

# [Summarizing thus its ability to overcome the "middle](https://assignbuster.com/summarizing-thus-its-ability-to-overcome-the-middle/)

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Summarizing the evidence, to achieve itsambition of sustaining growth for another 30 years, China will require not onlytechnological and human capital improvements, but also reform of its rule oflaw, the role of the state, and the re-balancing of its economy. To achievethese aims will also require examining the role of the state in China and thelegal system.

The retention of large state-owned enterprises and theincreasingly perceived “ un-level playing field” for both foreign and domesticprivate firms raises doubts as to the efficiency of China’s markets and thusits ability to overcome the “ middle income country trap,” whereby countriesstart to slow after reaching upper middle income levels. For China to realizeits potential as an economic superpower requires reforms of both themicroeconomic drivers of productivity as well as significant transformation ofthe structure of its economy. Conclusion   Monetary policy is not only one of the mostimportant and basic macroeconomic policies, but also an important means ofcontrolling inflation. There are mainly two approaches to achieve the controlof inflation: firstly, by reducing the growth rate of money supply to inhibitthe aggregate demand; secondly, by increasing the interest rates to restraindemand of investment and stimulate savings. Thus, in order to balance theaggregate demand and supply.

China’s central bank has introduced and shouldcontinue with the method of reducing currency in circulation in order to boostthe demand for money, therefore reduce the inflation pressures. Meanwhile, increase the interest rate which leads to reduction in the amount of loans, thereby, narrow the scale of investment, balance out saving and investment, andeliminate the gap of demand and supply, thus achieving the purpose ofpreventing inflation. enterprises are important to make the pricerelatively stable. Enterprise reform might also useful to cut down the businesscosts. Controlling inflation should be consideredfrom both macro and micro aspects. On the macro aspect, the combination offiscal and monetary is required, for instance, through the price control ofenergy, real estate, agricultural products as well as other fields.

On themicro aspect, the market competitions and the development of private Possiblemeasures to reduce level of inflation  Lastly, the inflation makes China’s exportsmore expensive. Exports is China’s main force that support the economic growth, if exports become less competitive, this will definitely restrict futuredevelopment. Secondly, in the labor market, wages areoften determined by the contract that is signed in advance, which means thatthe rise in wages always tends to be slower than the rise in price. Therefore, when inflation occurs, without the increase in wages, workers’ real purchasingpower has declined, thus, resulting in a decline in their living standards.  Firstly, as we know, the most obviouscharacteristic of inflation is the substantial increase in price. This increaseis not triggered by the real increase in demand, it is because producers’speculative action or consumers’ fear of further increase in price. Sincenobody could have the complete information of the market, this uncertainty islikely to boost more investment and blind consumption.

As a consequence, thewhole industry chain and the corresponding industrial structure will benegatively affected, eventually lose the economic balance and even viciousspiral.  Apart from the internal causes, changes inthe international context also bring considerable effects to Chinese inflation. First of all, international trade may impact the domestic inflation. Globaltrade creates internationally economic links of all countries. Any changes inthe global economy also generate undeniable influences on China’s inflation. For example, American inflationary pressure can be transferred to China owingto the fixed exchange rate of China for trading activities such as the growingimportation from America (Feyzioglu & Willard, 2008). Approximately, one-tenth of the inflation in China can be influenced by the US GDP, the USoutput and US inflation (Feyzioglu& Willard, 2008). Consequently, a huge amount of foreigncurrency is poured into China which is then converted into Yuan by The People’sBank of China (PBOC).

Therefore, money is pumped into domestic market which farexceeds the real demand, making the Yuan depreciate and finally boost the pricelevel. Precisely, the monetary factor is more likely to be the root of China’sinflation no matter in theory and in figures. In the past decades, China has experienceda rapid economic growth. However, Chinese people have been greatly affected bythe inflation caused by such rapid economic development. Compared with otheryears in 2000s, the inflation rate in 2004, 2007, 2008 and 2010 were quitehigher which more than 3 percent (Zhang, 2011). And in 2007 only, the ConsumerPrice Index (CPI) increased by nearly 5% from 2. 2% to over 7% (Anderson, 2008). It seems to be clear that inflation rate has not been slowed down yet.

Understanding causes of inflation as well as finding effective measures tofight against inflation are imperative for Chinese government. Whatare causes of inflation in China and how to cope with inflation? Price level analysis Easier access to information on jobopportunities and fostering the establishment of private employment agencieswould help improve the matching of job seekers with prospective employers.  Strengthening the social safety net. Wideningthe coverage of the unemployment insurance scheme and other social safety netswould be helpful in protecting vulnerable groups.

Improvingjob search services To encourage greater labor mobility, restrictions on internal migration have been reduced. However, a furtherliberalization of the “ hukou” system of residency permits will likely be neededto allow surplus rural workers to move to the cities and allow unemployed andxiagang in low-job-growth regions to relocate to higher-growth regions. Thisreform will also be important in addressing the widening gap between urban andrural incomes. Improving worker skills. In order to enhance employmentprospects of the lower skilled rural and urban unemployed workers, bettereducation and training is important (with assistance from the ILO). Labormobility The labor market has become moremarket-oriented over the past twenty years, and the main challenge now is tocreate quality jobs for the new entrants to the labor force as well as absorbthe sizable labor surplus in the SOE and rural sectors. To address the labormarket pressures, government policies will need to focus on encouraging jobgrowth in the private sector (especially in the service sector), which has beenthe main source of job growth in recent years; reducing barriers to migration; developing worker skills; facilitating job searches; and strengthening thesocial safety net.

POLICYOF GOVERNMENT -Lack of position mobility inside someenterprises .- Absence of career planning instructionsresults in graduates inefficiency of job hunting and unrealistic self-position.-There are 3 million unemployment youth inurban China, constituting 23% of a 13 million urban unemployment populating.

-Limited qualified faculty, outmodedinfrastructure obsolete curriculum. – Happens among fresh graduates. However, we can say that in China demandsupply gap persists in the labor market, unemployment will exist. The pace ofeconomic growth is also a factor contributing to the different types ofunemployment.  Structural unemployment arises when thequalification of a person is not sufficient to meet his job responsibilities. Stated alternatively, structural unemployment arises when the marginal revenueproduct of a person falls short of the minimum wage that can be paid for theconcerned job. In China, the workers loses their job because of inadequatesupply of raw materials and isolated location.

Demand of domestic competentprofessionals is very urgent in some brand new industries. Job openings areusually occupied by imported qualified talents from abroad. The minimum wage isset by law or by negotiations in the union. Structural unemployment can alsoaccompany a situation of zero minimum wages. The extent to which structuralunemployment takes place depends on a number of parameters.

Higher the mobilityof labor across different jobs, lower will be the structural unemployment. Along with the mobility of labor, structural unemployment also depends on thegrowth rate of an economy as well as the structure of an industry. StructuralUnemployment OF CHINA -Seasonal unemployment-Classical unemployment-Structural unemployment-Cyclical unemploymentTypesof unemployment According to the statistics from WorldBank, China’s labor force accounts for 26% of the total labor population in theworld, while the proportion of China’s natural resource and capital resourceare less than 10%.

Because of the complexity of China’s economy structure, during the transition from a central-planning economy system towards amarket-oriented one. The demand of various job seekers in both urban and ruralareas of China significantly outstrips the supply of new employmentopportunities. At the same time, many job openings cannot find enough qualifiedcandidates to match them. Transcriptof TYPES OF UNEMPLOYMENT IN CHINA 2002-2018 | Unemployment Rate in Chinaremained unchanged at 3. 95 percent in the third quarter of 2017 from 3. 95percent in the second quarter of 2017. Unemployment Rate in China averaged 4. 11percent from 2002 until 2017, reaching all the time high of 4.

30 percent in thefourth quarter of 2003 and a record low of 3. 90 percent in the third quarter of2002. ChinaUnemployment Rate   China’s labor market has undergonesignificant changes in the past twenty years. A more marketoriented labormarket has emerged with the growing importance of the urban private sector, asstate-owned enterprises (SOEs) have downsized.

At the same time, ruralemployment growth has slowed, and migrants have sought jobs in the more dynamiccoastal provinces. Despite the progress on reforms, a sizable surplus of laborstill exists in the rural sector (about 150 million) and SOEs (about 10–11million).  China’s population remains predominantlyrural, despite a strong trend toward urbanization. Over 60 percent wereclassified as rural by the 2000 census, compared with 80 percent two decadesago.

While population growth slowed in the 1990s to average just under 1percent per annum, the labor force grew somewhat faster (about 1½ percent perannum), owing to a rise in the working-age population. TRENDSIN CHINA’S LABOR MARKET LABOUR MARKET ANALISIS Over the past three decades, the Chineseauthorities have been pursuing a growth model, sometimes labelled “ managedcapitalism”, which can be seen as the outcome of a system of policy incentivesthat started maturing in the late 1970s. Given the country’s political andeconomic conditions at that point in time, the new Chinese leadership strivedto shape the economy along a “ producer-biased” led by investment and exports, where the direct support of the government to firms and a systematicallyundervalued exchange rate were integral parts of policy-making.

First of all, China was initiallycharacterised by a total lack of the organisational structure necessary todeploy large quantities of physical capital effectively. For instance, thecountry was short of prepared management, reliable maintenance and marketingteams and an adequate supply of raw materials. In this context China, like manyother countries in the early stages of development, has had an incentive toprovide substantial government support to state-owned enterprises (SOEs) sothat they could generate increasing profits around which they could over timebuild not only physical capital, but also the related organisational structure.

This has taken the form, for instance, of: (1)” commanded” loans from thebanking industry to SOEs and local governments, with policy-makers instructingbanks whom to lend to; (2) high reliance of SOEs on retained earnings; and (3)the setting of very low deposit rates in order to artificially reduce the costof credit and ensure the profitability of the banking sector. CHINA’SSYSTEM OF POLICY Since the end of the 1970s, China’spolicy-makers have had a system of incentives to maximise domestic economicgrowth by pursuing a well-identified model of economic development. This modelhas proved successful in delivering, for instance, increasing GDP per capita, asubstantial fall in poverty and major gains in world trade shares. LOOKINGAT THE PAST: SUSTAINED GROWTH CUM IMBALANCES  Real GDP: The comparison of economic outputfrom one year to another.

It is an important comprehensive statistic pointer ofaccounting system, and also the core pointer of the new national economicaccounting system. It reflects the economic strength and grim scale of acountry (or region). Growth rate: The growth rate of GDP is the increase in GDPfrom quarter to quarter.

It tells you how fast a country’s economy is growing. Most countries use real GDP to eliminate the effects of inflation. GDP percapita: this is a good way to compare the country’s gross domestic product.

This is because some countries have huge economic output because they have somany people. In order to obtain more information, the use of GDP per capita isillustrated. This divides the gross domestic product by the number ofinhabitants.

It’s a good look for a country’s living standard. Measuresperformance of the economySince market began in 1978, China’s economyhas shown cyclical fluctuations. These cycles of change appear in obviousstatistical patterns—faster growth and then slower growth, higher priceinflation and then lower inflation, stronger investment flows and then weakerinvestment—and all are accompanied by other cyclical fluctuations in a range ofvariables and policy initiatives. Most of these fluctuations tend to movetogether.

In this regard, the cyclical interaction between China’s formal urbaneconomy and its rural economy is particularly relevant for the policy issuesfacing Chinese policy makers today. Introduction