

Considering The Long Term Economic Fluctuation In China

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ABSTRACT

According to the theory of the system dynamics, it is quite logical to presume that the economic long wave will also exist in China. Since reform and opening, the economy of our country has become an open system, and an integral part of the world economy. Our economy is sure to be affected by the western economic long wave. The world has entered the rising period of the 5th economic long wave that started in 1995. According to the presumptions of the system dynamics and the theory of the economic long wave, it is quite possible for the peak of the new round of the western economic long wave to emerge around the year of 2020. Since the current rapid growth period in our country began around 1985, and considering the possibility of the existence of its own economic long wave, we conclude that the rapid growth period of our economy can only last till the year 2015 at the most. Thus it is impossible for the rapid economic development phase to last another 30-40 years in China.

These years, some viewpoints in the economic circle concerning the prospect of the economic development in China are well known. Among them, a representative view is, the Chinese economy is capable of maintaining the rapid growth for another 30-40 years; “In the year 2010, GDP in China will surpass that in USA”; Other people hold such views that the new growth-points of economy at different stages can be well chosen, so that the long, successive and rapid growth of our country can be fully guaranteed.

In fact, such viewpoint lack grounds in theory; while in practice, they are not good, and even harmful to the well development of the future economy of our country. The reasons for such view mainly come from 2 sides: 1. Without enough knowledge and understanding of the basic principles which drive and restrict the world economic development; 2. Overemphasis of speed, that is, “as fast as possible”, while without concern over the national conditions and the deterioration of the ecological environment, and with no considerations of the integral coordination of the national economy and the sustainable development as well.

1). Western economy long wave and its affections

Western economy long wave is a kind of economic pattern, which has a cycle of 50-60 years. Its' hypothesis was put forward in the 1920s', and the inner link between the economic long wave and the feedback mechanism of the economic structure was not proved until in 1975, when American Massachusetts Institute Technology (MIT)

repeatedly carried out simulations on the National Model.

The principal display of the affections of the 4th western economic long wave, which began to descend in the early 1970s' is as follows: (1). During the contraction period (the descending period), the whole western economy is in such a state that the assets are left unused, the rate of unemployment and inflation are both high. (2). Since the Oil Crisis in the 1970s', and especially in the 1980-1990s', the life span of the universal enterprises come down generally. The western medium and small-scale enterprises last no longer than 7 years; the average life expectancy of the large scale ones is comparatively longer, but it is also no longer than 40 years. (3). As an important form of the reorganization and rebuilding of the enterprises, merger and acquisitions (M&A) has already become a principal means of competition, expansion and attracting funds for the enterprises. It has been proved by the research that the emergence of the climax of the M&A is highly related with the change of the economic long wave. It mainly emerges at the beginning of the recovery or the recession of the economic long wave. (4). With the intensification of the social competition, the giant recession has accelerated the huge break-through of the science and technology, pushed the enormous appearance of the new technique; brought about the revolution of the organizational pattern of the production; and then promoted the industrial development, the great changes and adjustments of the industrial structure and the significance revolution of the economic structure.

Although the imbalance of the development of the worldwide economy is still intensifying, the main western industrialized countries have made great break-through in science and technology. Both the acceleration of the economic development in the late 6-7 years and the high-rise of the M&A wave of the enterprises have manifested that from the middle 1990s', the world economy has entered the rising period of the 5th economic long wave since 1780. According to the presumptions of the systematic dynamics and the theory of the economic long wave, it is quite possible for the peak of the new round of the western economic long wave to emerge around the year of 2020.

2). The presumptions about the existence of the economic long wave in our country and the probable affections of the western economic long wave to our country.

On the basis of the theory and viewpoint of the systematic dynamics, the inherent economic structure and the environment jointly determine the model of the economic behavior of a country. The inherent economic structure is the chief feedback relationship and mechanism concerning the production, distribution, consumption etc., and the inter-relationship among the economic departments. With the adoption of the opening policy and gradual growth maturation of the socialist market economic mechanism in our country, the various characteristics of the intrinsic mechanism and contributing factor have been reflected more and more remarkably in the economy of our country. So, as a presumption, it is logical to believe that the economic long wave

will also exist in our country.

Since reform and opening, the economy of our country has become an open system, and has gradually turned into an integral part of the world economy. In fact, our economy has high external dependency. In addition, the actual affections of the financial crisis of the eastsouth Asia etc. have all proved that our economy is sure to be affected by the western economic long wave.

3).Some judgements of the current rapid economic growth and future development situation of our country.

The rising period of the 5th cycle of the western economy started in 1995. And it will probably continue till the year 2020. With regard to the actual circumstance of the unification of the world economy, its affections will certainly spread to our country. Apart from that, as a large country, the economic long wave of our country will also bring some affection to the world economy.

Since the current rapid growth period in our country began around 1985, and considering the possibility of the existence of its own economic long wave, we conclude that the rapid growth period of our economy can only last till the year 2015 at the most.

At the beginning of next century, owing to the continuous increase of the total amount of our economy and the considerable economic scale, the growth rate will slow down. During that period, the growth rate will be about 7% in the rapid growth period and about 5% in the slow growth period.

Before the 1st half of next century, the new round of the growth rate of our economy should be no higher than 7-8%, and 4-5% in the slow growth period. And in the 2nd half of next century, they will drop to 5% and 3% respectively. According to the preceding judgements, it is impossible for our economy to continue rapid growth for another 30-40 years. And it is not likely for GDP in our country to surpass that in the USA in the year 2010. Such view will cause domestic unrealistic optimism, while internationally, it may become another ridiculous pretext of the 'China threat argument' of some people.

In short, the significance and the practical value of the research in the economic long wave are not limited to the macro development strategy and macro manipulation of the national economy. It also contributes a lot to the formulation of the long-term development strategies and future development of the enterprises, especially the large ones and the multi-national corporations.

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