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CONTEMPORARY EVOLUTION OF THE ECONOMIC SYSTEM OF CHINA.

TENDENCIES OF CHINA'S HISTORICAL ECONOMIC DEVELOPMENT*

When the People's Republic of China was founded in 1949, the total output value of industry and agriculture in China was only 46.6 billion yuan, with a per capita national income of 66.1 yuan [1]. But after more than 50 years of development, by 2009, China's per capita income reached 3711 yuan and China's GDP annual growth rate was near 15% before 2008 (before the World Economic Crisis 2008) [2]. In general, the characteristics of China's economic development in the past 60 years are as follows: first, the economic growth rate is relatively fast, except for the negative economic growth during the "Five Year Plan", other periods have achieved long-term growth. Second, the fluctuation of economic growth is relatively large, with a short period of fluctuation. We think these changes are related to China's economic system, policy and its great addiction to be a strong worldwide competitor with many competitive advantages and never and also the fact that during all these years China has never given up in its economic development [3].

First of all, we should talk about the first five year plan. The background of the first five year plan is that after the founding of new China, after three years of economic recovery, the national economy has been improved and industrial production has reached the highest level in history. But at the same time, China is still a backward agricultural country, and its industrial level is far behind other developed countries. Second, we have basically completed the reform of the feudal land system, liberated the rural productivity, developed the socialist state-owned economy, and provided conditions for the planned economic construction. The main content of the first five year plan is to focus on the development of heavy industry, give priority to the development of basic industries such as energy, raw materials, machinery industry, etc. to transform China from a backward agricultural country to an advanced industrial country, and establish an independent and complete industrial system, which is the goal of Chinese pioneers as early as the democratic revolution. After the founding of new China, it was naturally put on the agenda. At that time, there were two alternative strategies: one was the industrialization path of Western capitalist countries, i.e. developing light industry first, and then developing heavy

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industry after accumulating a large amount of funds; the other was the Soviet method, i.e. giving priority to the development of heavy industry, making the country industrialize rapidly in a short time and catching up with the industrial powers. The two strategies have their own advantages and disadvantages. After repeated weighing and in-depth discussion, the CPC Central Committee has made a decision to give priority to the development of heavy industry. This choice was based on the national conditions at that time. Old China's energy, raw materials and machinery industries have lagged behind for a long time

The achievements of the first five year plan are the initial foundation of socialist industrialization, the road of socialism with Chinese characteristics and the accumulation of valuable experience. People's life has also been greatly improved. In 1957, the average wage of the national staff and workers reached 637 yuan, an increase of 42.8% over 1952, and the income of farmers increased nearly 30% over 1952. The average consumption level of the people reached 102 yuan in 1957, an increase of 34.2% over 76 yuan in 1952 [4]. The cause of culture, education, health, science and art also developed greatly. The overfulfilment of the first five-year plan laid the initial foundation for China's socialist industrialization and improved the people's living standards.

The last one is since the reform and opening up. The book says that the reform and opening up has been divided into four cycles: first, 1977-1981, because the Party Central Committee held the Third Plenary Session of the Eleventh Central Committee, which made it clear that China's reform and opening up began with the economic construction as the center. In 1979-1981, the economic growth rate reached 11.7% [5].

The policy of "adjustment, reform, rectification and improvement" was carried out, and the family was carried out in rural areas. The contracted responsibility system of joint production, the grid industry is in the process of adjustment, the economic growth rate continues to decline, but the growth rate is not large. Second, from 1982 to 1986, the urban reform focusing on the reform of state-owned enterprises was carried out in an all-round way, with sustained and high-speed economic growth. But at the same time, the expansion of credit scale is also very serious. In order to curb inflation, the state implemented the double tightening policy, and the economic growth rate began to fall. Third, 1987-1990 was a period of very serious inflation. The devaluation of the currency caused social panic. There was a "rush to buy" trend, so the "governance and rectification" began. During this period, the economic growth rate was about 4%. The last period was 1991-2001 when the socialist market economy system was established. China has adjusted economic planning indicators, further expanded opening up, and accelerated the pace of development. The economic growth rate is over 13%. But at the same time, the inflation rate of Pengzhou goods is also very high. In 1993, China implemented a moderately tight macroeconomic policy to curb the excessive economic growth rate.

Economic views of Wu Jinglian and their impact on the country's economic policy have developed basic theories and promoted market-oriented reforms in China [6]. He worked with economists such as Liu Guoguang, Dong Fuzheng, and Renwei Zhao. The discipline of comparative institutional analysis was created in the early days of China. Utilizing the research results of this discipline, Wu Jinglian demonstrated the rationality and inevitability of establishing a socialist market economy by analyzing and comparing the transaction costs of the two resource allocation methods of planning and market. And soon he proposed a timely transition to an overall reform strategy of China.

In 1985, Wu Jingzheng put forward the idea of "three links supporting reform" of enterprises, competitive market systems and macro-regulation systems. This set of policies includes: the transformation of enterprises from passive planners to autonomous market entities; the formation of commodity markets and factor markets that can



sensitively reflect the scarcity of resources; and change the administrative authority to issue direct orders in the region directly.

China's GDP grew by-6.8% in the first quarter as a result of the outbreak, according to data released recently by the National Bureau of Statistics of the People's Republic of China. Xu Bin, a professor of Economics and finance at China Europe International Business School, said the impact of the new outbreak on the global economy can be divided into two rounds. The first round is the direct impact on the Chinese economy and the transmission impact on the global economy. The second round is the deep blow to the global economy and the indirect influence to the Chinese economy. The global economy will be hit by the epidemic in a short term recession, but it will rebound in 2021. At the same time, Professor Xu firmly believes that the future of China's economy is always dependent on internal factors. In the face of the difficulties caused by the epidemic, individuals and enterprises can cross the difficulties and usher in better development only if they maintain their steadfastness and constantly improve their self-value.

Two rounds of impact of the epidemic on the global economy. The new crown outbreak has had two shocks to the global economy.

First Round (january-february 2020): hit the Chinese economy, and the transmission impact of the global economy. At this stage, the outbreak in China, brought a huge negative impact on China's economy, China's domestic social aggregate demand and aggregate supply suddenly fell. From the demand side, the consumption, investment and net export of the three components of the total social demand all decreased to different degrees, among which, the total retail sales of social consumer goods decreased by 20.5% , and the investment in fixed assets decreased by 24.5% , net exports fell by 116.2 %.

From the point of view of supply side, due to the requirements of anti-epidemic, large-scale shutdown of enterprises, the total social supply decreased. At the same time, the sharp decline in the demand side led to negative growth in total revenues and profits, and weak confidence in the market, with the manufacturing PMI in February at 35.7 and the non-manufacturing PMI at 29.6, both well below the 50-point "boom-bust line" .

According to preliminary calculations by the National Bureau of Statistics of the People's Republic of China, gross domestic product in the first quarter was 20.65 trillion yuan at comparable prices, down 6.8 percent from a year earlier. Of this total, the value added of primary sector of the economy was 1 trillion yuan, down 3.2 percent year on year; the value added of secondary sector of the economy was 7.4 trillion yuan, down 9.6 percent year on year; and the value added of tertiary sector of the economy was 12.2 trillion yuan, down 5.2 percent year on year. Clearly, the impact of the epidemic on China's economy is enormous.

Second Round (March 2020-now) : a deep blow to the global economy, plunging it into a short-term recession. At this stage, the epidemic has broken out in a number of countries. As of May 18, nearly 4.629 million cases of new coronavirus had been confirmed worldwide, of which 1.432 million were confirmed in the United States, according to WHO data, Spain, Russia, the United Kingdom, Italy, Brazil confirmed cases of more than 200,000 cases. The economies of Europe and the United States have been directly affected by the outbreak, and the impact will be felt in China.

On March 31st the Economist forecast that global economic growth would plummet in 2020 as a result of the epidemic, with global GDP growth of-2.2% and China's 1% . On April 6th the IMF revised its global growth forecast for 2020 from 3.3% to-3.0% , and for 2021 from 3.4% to 5.8% , as the situation continues to worsen. China's growth in 2020 was adjusted from 6.0 per cent to 1.2 per cent (just below India's 1.9 per cent) , while 2021's growth was adjusted from 5.8 per cent to 9.2 per cent.



The IMF sharply revised down its 2020 forecasts and sharply revised up its 2021 forecasts, revealing at least three things: first, it judged the impact of the epidemic to be short term rather than medium or long term; Even if China's economy recovers by 2020 by some of the highest rates in the world, it will still grow by less than 2% a year, and the global economy will inevitably slide into recession. 2021's economy will grow at a resilient pace, china's economic recovery could be as high as more than 9 per cent.

In response to the IMF's forecast, Mao Shengyong, head of the National Bureau of Statistics of the People's Republic of China and press secretary, said on April 17 that 1.2 percent is also one of the few positive growth rates among the world's major economies, if the IMF's forecasts for China's growth this year and next are averaged, the country's economy will still grow by more than 5% on average. Assuming that the world economy returns to business as usual next year, the pent-up energy of the Chinese economy due to the epidemic will be released next year.

The short-term impact of the epidemic on China's economy is greater. At present, China is vigorously promoting the market economy, in accordance with local norms in the city, set up mobile vendors stalls, increased the number of people and jobs. During the outbreak, people were able to buy things they needed online. Before the outbreak, people used to buy things online, but this time, the habit will be further affected. Even shopping for groceries and the like can accelerate the formation of online shopping habits.

The accelerated replacement of the traditional store by the experience scene of the technology product. For example, mobile phone stores: We often see large mobile phone stores full of people, but many customers also go to experience mobile phone performance, feel, and so on, and may go home online shopping. Brand clothing stores also have such a case. Online shopping can also buy the same products at lower prices than brick-and-mortar stores. In the future, people may go to a store not to buy things, but to experience or try them on. The entity store has become the experience place of the product, and the operator will face the serious financial burden of the staff salary, the rent, the water and electricity property and so on. It is very simple now operating mobile phone stores, brand clothing and other chain entities are not feeling as good as before to make money.

The acceleration substitution of "online exploration" mode for "advertising propaganda" mode. This epidemic, you can see beauty, clothing, shoes and other products that the public will buy online, all kinds of celebrity endorsements sales are also very objective, they can be extended through the network. Therefore, no matter what type of brand enterprises, must have a future from the online extension of the ability, the traditional extension of the way has been unable to meet the needs of extension. And Telemarketing, physical advertising, hierarchical distribution and so on will increase the operating burden of brand enterprises and it is difficult to explore. Therefore the brand enterprise must create the valuable propaganda content to expand attracts the customer, on the net will emerge more and more picture text, video, audio and so on propaganda content.

The accelerating replacement of "traditional entity education" by network education. After the outbreak, students already had the ability to learn at home and self-discipline, the traditional training institutions must accelerate the transformation. Parents will find that there are more excellent teachers on the educational platform, and children will save time on the way to various training institutions on Sunday. The Internet has changed the path of knowledge transmission. Online education also popularizes educational resources that have advantages, and this is precisely the key to solving the problems of third-and fourth-tier cities or remote rural education.



The acceleration of office work from home. The epidemic has made some people more accustomed to working from home, and the future is also an era of rising individuals. Some people have developed independently from the corporate system, such as online celebrity sellers, freelancers, self-media, etc. , they never need a traditional office or work environment. What is clear is that the more economically advanced the society, the more independent the more people will be, the more capable and promising industries will become independent economies in the future, online pioneers, offline services will be the mainstream of the future work

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