China: Anti-crisis Potential of the Economy and its Impact on the Social Sphere

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ABSTRACT

The article deals with some aspects of the global financial crisis on China’s economic and social development. It describes the main indicators of the economy before and after the crisis. Also, analysis of the main sectors that experienced the greatest impact of the global financial crisis. Identified and grouped measures of anti-crisis development of the People’s Republic of China (PRC), which contribute to overcoming the consequences of the crisis as soon as possible. The financial crisis is strong enough impact on the socio-economic development of the PRC. This affected the decrease in real income of the population and led to curb economic growth. Also, the well-being of the population decreased significantly, due to the reduced capacity of the current consumption, investment and the creation of savings of the population, impairment of financial capital and devaluation of the dollar.

Keywords: Socio-economic Development, World Financial Crisis, Socio-economic Implications, Social Sphere, Anti-crisis

JEL Classifications: A14, H12, F63

1. INTRODUCTION

The main task at the present stage of development is to overcome the problems encountered in the financial crisis, the consequences of their decision to create favorable conditions for effective social and economic development of societies.

Changes in socio-economic development of society, can be long-term or short-term nature of the financial crisis, be qualitative or quantitative, containing in itself the consequences as reversible and irreversible. The consequences that could carry a financial crisis, not only depend on its nature and the nature of the deployment, and the effectiveness of crisis management.

Modern China is a rapidly developing country with a continuously upgradable market economy in many ways to some extent corresponds to a trend or approach to the anti-crisis criteria developed world theory and practice. In particular, modern type of economic strategy China has a significant anti-crisis potential, focusing on the balanced development of China structural elements of a market economy, in town and country, different regions of the country, economic and social development, human health and environment, a harmonious combination of internal development and external openness (Karlusov, 2009).

Financial crisis - This is the reality of the current stage of the global economic development.

The financial crisis is manifested in the transformation of the structure of the global economic system that can lead to the emergence of a new socio-economic system of society.
The crisis is one of the four phases of the cyclical development of the economic system.

The crisis is the most significant phase of the economic cycle, without which it would be possible cycle of existence in general (Kimelman, 2010). The crisis is a mechanism of forced adaptation to the social production volumes of solvent demand of economic agents characterized by a general overproduction, deep shock of the entire socio-economic life of society.

Depression is the phase comes after the crisis, characterized by stagnation of production, disposal of the obsolete fixed capital formation, which is an important prerequisite for reducing production costs with a view to adapt to set a low price level. Price reduction helps to reduce excess inventory. Accompanied by substandard economic conditions and an increase in unemployment.

The revival is manifested in activation of economic activity characterized by the growth of commodity production, accompanied by a renewal of fixed capital, upgrading the means of production and an increase in production volumes, an increase in the level of prices, profits and interest rates, the adaptation of the economy to the new price level. The duration of the phase of revival depends on the achievement of pre-crisis level of social production (gross national product, gross domestic product [GDP]).

The rise is characterized by lasting growth, got its start in the revival phase. Determined a significant reduction of unemployment up to achieve full employment, the expansion of production capacity and the creation of new enterprises. Increased foreign investment income leads to an increase in interest rates, which leads to an increase in securities, due to the fact that it is a positive impact rising profitability of enterprises.

Financial crises devastating impact on the socio-economic development of society (Tsikhan, 2003). They are destroying the weakest and least effectively organized enterprise, eliminating inefficient production methods and forms of organization of enterprises, creating the foundation for a more modern methods and forms of production.

The crisis is a negative, often unexpected and profound changes in social and economic life of society, at the same time able to induce the state to a new stage and round of development. Financial crises can become a basis for further effective socio-economic development of society. Financial crisis opens opportunities for the state, which are invisible in the modern world. They are able to set in motion forces that will give impetus to further and accelerate socio-economic development of society.

Financial crises can not only destroy the economy, but also to identify the problem, the solution of which can give the acceleration of economic growth for the future. Financial crises reveal the problems of relations between the state and markets in economic systems, a harmonious combination of public and private interests in society at the present stage of development. Consequently, the current study is the impact of the financial crisis on the socio-economic development of society.

The crisis is: A sharp, steep turn in something, often accompanied by differences in the political life of society, reflected in the resignation of the government and sharp political differences (Press, 2006); periodic dislocation of the economic life; acute shortage or lack of something necessary for the full existence of society; aggravation of contradictions, threatening the viability of the social and economic system.

The global financial crisis has affected small China - Primarily because of lack of development of the Chinese financial system. Another important point is that the development of financial flows in China is mainly controlled by the state, it ensured the preservation of public confidence in the financial system. In addition, the Chinese model of consumer behavior have traditionally focused on saving and accumulation, as opposed to, for example, from the Americans, who are accustomed to spending on credit.

The banking system in China - this is not a mortgage, but mainly public savings banks. The fact that for a long time, the Chinese authorities do not pay enough attention to social security of people, while commercialization has affected many areas of public life, in particular health and education. In order to be treated, to teach children to have money for retirement people were forced to engage in saving part of their income, keeping them in the state of the Savings Bank (now more than 20 billion Yuan = 3 trillion dollars). The savings rate in China - the world’s highest. The state, in turn, was interested in these stocks for active lending to the real production. As a result of the expansion of export production in China has received considerable internal financial base.

As a result of the past 30 years of reform, China has become one of the leading world powers - achieved by the economic indicators today hit the entire world community, with its ambiguous response. China has taken a leading position in terms of economic growth (more than 10% annually), the volumes of GDP (more than 4.4 billion USD, 3rd place in the world after the US and Japan, 5-6% of the world), the volume of foreign trade (2.5 trillion dollars, 50% of China’s GDP), the scale of the gold and foreign exchange reserves (more than 2 trillion USD, 1st place in the world - … ahead of the South African gold mining) (Porter, 1998). China declared its commitment to the development of a market economy and opening up, without abandoning the policy of socialist development. China became involved in the global economy and politics that brought him in recent years, significant dividends. But at the same time increased and dependence on the development of global processes, market fluctuations, and even disasters.

2. EVALUATION OF THE IMPACT OF THE CRISIS ON CHINA’S ECONOMY

The economy of the People’s Republic of China (PRC) is currently one of the leading economies in the world: In terms of GDP since
In 2009, the decline in exports and imports gradually began to lead to a reduction in the number of employees by 4 million in various sectors, while experience shows that the slowdown in growth of 1% leads to a reduction in the number of employees by 4 million. Meanwhile, significant damage caused weakening as a result of the global crisis on export-oriented Chinese economy (Chang and Loginova, 2014; Silnov, 2015). The analysis of the impact of the global crisis on the functioning of certain sectors of the Chinese economy (mechanical engineering, textile industry and agriculture) has shown that the various industries in different ways to respond to the economic crisis.

In China, before the crisis exacerbated the contradictions between city and country. There was landless peasants, confiscation of agricultural land in the course of urbanization and industrial development, the growing number of unemployed (Ming Gong) in the city and the “superfluous men” in the village. The crisis severely affected this situation. “Growth without development” (on the basis of cheap and mobile labor force and significant foreign investments) found their limits. Export orientation of the Chinese economy that has developed in recent years and has become an important basis for China’s economic growth has increased the negative impact of the global crisis on the Chinese economy.

However, the main danger of the global crisis for the PRC was not in the field of finance, and in the real economy and foreign trade - in reducing the rate of economic growth, a significant drop in exports, as a consequence of employment growth restriction that exacerbates the problem of employment.

In the spring of 2009 and 2010 in the reports of the regular sessions of the National People’s Congress (NPC) Premier Wen Jiabao government work reports of the State Committee for Development and Reform Commission, as well as in press conferences at the end of the sessions to state significant difficulties in the functioning of the Chinese economy, which “has increased dramatically due to the onslaught of the global financial crisis.” In particular, in the 4th quarter of 2008 there was a decline in economic growth, significantly slowed industrial production decreased demand for energy, raw materials, transportation, expensive types of consumption, in particular commodity housing and automobiles, decreased volume of foreign trade, increased economic difficulties of enterprises related to the reduction of orders, sales volumes and profits; exacerbated the problems in the field of employment. All this together has caused “serious damage to life and property of the population,” significantly slowed the growth of financial income of the state.

In 2009, the decline in exports and imports gradually began to slow down towards the end of the year there was even some growth (Arzhakov and Silnov, 2016). At the same time, under the influence of a substantial reduction in the global market demand and “reduce the prices of commodities on a global scale, taking into account the low klassnosti our export goods,” the total volume of imports and exports fell by 13.9%, the planned annual plan of 8% growth It was not reached. Attracted by the United States for the year, foreign direct investment totaled 90 billion USD (Excluding banking, stock and insurance spheres), which was also lower (by 2.4 billion dollars.). Corresponding to the planned target (Report of the PRC State Committee for Development and Reform Commission, presented at the 3rd session of the NPC of the 11th convocation 2010).

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As can be seen from the Table 1, there was a significant decline in exports (16.0%) and imports (11.2%) in comparison and, accordingly, the foreign trade turnover by 13.9% as a result of the global crisis. The volume of GDP rose by 111.5%, indicating the presence of internal reserves of stability of China’s economy in crisis, which alleviated the negative consequences of the impact of the global crisis on export-oriented Chinese economy (Chang and Loginova, 2014; Silnov, 2015).

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Table 1: Dynamics of the main indicators of economic development of China

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP trillion yuan</td>
<td>30.07</td>
<td>33.54</td>
<td>39.80</td>
<td>47.16</td>
<td>51.93</td>
<td>56.88</td>
</tr>
<tr>
<td>Export, billion dollars</td>
<td>1430.70</td>
<td>1201.70</td>
<td>1577.93</td>
<td>1898.60</td>
<td>2048.93</td>
<td>2210.00</td>
</tr>
<tr>
<td>Imports, billion dollars</td>
<td>1132.60</td>
<td>1005.60</td>
<td>1394.83</td>
<td>1743.50</td>
<td>1817.83</td>
<td>1950.30</td>
</tr>
<tr>
<td>The foreign trade turnover, billion dollars</td>
<td>2563.30</td>
<td>2207.30</td>
<td>2972.76</td>
<td>3642.10</td>
<td>3866.76</td>
<td>4160.30</td>
</tr>
</tbody>
</table>

GDP: Gross domestic product

Figure 1: Dynamics of the main indicators of economic development of China

![Graph](image-url)
As a result of the recession, many skilled people who have worked abroad, had to return to China, which increased competition among professionals. Complicate the PRC and employment applicants of higher educational institutions. Meanwhile, the number of vacancies in the public sector has decreased in recent years. But more importantly - are losing their jobs, many people from the village, engaged in small and medium-sized enterprises in the city, which, of course, cause a wave of mass repatriations (according to experts in connection with the crisis have lost their jobs and returned to the country of 20 million people). This further increased the surplus labor in the agricultural sector, and further complicated the task of increasing the income and welfare of the rural population, what was announced at the XVII Congress of the CPC. But the Chinese countryside - is 60% of the Chinese population (780 million people).

Impact of the crisis significantly affected the slowing growth and even a reduction in real incomes. Home real estate market decline. Meanwhile, the rapid growth of housing construction in recent years has been an important stimulus for economic growth in China. Reduce the cost of purchase of cars and other durable goods. Accordingly, fell demand for the metal, cement, building materials and reduced profits of industrial enterprises.

3. CHARACTERISTICS OF THE DEVELOPMENT OF CHINA’S ANTI-CRISIS MEASURES

In connection with the manifestations of the crisis in socio-economic sphere, the Chinese government took measures to counter the global financial crisis and promote the sustainable and rapid economic development. The basic expedient of these areas grouped as follows, as shown in Figure 2.

A more detailed presentation of these measures in Table 2.

Separately, and more specifically examine the activities that were aimed at expansion of aggregate domestic demand, as well as the stabilization of commodity prices and a decrease in the price gap with the world level.

1. Measures to increase aggregate domestic demand:
   - A temporary increase in the state’s share in national expenditure;
   - An increase in subsidies to peasants and urban population with low incomes;
   - Provision of demand growth in the services sector through the development of trade networks and networks of public utility services for the population in urban neighborhoods and rural areas;
   - Improvement and development of motorization and other policy measures to stimulate consumer demand and the corresponding labor and accumulation of motivation of the population.

2. Measures to promote the stabilization of commodity prices and a decrease in the price gap with the world level:

Table 2: Brief description of the development of China’s anti-crisis measures

<table>
<thead>
<tr>
<th>Areas of action</th>
<th>Characteristics of the measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real sector</td>
<td>• Implementation of the rearrangement of the program, stimulation and recovery of the most important industrial sectors, including export-oriented and import-substituting;</td>
</tr>
<tr>
<td></td>
<td>• Activation of the further development of production and transport infrastructure;</td>
</tr>
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<td></td>
<td>• Development of SMEs</td>
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<tr>
<td>The financial sector</td>
<td>• A massive increase in public investment;</td>
</tr>
<tr>
<td></td>
<td>• Easing the tax burden of enterprises and households;</td>
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<tr>
<td></td>
<td>• Stabilization and elimination of distortions in commodity prices, including “Price gap” with the global market;</td>
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<td></td>
<td>• Financial assistance to SMEs;</td>
</tr>
<tr>
<td></td>
<td>• Support in the reconstruction and stabilization of exports;</td>
</tr>
<tr>
<td></td>
<td>• Expansion and commissioning of the budget management system from the state capital and the central part, the local levels;</td>
</tr>
<tr>
<td></td>
<td>• An increase in treasury bonds issue of bonds;</td>
</tr>
<tr>
<td></td>
<td>• Improving and toughening financial control methods for the use of budget funds</td>
</tr>
<tr>
<td>Social sphere</td>
<td>• A comprehensive promotion and expansion of domestic demand, including by increasing employment, the fight against unemployment;</td>
</tr>
<tr>
<td></td>
<td>• Construction of affordable housing;</td>
</tr>
<tr>
<td></td>
<td>• Development of integrated social programs and a general rise in the level of social welfare;</td>
</tr>
<tr>
<td></td>
<td>• Reducing the disparities between the development of economy and social sphere</td>
</tr>
<tr>
<td>The sphere of innovation</td>
<td>• Activation of the state science and technology policy;</td>
</tr>
<tr>
<td></td>
<td>• Encouraging the development of independent innovation of enterprises of different ownership forms</td>
</tr>
</tbody>
</table>

SME: Small and medium-sized enterprises

Figure 2: Operational measures of anti-crisis development of China
• An increase in complex subsidies for agricultural inputs and elite varieties of cereals;
• Implementation of a significant increase in the minimum purchase prices for grains (produced three times);
• Expansion of imports of agricultural products in short supply in the country and the most important raw materials;
• The introduction of stringent restrictions on the export of grain, fertilizer, etc.,
• Streamlining and strengthening of control over the inventory of the most important types of goods;
• Implementation of subsidizing five major sectors, including fisheries, in the activities which seriously affected the adjustment of prices of petroleum products.

Active support was given to companies that produce raw materials production, the gap in prices to which “is difficult to eliminate in a short period of time.” Timely sizes were increased subsidies for low-income people, in particular, were given temporary allowance for meals for students and graduate students of universities with full and part-time training program.

In order to ease the tax burden of enterprises and the population was enacted the new Law on Corporate Income Tax, helping to reduce the corresponding fiscal burden. Promoted by the standard non-taxable minimum of personal income tax in respect of income from wages, temporarily lifted the personal income tax on interest on savings deposits, and interest on the settlement funds in securities transactions. Efforts financial and tax measures to support construction of affordable rented and affordable housing, as well as the development of the rental market. Reducing the tax burden in relation to the implementation of real estate transactions. Reduced rate of stamp duty on stock exchanges, the collection of which is now carried out unilaterally. Corrected policy excise tax on motor vehicles. Businesses that find themselves in a difficult situation, is allowed on a phased basis to defer payment of contributions for social insurance, with reduced rates for the four categories of contributions in this area (Data of the Ministry of Taxes and Levies of the PRC).

Regarding the short-term prospects of China’s development and related basic tasks anti-crisis, experts of the State Committee of China Development and Reform Commission, in particular, noted: “If you look at the situation and conditions for international and domestic development as a whole, it must be said that the task of reform, development and maintaining stability in the current year is very heavy. To fulfill the main objectives of economic and social development requires linking to ensure the smooth and relatively rapid economic development of the structural setting, actually increase the duration of the development. Combining the expansion of domestic demand, particularly consumer demand with the stabilization of external demand, in every possible way to enhance the uniformity of economic development. Combining the unified planning of harmonious development of both urban and rural areas and to the promotion of urbanization, fully expand the space for development. Combining encouraging independent innovation with the cultivation of new industries of strategic nature, its efforts in the implementation of development through innovation. Combining deepening reforms with the promotion of development, fully unleash the inner driving force of economic development. By linking economic development with improving people’s livelihood, to significantly strengthen the harmony of socio-economic development.”

Officially incorporated in the Chinese plans for the forecast growth in GDP for the immediate short-term amounted to 8%. This forecast is quite realistic and orients the economy and society in the continuation of serious work on the modernization of socio-economic development model and the corresponding restructuring (An Analysis of China’s Economic Crisis and Possible Ways).

4. CONCLUSION

Due to the crisis, China has recently dramatically increased its foreign policy and foreign economic activity. Features China has, and he began to actively invest their currency in the world economy and finance. So, China 40 billion USD. Allocated to the IMF, to demonstrate their contribution to overcoming the crisis of the world financial and economic system. There is a growing Chinese investment activity. Additional access to Western technology opens up more and more expanding currently exporting Chinese capital, followed by foreign mergers and acquisitions of foreign companies. Chinese Premier Wen Jiabao recently announced its readiness to buy up Chinese companies almost all over the world. In fact, according to some experts in the process of the present time, China’s transformation began exporter of goods to the exporter of capital. At the same time, China has been actively buying up raw materials and raw material assets in different countries (in particular in Australia, Africa and others.) And actively increase the reserves of natural resources derived from abroad (oil, copper, bauxite, uranium), which led to complaints and protests by the major powers, accusing China of violating WTO rules. Observers especially paid attention to the African activity Beijing, where, among other things, home to 30 thousand people from the Chinese (Huaqiao).

Thus, the crisis has brought to China not only problems, but also some chances:
• The government has increased investment in infrastructure;
• Contributed to industrial restructuring and investment;
• A substantial increase in incomes of the population, etc., that has allowed the Chinese economy to develop in conditions of crisis.

REFERENCES


