

The Pivot to the World's Demand Hub and Capital Markets

Pengfei Lv*

Beijing Technology and Business University, China

*lpyueyue@163.com

Abstract

The new economic and social development pattern of "double circulation" refers to the process of the major transformation of China's economy from global supply center to global demand center, but after completing this transformation, it is facing major challenges to activating the potential demand for China's economic development. It is mainly manifested in the investment needs of urban residents relative to local financial resources, the consumption expenditure of urban residents relative to local financial resources, the demand of rural residents relative to the needs of urban residents, and the proportion of service consumption in the needs of urban residents. Therefore, in the future, China must actively implement the globalization strategy adjustment of economic development, and make more use of the development idea of the internationalization of China's global operation home to establish and adapt to the new role of the global division of labor as the center of China's global economic demand.

Keywords

World Demand; Capital Market; Function.

1. Introduction

In the past 40 years of reform and opening-up, China's economy has directly embedded in the global export value chain system dominated by enterprises in developed countries in the global economy of export marketization, carried out global international production OEM work, and achieved an average annual per capita GDP of 9.4%. The rapid growth has created a historical miracle of rapid economic growth. One of the most important historical features is that China uses the cheap processing factor economy to provide a large number of low-end processed products for people around the world, which is called "the world's factory" by the world. This fully reflects China's important strategic position as the world's main supply economy center for decades. However, as we all know, the dividends of China's economic transformation and globalization policies, which are mainly characterized by export-oriented policies to promote export growth, are increasingly overdrawn, and the market competitiveness provided by Western developed countries under China's huge overcapacity has also been greatly weakened. As a result, China's previous economic model is no longer operational.

2. The World Supply Center has Shifted to the World Demand Center

China's economic and social development policy is to further increase production capacity and continuously expand the supply capacity of products to the global market, to reasonably solve the contradiction between supply and demand in the global market. Therefore, during this period, China's fixed-asset projects and economic input will also show a good momentum of rapid and steady growth. Especially since China entered the twenty-first century, on the development route of modern emerging industrialization, through the use of some technologies to infiltrate China's traditional industries with science and technology, integrate resources and technological innovation forces, etc. The level of world product supply capacity of China's

economy and society will also be significantly improved; At the same time, due to China's successful formal participation in the World Trade Organization (WTO), a large number of "Made in China" and a large number of economic commodities have also flowed into the entire international export market China's economy has become a real-world supply and demand center for products. However, this special situation also has its side effects, that is, the phenomenon of excess demand caused by the rapid expansion of excess capacity is bound to be detrimental to the healthy and sustainable development of China's economy and society.

Judging from the current domestic and international environmental situation with the rapid development of the global economy, China's economy, as the world energy supply management center, can no longer use the globalization of the market economy to obtain dividends. First of all, from the perspective of the domestic and foreign environmental situation, factors such as manpower and land that relied on cheap energy in the past are constantly changing, and price-driven subsidies are also rising. Although this is an inevitable phenomenon in the transformation and development of factors in China's socialist economy from the early stage of industrialization to the late stage of industrialization, objectively speaking, it still shows that China's economic factor resource endowments have great advantages, and these advantages have long ceased to exist. Moreover, the extensive operation and development of long-term reliance on cheap energy elements have also formed many economic structural problems, such as the market structure of various regions, the composition of the physical market and other virtual markets, etc., and the occurrence of various stages, Various degrees of economic structural imbalance and change will surely seriously endanger China's strategic position as the global energy supply and administrative center. Secondly, judging from the current domestic environmental situation, the countercurrent of economic globalization is raging throughout China, and the undercurrents of trade risk protectionism and unilateralism are also increasingly turbulent. International enterprises in China's traditional market will suffer huge operational setbacks.

3. The Main Obstacle to the Shift to the Center of World Demand is to Activate Potential Domestic Demand

From the perspective of economic theory, the internal development logic of the "double-cycle" new national economic development model is still based on the inherent functions and complementarities of the domestic trade market and other international trade markets, but this internal function is still complementary The growth of international and domestic demand, which is based on the premise of large economies, is needed. Thus, as researchers at the Krugman Institute for Economic Research point out, in an economic world in which there is already competition in large-scale monopoly markets and economies of scale with increasing returns, developed countries that already have larger domestic and international market demands will not become the largest net exporters. The U.S. semiconductor equipment industry is based on global domestic demand, rapid and stable development, in the process of rapid development, can make full use of the various functions and complementary potential of the domestic and foreign equipment markets, the integration of the global industrial chain layout, to directly dominate the entire global market value chain of the semiconductor equipment industry. Initially, the semiconductor equipment industry in the United States grew rapidly through military and civilian aerospace construction based on domestic and foreign market demand. However, due to the continuous reduction of export requirements for military strategies and the rapid increase in demand for ordinary consumption scenarios at home and abroad, the demand for ordinary consumption scenarios at home and abroad has become the main driving force for the rapid growth of semiconductor radio manufacturing industry. Driven by the needs of a strong domestic consumer market, several major multinational electronic

technology companies, including Intel, IBM, and Microsoft Corporation, were also born, and these multinational companies later dominated the world's semiconductor industry. However, as an emerging large market economy entity in the process of socialist market economy development, China also has great potential to increase international and domestic demand for China, because China has long been under the big country strategy dominated by its export strategy. Efforts have been made to develop exports of major labor-intensive products and trade in deep-processed products, while actual and effective export demand remains very limited.

4. A Comparative Analysis of Several Ways to Initiate Potential Domestic Demand

The lack of consumer demand for potential residents in China is mainly reflected in many aspects such as consumption attributes, subjects, space, and content. To effectively solve the problem of insufficient demand, there are many effective ways and methods to choose from in theory, such as rapidly increasing residents' wage income, reducing local government consumption expenditure, increasing residents' wealth flow income, etc. Compared with the two ways for the government to increase the wage income of the general people and reduce local government fees, the government's expansion of the actual property investment in the people is in the middle and Chinese situation. The most important underlying reason for initiating the total demand of the potential market. Given this, China should currently take the development of diversified investment in the Internet financial market as the main goal of promoting the government's policy measures to further expand investment in domestic demand, because the development of a sound investment financial market system can form a wealth effect of demand, that is to say, the central government has adopted methods such as increasing the people's actual wealth income, raising the peasants' expectations of increasing income, and improving the performance of enterprises, to directly or indirectly promote the actual consumption of urban and rural residents. After careful study and analysis, we can see that only by rapidly increasing the flow of residents' wealth can we quickly activate the potential domestic demand of potential residents in the most basic and effective way.

(1) Increase basic mixed wage income. As far as how to effectively improve the affordability of the economic consumption income of urban residents in China, increasing their basic mixed wage income obviously cannot be regarded as the most direct way to afford economic consumption. The basic distribution of initial labor income mainly reflects the basic payment of the initial factors of production. Therefore, per capita wage income is the basic compensation for the initial supply of labor factors, and it is also the main source of labor income distribution in the administrative departments of residents at all levels. Fundamentally, the increase in wage income depends on the increase in labor productivity, which is the relationship of "rising tides".

(2) Reduce the actual consumption income and expenditure of residents and local governments throughout the country. The sharp reduction in the actual consumption income and expenditure of the resident government in China can be directly reflected in the macroeconomic data statistics because the relative balance of consumption income and expenditure greatly exceeds the current national average, the direct pull effect of the substantial reduction of the actual consumption revenue and expenditure of local governments on the acceleration of China's economy, and the potential consumption growth and domestic demand may be directly reflected in the continuous adjustment and optimization of the government consumption structure, as well as the pulling effect of resident government consumption expenditure as the driving direction of growth.

(3) Increase income from personal property and taxes. According to the meaning of the "Household Income and Expenditure and Living Conditions Survey Plan (2019)" published by the China Bureau of Statistics, the main connotation of household property distribution income

is the net profit income of fixed assets in the accounting of the average disposable economic income of urban residents i.e. a family or family member whose financial assets, housing and other non-financial assets and natural resources are transferred to other institutions and units. However, at present, there are structural defects in the property distribution of Chinese households, such as a high proportion of real estate, a single financial asset structure, and a high sudden savings in public relations, which makes it difficult for residents' consumption demand to be "potential" Keywords and factors that transform into "non-reality."

5. Conclusion

This paper theoretically demonstrates and analyzes the basic connotations, main obstacles, and effective ways of China's economic transformation strategy from the world supply center to the world demand center. The basic analysis concludes as follows: First, accelerating the shift from a world supply growth center to a world demand growth center is still the initiative and adjustment of China's global economic transformation into a global development strategy, that is, making greater use of the advantages of the international market economy to promote the diversification of China's product prices and improve the quality of consumption upgrading, so that China's main market players become the world market. Second, China's global economy is accelerating its shift to the center of world demand growth, which is still facing the main connotation obstacles to accelerating the activation of potential international domestic demand, which is concentrated in the form of "four low proportions" That is, the proportion of income from residents' consumption expenditure demand relative to residents' investment consumption demand is low, the proportion of income from residents' consumption income-expenditure demand relative to the direct consumption demand expenditure of local governments is low, the proportion of rural residents' consumption expenditure demand income relative to the consumption expenditure demand of larger urban residents is low, and the proportion of income from the consumption expenditure demand of residents to service products is low. Third, although theoretically, increasing residents' wage income, reducing local government consumption expenditure, and increasing international wealth flow income may accelerate the growth of international and domestic demand, in the Chinese context, only by accelerating the growth of international wealth flow income may it be an effective way to accelerate the activation of potential world demand.

Acknowledgments

Natural Science Foundation.

References

- [1] C.E. Bai, Z.J. Qian: Who is crowding out residents' income - Analysis of China's national income distribution pattern, Chinese Social Sciences, 2009, issue 5 C. Li, W.Q. Yin, X.B. Feng, et al. Brushless DC motor stepless speed regulation system based on fuzzy adaptive PI controller, Journal of Mechanical & Electrical Engineering, vol. 29 (2012), 49-52.
- [2] Y.H.Ling, Z.B.Liu: Concept, characteristics and policy enlightenment of domestic demand led global value chain, economist, 2020, issue 6.
- [3] Z.B. Liu: Economic globalization based on domestic demand: China's strategic choice to share the dividend of the second wave of globalization, Journal Of Nanjing University (Philosophy, Humanities And Social Sciences Edition), issue 2, 2012Q. D. Zeng, Q. E. Li: Progress in Civil Engineering, Vol. 32 (2012) No. 9, p. 3077-3080.