

# Characteristics and Causes of Economic Cycle Fluctuation during the 30 Years after China's Reform and Opening Up

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**Abstract:** With the rapid development of economy for 30 years after reform and opening up, China's economy has basically entered the mature stage of advance according to the theory of stage of economic development presented by Ross. While when China succeed in achieving economic development, many people all over the world questioned the authenticity, stability and sustainability from different aspects. As sustainable and stable economic development have a special strategic significance, herein we use a historical analysis method to discuss the characteristics and reasons for 30 years' economic cycle fluctuations after China's reform and opening up, hoping to be a guiding role for China's economy in the future.

## 1 Introduction

In the course of development after 30 years of China's reform and opening up, China's economic system has experienced the period of planned commodity economy (1979-1991), the initial establishment of the socialist market economy system (1992-2002) and the improvement of the socialist market economy system since 2003. In different historical stages, China's economic development presents different characteristics, different economic development reasons also drive the economic cycle presents different volatility characteristics. It is necessary to analyze the reasons of the development of economy, and it will have important historical value for the long term and stable development of China's economy in the future[1, 2].

## 2 Characteristics and causes of economic cycle fluctuation for planned commodity economy period (1979-1991)

The years from 1979 to 1991 is a transition period of China's economy (from the traditional, closed, highly concentrated planned economy to the modern open market economic system). This period of economic system transformation can be divided into three stages, that is, the preparation stage (1979-1984); the initial stage (1985-1988); the partial reversal stage (1989-1991)[3].

### 2.1 The economic cycle fluctuations characteristics from 1979 to 1991

From Figure 1 and Table 1, the overall characteristics of the economic cycle fluctuations in the planned commodity economy period can be summarized as follows: when the economic cycle fluctuations enter the modern growth stage, the peak position decreases, the valley level rises, the average potential energy increases, the economic development and the amplitude decreases, the period of the economic growth and the stability of the economic growth, and the impact resistance.

### 2.2 Reasons for the economic cycle fluctuations from 1979 to 1991

(1) Period from 1979 to 1984 is the starting stage of reform and opening up and the preparation stage of economic transition, the national economic adjustment at the same time to achieve the rapid economic growth, the main reason lies in the macroeconomic construction guiding ideology.

(2) Period from 1985 to 1988's economic overheating always lies in the shortage of agricultural production, a profound test of the "no instability" of the conclusion. Township enterprises suddenly rises, which become a new economic growth point and enhance the vitality of economic

development.

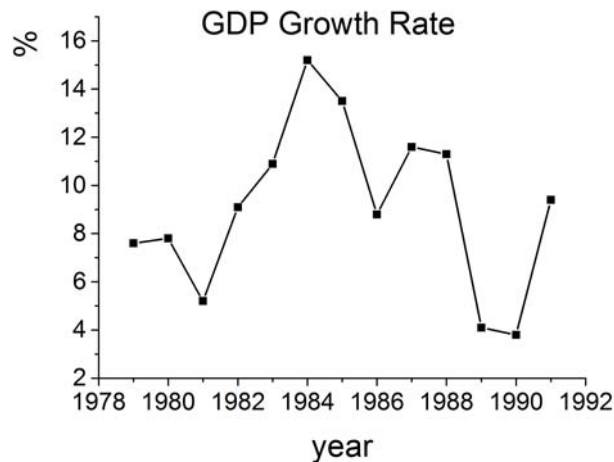


Figure 1 GDP growth rate from 1979 to 1991

Table 1 Economic cyclical fluctuations from 1979 to 1991

year	amplitude	peak	valley	average potential
1979-1981	2.4	7.8	5.2	6.7
1982-1991	11.4	15.2	3.8	10.8

(3) The economic growth rate of 1989 was 4.1%, 3.8% for 1991, and 9.2% for 1990, which are relatively slow. In addition to the western world of China's economic blockade, the impact of economic development is more important that China's domestic first name in the early 90's argument. In the decision layer, the guiding ideology of the economic work exists on stability of the economic development pattern afraid of chaos and numerous concerns to the reform and opening up of the market orientation[4].

### 3 Characteristics and causes of economic cycle fluctuation for the initial establishment of the socialist market economic system (1992-2002)

Since 1992, China has made the reform direction of the market economy system clear. 1992 to 2002 is the initial establishment of the socialist market economic system, in which China has withstood all kinds of difficulties and risks of the test, the national economy has achieved sustained and rapid development of the socialist market economy, which is very unusual and very uneven ten years.

#### 3.1 The characteristics of the economic cycle fluctuations from 1992-2002

Table 2 GDP growth rate from 1979 to 1991

year	1992	1993	1994	1995	1996
(%)	14.2	14.0	13.1	10.9	10.0

(1) As shown in Table 2, the economy is in a high position from 1992 to 1996, which is the fastest growing period since the reform and opening up, the GDP growth rate all reached or exceeded 10%. Although the growth rate is gradually declining, but the overall development level is still very high.

(2) From 1997 to 2002, China entered the economic cycle of the downlink, economic development is affected by the Asian financial crisis in 1998 and catastrophic floods in 1997. The valley of the current round of economic cycle is at the level of 7-8%, the stage of economic

operation shows a typical soft landing characteristics, the downward trend is gentler, economic growth has been significantly enhanced. Specific data see Table 3:

Table 3 Comparison between the peak and valley values of the economic cycle

cycle number	Peak year	GDP growth rate	valley year	GDP growth rate
1	1953	15.60%	1954	4.20%
2	1958	21.30%	1961	-27.30%
3	1964	18.30%	1968	-4.10%
4	1970	19.40%	1972	3.80%
5	1975	8.70%	1976	-1.60%
6	1978	11.70%	1981	5.20%
7	1984	15.20%	1990	3.80%
8	1992	14.20%	1999	7.60%

### 3.2 Reasons for the economic cycle fluctuation from 1992-2002

(1) The main reason for the enhancement of economic stability from 1992 to 1996 is the initial establishment of the market economic system, and the proper response of macro-control policies. Beginning in 1993, the national macro-control began to shift, from mandatory mainly as the guidance, the transformation of regulatory policy from rely heavily on administrative direct means of indirect means to focus on the market, the object of regulation also by the focus of regulation and control as a micro economic subjects in a business transformation for guidance and regulation of social economic activities and began to face the market.

(2) The external influence factor from 1997 to 2002 is a great impact on economic development. The economy enter into a downward range from 1992 to 1996, mainly because of the 1997 Asian financial crisis and the 1998 catastrophic floods. When world economic growth has shrunk dramatically, though China has not been directly affected, but the RMB appreciation pressure, the export of foreign trade is affected. Therefore, by the end of 1997, the growth rate fell sharply, the use of foreign capital is also rapidly reduced. In addition, 1998 catastrophic floods lead grain cut 11%, affecting long term stable development of the national economy of agriculture as the foundation, in a certain extent, affect the GDP growth, and flood caused serious damage to the agricultural production at the same time, also industrial production and traffic transport adversely were affected, which made the economic operation difficult. In December 11 of 2001, China joined the World Trade Organization (WTO), after which China's economic develop rapidly, comprehensive national was further enhanced, the influence and position of the international community has been greatly improved[4].

### 4 Characteristics and causes of economic cycle fluctuation for the improvement of the socialist market economic system (2003-2009)

In the process of the socialist market economic system, China's economic cycle and the world economic cycle are also growing, the world economy has a growing impact on China's economy, while China's economy in the world is increasing, and the impact on the world economy and the promotion of the role is increasingly obvious.

#### 4.1 Characteristics of the economic cycle fluctuations from 2003 to 2009

The economic development and fluctuations of this period have the following characteristics:

- (1) The fluctuation range of the national economy become small, and sustained and steady growth of the national economy has been realized.
- (2) The basic status of agriculture has been strengthened, the industrial production develop rapidly.
- (3) Energy saving and emission reduction achieved initial results, the economic operation quality has been further improved.

#### 4.2 Reasons for the economic cycle fluctuations from 2003 to 2009

From 2003 to 2004, the national economy appeared overheated, which is mainly due to the larger

industry investment, the still strong blind expansion of investment and the increased newly started construction projects. In 2005 the cent government attempted to solve the outstanding problems, effectively control the fixed asset investment growth, and curb the growth of real estate investment. Furthermore, the government also increase agricultural, energy, transportation, social undertakings and other weak links of investment, promote the coordinated development. In 2006 and 2007, the national overall economy situation is good, which is mainly due to the too large fixed asset investment scale, the fast fixed asset investment growth, too much money, too large credit scale, too large foreign trade surplus, which result in excessive pressure on the RMB appreciation, the price become a structural rise in inflation pressure. The difficulties in the operation of the national economy from 2008 to 2009 is mainly due to the international financial crisis caused a serious shortage of foreign demand, a substantial increase personnel unemployment.

## 5 Conclusion

Different countries have different development stages and economic systems, as a result the whole macro-economic operation mode is sure different, which will have an impact on the fluctuation of the economic cycle. Therefore, the economic cycle fluctuations in different countries have different characteristics and regularity. Since the reform and opening up, China's macro-economic operation mechanism has changed significantly, and there are still new and important changes in the process of economic system transformation, which determines the special historical stage. Especially in twentieth Century 90 years, with the development of the industry and the economic system reform, the fluctuation of economic cycle in China has changed a little in the initial stage of the reform. In this case, analysis of the characteristics and reasons of the economic cycle fluctuations of China's economic, to develop the stability of macroeconomic regulation and control policy has an important theoretical and practical significance.

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