emergence of the economic cycle and the reasons for the crisis phase of overproduction and it does not explain the whole process of the economic cycle. This theory that the emergence of the economic recession and the crisis is due to the social demand for consumer goods keep up with the growth of consumer goods production growth, while insufficient demand for consumer goods and capital goods caused by lack of demand, which led to the overall economy of overproduction crisis. Insufficient consumption of the root cause is mainly due to the unequal distribution of national income, which resulted in a lack of purchasing power of the poor over the rich and savings.

It was proposed by the British economist Jevons in 1875. Cyclical changes in sunspot cycle will

cause climate change, which will affect agricultural yields cyclical changes, harvests cyclical changes will bring changes periodically throughout the economy.

The theory emphasizes psychological expectation decisive role at all stages of the economic cycle is formed, the main representative of Pigou. He believes that, when any kind of reason to stimulate investment activity, causing economic boom, the capitalists generally optimistic expectations for the future will always be more than a reasonable degree of excessive investment and bring prosperity. When the error caused by the excessive optimism is perceived then the formation of excessive irrational pessimism led to depression.

Effective demand is the aggregate demand and aggregate supply price of the commodity price total demand equilibrium when. Insufficient effective demand has led to depression. Keynes tried three psychological laws of diminishing marginal propensity to consume, diminishing marginal efficiency of capital and liquidity preference to explain the law of insufficient effective demand.

Economic cycle theory after World War II. Representative of the monetarist business cycle theory is Friedman and he attributed to the economic cycle of money and credit expansion and contraction that monetary aggregate demand fundamental factors.

The multiplier - accelerator principle model illustrates the interaction of the multiplier and accelerator, the total demand occurs regular cyclical fluctuations, represented by Samuelson. It is the mechanism play a role in the interaction between investment and output: changes in investment will bring changes in output, the output changes can cause changes in income, causing changes in consumption, changes in consumption and investment caused change. Meanwhile, the output changes can also cause changes in the accumulation, thus providing a new source of investment for a change. The former is a multiplier effect, which is the accelerator effect, which is caused by economic reasons fluctuations.

Representative Norman House. The theory of economic fluctuations attributed to politicians to fiscal policy and monetary policy manipulation. The theory is that economic cycles and economic policy stability and behavior policies are closely related. Government in order to maintain high economic growth rate, tend to adopt expansionary economic policies to expand aggregate demand, leading to inflation. One way the government curb inflation is artificially create a recession. When the economic recession, the government had to perform again expansionary policies under the pressure of the people, the result has to promote the formation of a new upsurge.

The main representatives of the American scholar are F. E. Kydland, C. I. Plosser. Real business cycle theory, the market mechanism itself is perfect, the economy can spontaneously achieve full employment equilibrium; economic cycle from some real economic factors outside the system, such as the impact of technological advances; real business cycle theory is a negation of the economy into long-term and short-term view, the economic cycle itself is the economic trends or potential changes in GDP or full employment, there is no breach of a long-term trend of short-term economic divergence.

Assume an economy in normal running, but this time there have been significant technological breakthroughs. This technological breakthrough caused a rapid increase in investment in new technology, which led to the rapid development of the economy, causing economic prosperity, that prosperity is not a departure from the long-term trend of the economy, and the economy itself improves productivity. But the new technology will not break one by one, when investment in this new technological breakthrough caused by overheating in the past, economic and calmed down. This calm is not lower than the long-term trend, but a new long-term trend.

The Analysis on the Causes of the Capitalist Business Cycle

Economic cycle generation is the result of many factors working together and there is a complex interaction between many factors. Under different social conditions among all the different combinations of factors and effect, it is the specific form of the cycle is also different. Above theories have some truth and all disclose the reasons for the formation of the economic cycle one aspect.

Endogenous factors depending on whether the economy can be divided into internal and external

factors. Internal factors mentioned above theories investment, monetary, psychological, consumption, demand and corresponding endogenous theory of economic cycle theory. The sunspot, technological innovation and politicians conduct an external factor, the theory corresponds to exogenous economic cycle theory.

Also can generate the primary and secondary effects of the economic cycle plays to classify its causes can be divided into basic elements and factors. The basic factor is the reason or conditions on the economic cycle have generated a fundamental role.

The basic factors in the analysis of the period, the contribution of Marx and Engels may be the biggest. Marx pointed out: "If the money to perform the functions of means of payment, the measure of value and realize the value of the role played if the functional currency were executed means of circulation, the possibility of the crisis is contained in separate buying and selling currency at two different times. The possibility of the crisis is contained in the separation of these two moments. "

After currencies, the sale must be the medium of money, buying and selling on the spatial and temporal separation occurs, the product must be sold in exchange for money to be able to buy the products they need, rather than directly to the original goods replacement. Thus, if commodity producers sold their goods, there will be no possibility to buy, so there will be some of the goods sold.

Money also functioning means of payment, which not only promote the circulation of commodities, but also deepened the contradictions of the commodity economy. In credit conditions, many commodities have formed an inter-related debts and claims between the producers. Once a debtor is unable to pay debts on time, it will cause a chain reaction, leading to the collapse of the entire chain of debt, resulting in a lot of producers operating difficulties, even bankruptcy. After paying functions produce the possibility of the crisis, there has been development. The above-mentioned functions of money for the emergence of the capitalist economic crisis and the economic cycle and provides the possibility of forming conditions.

Marx and Engels believed that under capitalism, the relative proportion of the production of surplus production crisis and the structural imbalance of the crisis are two different crisis period for the formation of separate role to play.

Cause relative surplus of production is the crisis: the production of unlimited expansion and big labor movement People's purchasing power is relatively shrinking. Both trends caused by relative overproduction crisis. Under the capitalist system, because of the huge pressure on capital and profit-driven competition, capitalism itself regardless of the actual presence of such consumer needs and market blindly increase production capacity trend. At the same time, small producers are increasingly poor bankrupt, workers are crowding machine, there has been a large number of the unemployed population and the majority of workers basic social consumer purchasing power is limited to a narrow range, while the development of this contradiction between the two to a certain extent, the crisis will inevitably come.

The proportion of production structural imbalance reason: In order to extract more surplus value, the capitalists in their own business in strict scientific organization of production. But the whole society, enterprises and departments under the capitalist private ownership is divided, who do not understand the needs of society as a whole, society as a whole production is in anarchy, chaos caused by the production, the ratio between the required social reproduction destruction, structural crisis caused imbalance.

Implementation of monetary measure of value and means of payment in the post before the advent of capitalism arises, but did not happen before the economic crisis of capitalism. Or more accurately, did not occur over a wide range of economic crisis, because of market segmentation, economic interdependence between regions is not strong, so the economic crisis in an area without the proper channels to transfer to other areas. Further, there is no such transmission channel, different stages of the economic crisis in all regions, therefore, add up to cancel each other out, from a country's overall look is no obvious periodicity. Development currencies and functions only for the economic crisis provide the possibility. But the reality of the conditions of economic crises

under capitalism is only available, when the capitalist crisis is not only a unified national market, and the world market have been initially formed.

However, after the establishment of the capitalist system and the economic crisis it did not happen quickly, but went through a period of development emerged after. This shows that also need to develop the productive forces to a certain height, which manufacturers can quickly enough to expand the scale of production according to market demand, increase production, which is the ultimate strength of the economic crisis and the decision cycle.

Analysis on the Causes of Chinese Economic Cycle

The presence of capitalist countries the economic cycle, there is the socialist state of the economic cycle. Some years the growth of national income and social output value of more than 20% in some years not only did not increase, but decreased. Especially from 1956 after completion of socialist transformation, more pronounced cyclical characteristics. Based on the peak is calculated, from 1958 to 2007, a total undergone six cycles, the average length of each period is 8.1 years, if based on the length of the trough computation period, from 1961 to 2009, also experienced a six cycle the average length is 8 years.

Our plan for economic reform from 1978, but theoretically established China to establish a socialist market economic system began in 1992, so in 1999, as a dividing point, before this cycle is planned economy economic cycle, after the period of the economic cycle is the market economy system. Planned economy under the planned economic system is characterized by a high degree of economic mandatory plan, the number of products, variety, price ratio of consumption and investment, direction of investment, employment and wages, economic growth, and so by the central authorities' directive It plans to decide, which is tantamount and management of transnational corporations.

Since 1953, China's economic construction to the first five-year plan to 1957 and it successfully completed. Industrial and agricultural production has increased significantly, when social stability, good atmosphere. The face of enormous changes, in order to further the development of new China, we have an energetic, dedicated, scrambling to contribute their strength. It was in such a good situation, in May 1958, the Second Session of the CPC Central Committee eight, formally adopted the "go all out to strive for better and more economical to build socialism," the general line. Although the starting point of this is to change the general line of China's economic and cultural backwardness as soon as possible, but due to the neglect of objective economic laws impossible to rapidly changing economic and cultural backwardness of our country. After the General Line, the party launched the Great Leap Forward movement. Great Leap Forward, the development of production in the pursuit of speed, industrial and agricultural production in order to achieve high targets for the goal. The rapid expansion of capital investment, three years, the total capital investment of up to 100.6 billion RMB, more than fifteen times the basic construction plans a total investment of almost twice as high. Accumulation rate suddenly soared three years the average annual accumulated rate of 39.1%. Because we insist on complete unrealistically high targets that will inevitably lead to the prevailing whim, boastfulness flooding. From 1958 began the Great Leap Forward led to a three-year leftist aggressive imbalance large proportion of the national economy and caused serious economic difficulties. The winter of 1960, the leadership of the Party Central Committee and Mao Zedong's rural work to re-correct the "leftist" mistakes, initially proposed the "adjust, consolidate, enrich and improve" approach. Since then, China's economy has entered an adjustment phase. "Eight-character principle" to implement the results of implementation, so that our socialist economic construction has overcome serious difficulties in made new progress. [6]

The economic cycle is actually composed of government-oriented decisions. The above behavior of government work and the following economic growth (to a growth rate of agricultural output measure) combined with the economic cycle and the relationship between the government can guide the more evident: in 1958 32.2% 1959 19.5 % 1960 5.4% 1961 -31.0% 1962 -10.1% 1963 9.5% 1964 17.6% 1965 20.4%.

Rural reforms began several years of our country, because the long-term agricultural

development tied rigid system is broken, hugely liberated rural productivity, 1979 - The 1984 China's agricultural output value increasing by 9.4% per year. During this period, due to invigorate state-owned enterprises began to implement decentralization policy, economic efficiency is very obvious. GDP growth for the corresponding years: 7.6% in 1979, 7.8% in 1980, 5.3% in 1981, 9.0% in 1982, 10.9% in 1983, 15.2% in 1984. It also reflects the government's role in guiding the work of the economic cycle.

Thus, in the planned economy period, the economic cycle and its essence is government work cycle, mainly in investment as the driving force. Also, the government is not only economic work, there have to do political work, economic work is often subject to political and ideological needs, which will inevitably be reflected in the economic cycle.

From 1953 to 1980, China's implementation of the 5-Year Plan, which, inter 1953-- than 1957, the first five-year plan, and the rest was done announced that all political work and have a certain relationship. For example, in May 1964, the State Planning Commission to the Central to discuss "preliminary idea of the Third Five-Year Plan", will vigorously develop agriculture, basically solved the food and clothing the people with the problem in the first place. In 1964, the international situation will change in three-line construction mentioned priority. September 12, 1965, the State Planning Commission to develop "on the Third Five-Year Plan arrangements sinks newspaper outline (draft)", it is a national defense construction as the center of preparing plans. Central Work Conference adopted this outline. As the "Cultural Revolution" broke out, the outline is no official "3 by 5" program.

Characteristics of the planning system are the expansion of the economic cycle of short-term, and long-systole. Expansion is short because the SBC enable enterprises and local governments have invested hunger. Systolic long because on the one hand because of the advantages of a planned economy is to focus on to do great things in terms of investment, have been doing sets of resources, then start a new investment needs to accumulate a longer period, thus showing systolic long, in addition, investment projects have been launched, the various departments and officials in charge of their own judgment in order to prove correct, regardless of the level of effectiveness of the project, to be supported and therefore more inefficient projects was retained from the overall look, naturally low efficiency, but also elongated systolic.

In entering the Chinese market regulation based economy conditions, the economy continues to show the strong cyclical characteristics. As a result of the market economy, economic entities of different ownership relationship are the commodity currencies, economic entity - public (including universal and collective) within its own independent economic interests, but also an economic relationship through the market. Enterprise and the capitalist system they like based on price signals to adjust their economic activities, it is difficult to avoid blindness. Aggregate demand and aggregate supply would create an imbalance, market-oriented cyclical phenomenon inevitable.

You can also another way to examine this issue, namely the economic logic of their development cycle perspective. Prosperity shows that increasing the profits of manufacturers and vendors to increase profits, must the overwhelming majority of consumers, low-income wage earners, inadequate consumption is inevitable, as long as there is prosperity, followed by depression is the law. This is a market economy will inevitably bring, regardless of the social system.

However, since the central government account for a large share of national income, the impact of the planned economy and macro-control of the traditional Western thinking government has a strong desire and ability to intervene in the economy of things, so China's current economic cycle and has a government job ingredient cycle. Two cycles are mixed together, interactions.

Under the socialist system, due to the presence and status of state-owned enterprises, government regulation of the economy, when in addition to the economic policy can be used, but also can directly control the behavior of state-owned enterprises, if necessary, this is the socialist market economy superior to capitalism according to a market economy.

In a market economy, in order to reduce the amplitude of cyclical fluctuations, efforts should be made to create the olive society, if too mean, you will not be encouraged entrepreneurship, the positive effect of human nature cannot play, if too much polarization between supply and demand

will more acute.

The Disappearance Conception of Economic Cycle

Economic cycle curve at a certain stage of development will become smooth, straight and even become the standard. There are two reasons and the first is the frequency of the acceleration of technological progress and innovation can heal cycle to some extent. America's new economic cycle is the law in a rehearsal local. Also limit is the limit demand trend, unless one can live forever, in a limited life, diminishing marginal utility of goods, the number of needle consumption can be a product to be against the types of products. For someone, the number of varieties of products are adequate, more add a variety of consumer, bring him disutility, may be learning to use the time and obstacles, it may be dependent on the use of the original article. Maybe some people just want nominally possession, do not expect the actual effectiveness of some products, but at that time, mankind had not scarce resource constraints, more spirit possession is not of that era. When all have this tendency, the speed of technological progress will be limited. But for the human natural curiosity to explore the unknown world power, technology or will progress, the speed of technological progress will be slow, except in cases of Star Wars, or the lack of human technological progress ample real power. And due to the accumulation of human knowledge, so that a person time to learn before the innovation of previous knowledge required for longer and longer, if people cannot live forever, then the accumulation of knowledge itself will overwhelm the technical progress. And demand the end of the end of human technological progress, in relation to the economic cycle smoothed.

Another possible reason is that, when the means of production is no longer profit, the behavior becomes a public good, almost communism, when the cycle curve becomes smooth. The arrival of this moment may be earlier than the above time.

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