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ANALYSIS OF THE EFFECTIVENESS OF MACRO-CONTROL POLICIES UNDER ECONOMIC FLUCTUATIONS: SOME DATA PROOFS AND RECOMMENDATIONS

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Abstract

As China's economy enters a new normal and finance is an important means for the Chinese government to macro-control macroeconomics and optimizes social resource allocation, it is urgent to answer whether the government's regulatory policies under economic fluctuations still have validity. By analyzing the results of China's economic growth in 1978-2016 and the macro-control policies adopted under economic fluctuations, we found that under the economic fluctuations, the government's use of macro-control policies is significant and positive for economic growth, structural adjustment, and optimization of resource allocation. Therefore, we believe that we cannot deny the effectiveness of macro-control policies in economic fluctuations, and should pay more attention to which ones to use and how to use macro-control policies to meet the needs of economic development under economic fluctuations. Three suggestions are proposed: the government should manage the financial market system, regulate the relationship between the central and local governments, and create a good financial atmosphere to ensure the effectiveness of macroeconomic regulation and control.

Keywords: Economic fluctuations, macroeconomic regulation, control, government behavior, economic growth

INTRODUCTION

Since the completion of the socialist revolution, China’s financial industry has not yet been bred in the early days of reform and opening up. Today, commercial banks, securities companies, insurance companies and other financial institutions are everywhere, and the financial market system is becoming more and more perfect. We have to acknowledge the government’s macroeconomic regulation and control. The traction and support of economic development. However, since the reform and opening up, China has still produced three distinct inflation cycles, and each time inflation has seriously affected China's economic development. We can't help but wonder whether the government's macroeconomic regulation and control are effective in economic fluctuations.

The classical liberalism represented by Adam Smith believes that the market has a spontaneous adjustment function. It has its own adjustment mechanism for the allocation of resources, social division of labor and profit, without the intervention of the government. The government intervention represented by Keynes The main idea is that they can't completely solve the problem of insufficient production and the relative surplus of production. They need the government's coercive means to regulate. This theory was well verified in the Great Depression of 1929 and was widely used by Europe and the United States. Most countries adopted the Chinese central government to establish a socialist market economic system in 1992. Since the 1950s, after 20 years of gold in the world economy, government interventionism has been seriously challenged, and economic stagflation has plagued Europe and the United States. Since then, liberal policies have revived and dominated the capitalist market economy. Until the outbreak of the subprime mortgage crisis in 2008, the entire world's economic system was hit hard. As China's economy enters a new normal, and finance is an important means for the Chinese government to macro-control macroeconomics and optimize social resource allocation, it is urgent to answer whether the government's regulatory policies under economic fluctuations still have validity.

Based on the theory of economic fluctuations and the government's macro-control theory, this paper collects relevant data from 1978-2015 in China for empirical research, finds the economic fluctuation cycle and analyzes relevant characteristics, and then combines the government behavior adopted by the Chinese government at that time to conduct behavioral effectiveness analysis. Exploring the macroeconomic regulation and control policies adopted by China and comparing the advantages and disadvantages of traditional economic theory in economic fluctuations, the government's macroeconomic regulation and control still has a positive effect on economic fluctuations, but the results of rational use of this method need to be developed.

LITERATURE REVIEW

Economic fluctuation theory is also called economic cycle theory. It is a theory that studies the expansion and austerity of the overall activity of the national economy, that is, the law of volatility. It generally consists of two parts: one is the identification of important factors affecting macroeconomic operation, such as war, government policy factors, causing exogenous fluctuations in total supply or aggregate demand, known as economic shocks. The second is the explanation of the causes of economic fluctuations, that is, the model of dealing with various shocks, explaining the transmission mechanism of the impact on the whole economy, and explaining how the impact forms fluctuations (Hongan, 2007).

The birth of macro-control theory is attributed to two famous figures, one is the socialist revolutionary Marx and the other is the economist Keynes. Marx put forward the shortcomings of the capitalist system in the way of political economy, which led to the outbreak of the cyclical crisis of capital economy. He expressed the possibility of macro imbalances in the simple commodity and the use of the internal contradiction of commodity development and externalization led to currency generation. In the currency relationship. Keynes also found the problem of equilibrium and non-equilibrium in the macroeconomics. He differed from Marx in that he believed that non-equilibrium is the normal state in the capital economy. It manifests as insufficient effective demand, resulting in various types of risk problems, and effective demand. Insufficient can be explained by three reasons: slow sales of goods, shrinking production, and involuntary unemployment (Li Jianying, 2000).They give the basic manifestation of the non-equilibrium problem: that is, the total supply is greater than the total demand. But they did not directly propose specific and feasible interventions. The Great Depression of 1929 prompted the government to intervene into the big stage of the capital economy (Pang Mingchuan, 2009). The definition of government intervention in the economy, from the initial "macro-adjustment", "macro-control" to the final "Bashan-round meeting" in 1988, "macro-control", which has been produced in the academic, political and private sectors. Far-reaching influence. After the completion of the socialist transformation, China implemented a single planned economy controlled by the government. After continuous exploration, in 1992, it established a socialist market economic system dominated by market economy and supplemented by macroeconomic regulation and control.

Economic development is not static. It will change with many factors. Various factors cause external fluctuations in total supply or aggregate demand, and the economic shock is formed. There are two variations: inflation, deflation. In order to solve the economic problems arising in different economic cycles, the government's macro-control role is also different. In the case of inflation, the government usually adopts a reduction in fiscal expenditures and an increase in taxes to balance supply and demand and achieve equilibrium (Yan Guozhu & Liu Yingzhuo, 2009). On the contrary, when deflation occurs, the government adopts measures to reduce taxes and increase fiscal expenditures. Qin Yiyi (2003) believed that the government's macroeconomic regulation and control also played an important role in protecting resources, remedying and correcting market defects, coordinating macro and micro-economic operations, and improving market mechanisms and corporate systems. Gao Bo and Zhang Fengxiang (2005) also verified that the government's macro-control plays a key role in making up for the lack of adjustment of the market itself in their research on the development of circular economy. Since then, Pan Linwei and Xiong Wei (2017)proposed that the dominant market mechanism is the commonality of the perfect market economy, while the government is in a complementary and subordinate position. The former is the main form of resource allocation, and the latter is only a supplement to the market mechanism. He also believes that the government should establish and maintain a good market environment at the macro level, coordinate market mechanisms to achieve optimal allocation of financial resources, take into account regional development, coordinate urban and rural differences, and promote long-term economic growth.

CHINA'S GOVERNMENT BEHAVIOR UNDER ECONOMIC FLUCTUATIONS

Over the past 30 years of reform and opening up, China’s economic achievements have been outstanding and its international status has increased significantly. According to the analysis, China's GDP and total fiscal expenditures all showed an increasing trend from 1978 to 2016, and the two were positively correlated. However, we found that China's GDP growth was not obvious from 1978 to 1992. The economy improved in 1992-2004 and the economy developed rapidly in 2004-2016. China's fiscal expenditure data shows that China's GDP growth rates in 1982, 1986, 1990, 2000, and 2008 were all at the bottom, but in 1985, 1988, 1994, 2007, and 2010. Peak. At the same time, total fiscal expenditures peaked in 2000, when GDP growth was at its lowest, and the same was true in 2008. The GDP of each quarter of China from 1995 to 2014 is taken as the average of four quarters. The average value and the time of advancement are used as explanatory variables, and the fluctuation of the average value is used as the explanatory variable for time series analysis. It appears to be unstable, which indicates that GDP growth at this stage is highly volatile.

We analyzed the inflation situation from 1995 to 2015 and found that the inflation rate in 1995 exceeded 15%, indicating that the price of the year rose extremely fast and the economy was overheated. This happened, Zhang Suqin (2013) The empirical approach gives her understanding. After China’s reform and opening up, especially after the establishment of the socialist market economic system in 1992, China’s links with the international economy began to become very close, due to the relatively backward production technology. For a variety of reasons, foreign products are popular and the policy is in a period of increasing openness. Therefore, the transmission channels of international trade have affected China's inflation through two ways: rising import prices and increasing external demand.In 1998, after three years of development, China began to experience a slight deflation, and by the year 2000-2004, inflation remained within a reasonable range, and in the next decade, it began in the economic development. Fall. From the overheated economic development to the steady economic development, and then from low-speed to high-speed development, there are many forces in the sudden rise and stop. The most important force is the government's policy.

From 1995 to 2016, China's economic policy uncertainty experienced several cyclical rises and falls. Since 2001, the uncertainty of economic policy has become more and more fluctuating. By 2016, the uncertainty has reached the peak of 20 years. . There are two reasons to explain this trend. First, since joining the World Trade Organization in 2001, China’s links with international trade have been strengthened. The export of high-quality and inexpensive Chinese products has increased, and trade friction has increased. The country handles international and domestic contradictions, and economic policies change in a timely and appropriate manner. Second, when the industrial structure changes and upgrades with the development of the economy, the policy of over-reliance on manufacturing to drive the economy obviously cannot meet the requirements of the times. Under the new normal economic state, the timely adjustment of economic policies appears to be more urgent. How the future economic trend affects the formulation of economic policies, and the formulation of economic policies is difficult to fully predict its impact on economic development. Perform performance verification. Therefore, in the globalized economy, judging the situation is more conducive to making appropriate economic development strategies.

From the implementation of China's fiscal policy and monetary policy in 1996-2016 and the analysis of the effect of the policy, it was found that 1996-1997 coincided with the prevalence of China's inflation. In response to this situation, China adopted a moderately tight fiscal and monetary policy. A moderately tight fiscal policy and monetary policy are economic policies that China has consistently adopted during periods of high inflation. It refers to the combination of a balanced fiscal aggregate policy and a balanced monetary policy. That is to reduce the government's fiscal deficit from the macro level, increase income, reduce expenditure, balance the relationship between the amount of money circulating in the market and the amount of money required, and then ensure that the amount of money is not much higher than the economy and prices by ensuring taxation in all aspects. The sum of horizontal increases. Through the design, control and support of this series of government policies, inflation during this period was alleviated, laying the foundation for the growth of 8% of the economy in 1998.

Since 1998, China has basically adopted a proactive fiscal policy. Through a number of actions such as issuing special treasury bonds and long-term treasury bonds, optimizing the structure of fiscal expenditures, and increasing fiscal expenditures on small and medium enterprises(SMEs), the fiscal policy has played a role in regulating aggregate demand and stabilizing the economy. The monetary policy is not stable. In 1998, it began to abolish the restrictions on the scale of commercial bank loans, and provided financial support for its better economic role. At the same time, the deposit interest rate and the loan interest rate decreased simultaneously, and the loan interest rate decreased more than the deposit interest rate. This reduced the loan burden of enterprises and focus more on production and development. In order to avoid overproduction and the interest rate of deposits is reduced, residents are more willing to use the money in their hands and in the bank for consumption. This increases the currency in the market and does not exceed supply, thus making the consumer price index Negative growth began to pick up, prices remained basically stable, and the problem of deflation was effectively curbed.

In 2008, the subprime mortgage crisis flooded the international market. To resist the crisis, the Chinese government adopted a loose monetary policy. In the two years, tax reductions and exemptions will be carried out in different fields, which will support SME loans more vigorously, revitalize production and promote consumption. More optimized in the way economic policies are used. China's economic development momentum has once again been exposed after the crisis, industrial production has returned to orbit and is more competitive, domestic demand has been further stimulated, and macroeconomic regulation and control has become more synergistic. At the same time, in addition to the strong development of the economy itself, the formulation of China's economic policies has been continuously improved, and the factors considered by the government have become increasingly diverse. For sustainable development, thinking about dealing with economic fluctuations has taken shape.

From 2011 to 2016, China entered a proactive fiscal policy and a solid monetary policy. This is reflected in the obvious reforms, from the reform of monetary policy to the optimization of economic structure. All of them show that China, as the world's second largest economy, is eager to explore how to transform and upgrade economic development. The cooperation of China's macro-control policies from “double pines” to “one tight and one loose” not only guarantees infrastructure investment, but also provides hard conditions for rapid economic development. It also reduces inflation through sound monetary policy and prevents systemic risks while encouraging Financial innovation to prevent exogenous risks. During this period, China’s pattern of export-led economic growth has gradually shifted to improving domestic demand, and consumption has driven economic development. This has caused a “transformation” fever across the country, that is, a top-down shifting structure under the leadership of the government. From focusing on the speed of development to focusing on the quality of development. The gradual recovery of the world economy during this period is also one of the important factors that make China adjust its economic development strategy. Under the comprehensive effect of these backgrounds, China's achievements in this stage are more prominent. The call for "mass innovation, entrepreneurship" is positive. In response, new industries and new formats have added new impetus to economic development. China's employment situation is basically stable, consumption's contribution to economic growth is rising, and the situation of relying solely on exports is gradually reversed, so that under the new normal, China's GDP is in 2015. The growth rate is still at a high level of 6.9, and the economic operation is generally stable.

From this, it can be seen that under economic fluctuations, the government has exerted a significant positive effect on macroeconomic regulation and control on economic growth and structural adjustment to optimize resource allocation. We cannot deny its effectiveness in economic fluctuations, but rather focus on which and how to use macro-control policies to meet the needs of economic development under economic fluctuations. Because the macro-control policy is the government's intervention to force suppression or stimulate a certain variable in the economic law, so that it can promote the role of finance in economic growth in the short term. However, when the market gradually moves toward a stable and perfect stage, the government cannot withdraw in time, which hinders the market from exerting its inherent functions, which is not conducive to the optimal allocation of resources and the formation of unnatural economic fluctuations. Since the macro-control policies are not yet fully mature, and the economic characteristics of each period are different, the role of government behavior in the market cannot be clearly defined, and the micro-configuration is moved with the macro-configuration, which constrains the development vitality of the micro-market. This requires the government to make timely adjustments to improve the effectiveness of macro-control policies.

SUGGESTIONS

The completely competitive market mechanism has defects such as blindness and lag, which requires the government to adopt compulsory means to strengthen the guidance of the market. Practice has also proved that government behavior has a positive effect on effectively offsetting the market. But the role of the market in allocating resources and promoting technological progress should not be ignored. In order to further improve the effectiveness of macro-control policies, it is worthwhile to play the two-way role of the two. This is also the economic policy that the Chinese government has always adopted. Similarly, because the regulatory boundaries are not clearly defined, government actions have also had a negative impact on market development. The government's "absence" and "offside" in the regulation market not only prevent the government's macro-control policies from being implemented. The implementation of the market has also caused new problems in the market due to improper interference of human factors, and even the abnormal phenomenon of economic development. Therefore, it is especially important to develop a sound financial system and supplement it with a sound regulatory system. On the one hand, it can provide the yardstick for government behavior from the aspect of the system, reduce or eliminate the chaos of financial operation and supervision, and on the other hand, draw a clear line between the government and the market, so that both can play their part in promoting economic development. The advantages not only promote the optimal allocation of resources in the market, but also make the economic development cycle form a spiraling virtuous circle.

China has a vast territory and implements the administrative mode of "central decision-making and local execution", which has become one of the crux of China's comprehensive economic development. With the development of the economy, the problem of uncoordinated regional development in China is becoming more and more serious. This poses a challenge to the central government's formulation of macro-control policies and the reliability and validity of its downward push. The effective implementation of a policy requires the executor to highly understand and agree that when the economic development fluctuates, in order to effectively cope with the crisis, the central government will come up with the most feasible solution in a short time, but it will be transmitted to the local area due to economic development. The degree of difference, as well as the economic interests of different regions, there must be differences in the degree of policy implementation. The "short-board effect" makes this policy not achieve the expected effect or even have a negative effect, which will inevitably affect the macro-control policy. Therefore, solving the problem of uncoordinated regional development and promoting regional coordinated development has a positive effect on ensuring the effectiveness of macro-control policies. This requires that the existing central and local relations must be improved. The core of this is to rationally divide the responsibilities and rights of different levels of government, promote the corresponding supporting reforms, and at the same time promote the standardization and legalization of the division of powers as regional coordination. The breakthrough of development, timely upgrade the administrative documents regulating the central and local relations into laws and regulations, and consider the formulation of the relevant "Central and Local Relations Act", strengthen legislation and justice, and establish and improve the adjustment mechanism of central and local relations.

Although China is already the second largest economy in the world, China's financial market still has many imperfections. First, its own system has not yet reached its maturity stage.

Moreover, the economic atmosphere has not stimulated the financial market to a higher level. The lack of public financial awareness is one of the main factors that make the economic climate less strong. It is precisely because the people do not understand some phenomena and behaviors in economic development that the inherent defects of capitalism reflect the "butterfly effect" and are magnified in the real world. When a certain area of the economy is in a recession, or in an industry, there is overheating, and people often flock to it and are not rational. This has led to some people who are trying to gain personal gain and using leverage to change the financial market. Even if the system is perfect, the people will not give feedback, and the system will be in vain. In order to ensure the effectiveness of macroeconomic policies, we should also guide the people to establish financial awareness and identify precursors of some phenomena in economic fluctuations through various means, such as using school education, social and economic communication, and stockholder education. Good preparation, understanding the meaning of upper-level decision-making, in order to respond to national policies, share economic difficulties, and share development dividends.

CONCLUSION

According to the data analysis, it can be proved that under the economic fluctuations, the government's conclusion that the macro-control politics has a significant positive effect on economic growth and structural adjustment to optimize resource allocation is correct. Therefore, we cannot deny the effectiveness of macroeconomic regulation and control policies in economic fluctuations, but should pay more attention to which ones to apply and how to apply macroeconomic regulation and control policies to meet the needs of economic development under economic fluctuations. Therefore, this paper suggests that the government develop a sound financial system and supplement it with a sound regulatory system to manage the financial market. Providing guidelines for government actions from the perspective of the system, reducing or eliminating the chaos of financial operations and supervision, in order to draw a clear line between the government and the market, so that both can play their own advantages in promoting economic development. In addition, it is recommended that the government improve the existing central and local relations, classify the rights and responsibilities of different levels of government, promote the corresponding supporting reforms, and at the same time improve the standardization and legalization of the division of power, so as to ensure that the central macro-control policies can Get effective execution on a global scale. At the same time, China, as the world's second largest economy, should create a rapid economic development across the country, a strong financial market and a strong consumer awareness, so that economic development policies and measures can be quickly implemented within the country. Be understood, implemented, and get fast and effective feedback from the market. If some scholars will study the effectiveness of government macro-control in the future, it is necessary to make greater breakthroughs in financial regulation, local and central relations, and creating a sound financial atmosphere to improve the effectiveness of macro-control policies.

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