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Research on the Characteristics of Economic Resilience under the Financial Crisis-Taking China as an Example

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Abstract: Since the financial crisis, there has been a second phase of global economic divergence. The context for global economic development has been worse due to the anti-globalization tendency and the predominance of trade protectionism. In the face of economic shocks, there are differentiated results for economic resilience among countries. Therefore, it is of great significance to study China's economic vitality against the background of the financial crisis. China's economy shows the negative adjustment effect of ownership structure. The relatively high proportion of state-owned enterprises weakens the promoting effect of economic complexity on regional economic resilience, and the weakening effect is more significant in inland areas. China's accelerated structural reform has increased the complexity of its economy. Therefore, this study focuses on the characteristics of economic resilience during the financial crisis, using China as an example. This paper uses the literature research method, the theoretical analysis method, and the case analysis method. In the context of the financial crisis, China's economic resilience has been fluctuating on an upward trend. But China still needs to adopt the economic measures it took to deal with the financial crisis.

Keywords: financial crisis, characteristics of China's economic vitality, literature research, economic complexity

1. Introduction

Through a number of routes, the financial crisis has an impact on the actual economy of a nation. These channels create a reduction in aggregate demand, compel a decline in output, and result in an economic downturn. Because of how severe the recession was, both the financial and real estate sectors of the economy experienced significant short-term declines. The purpose of this essay is to examine China's economic status and its resiliency in the face of the global financial crisis. This paper analyzes the economic system based on the phased research on economic resilience at home and abroad conducted through the method of literature research. The case studies in this paper also analyze the performance of other countries in the financial crisis. In reality, due to the huge differences in economic status and development degree between countries, there are still many debates on this aspect of research. At the same time, this paper adopts theoretical analysis: such as post-Keynesian economics and financial vulnerability theory, to focus on the role of the financial sector in promoting or hindering economic resilience. And a strong and well-regulated financial sector can contribute to economic resilience. In addition, systemic risk theory analyzes the interconnectedness of financial systems and discusses how these theories guide the understanding of the resilience of the Chinese economy and its characteristics.

2. Theoretical Analysis: Overview of the Key Concepts and Theories Related to the Financial Crisis

2.1. Post-Keynesian Economics and Financial Crisis

Based on the world financial crisis and the Post-Keynesian Economics theory, we can conclude that the financial crisis is caused by the turmoil of the capitalist financial market. Under the condition that the capitalist economic market is not perfect, the government and the market have not established a relative relationship. When capitalism realized the harm of the financial crisis, the inevitable connection between the government and the market was gradually established. This connection was that the government should play its role in the occurrence of a financial or economic crisis and regulate the market by means of macro-control [1].

2.2. Financial Fragility Theory and Financial Crisis

Financial vulnerability refers to the financial state in which an unbalanced financial system and structure lead to the accumulation of risks, and the financial system loses part or all of its functions. Financial Fragility Theory argues that the financial system itself is unstable and has inherent fragility, so financial risks are widespread and a financial crisis is inevitable. This also provides a theoretical basis for understanding and analyzing the vulnerabilities of the global financial crisis. By the inherent instability of the financial system, especially the abuse of financial innovation tools, lack of credit, and regulation. As a result of a currency crisis, credit crisis, and moral crisis and through the spread of the crisis, it has evolved into a systemic financial crisis [2].

2.3. Systemic Risk Theory

It is important to be aware of the systemic risks of financial crises. At present, the concept of international financial regulation has gradually shifted from micro-prudential supervision to macro-prudential supervision of the financial system, focusing on effectively preventing systemic financial risks. Although we cannot confuse financial crisis with systemic risk, it is clear that systemic financial risk may directly cause the outbreak of a financial crisis and may seriously affect the economic development and social stability of a country [3].

3. Explanation of the Background for the Study of Chinese Economic Resilience

In China, although there has been no systemic financial risk due to the state guarantee, some major risk events have occurred frequently in the financial sector, such as the bank "cash shortage" in 2013 and the "stock market crash" in 2015. With the further transformation of China's economic development mode and the adjustment of its industrial structure in recent years, the systemic financial risks hidden in the previous period of rapid economic development have gradually become more prominent. China also continuously deepens the reform of the financial system, further improves the financial regulatory system, and maintains the bottom line of no systemic financial risks [4].

The advantages of China's strong economic resilience and momentum are issues that have to be considered in the sustainable development of Chinese cities [5]. To be specific, the outbreak of the financial crisis led to a sharp decline in external effective demand and a slowdown in China's economic growth, and the problem of growth differentiation among regions has become increasingly prominent. Among the standard deviation changes of the real GDP growth rate in the four regions of eastern, central, western, and northeast China, the national standard deviation increased during the financial crisis in 2008, and then rose rapidly after a short decline in 2010, which was higher than the increase before 2008. The eastern and middle regions' differences widened, perhaps achieving another stable condition. If the financial sector adjusts behind schedule, it may affect its function. In addition, the level of financial development at this stage has already exceeded the threshold value in the recovery period, and excessive financial development is not conducive to economic recovery and development, let alone a long-term growth effect. The function of the financial sector to serve the entity is weakened, and finance may have deviated from the real economy to a large extent [6].

4. Discussion of the Relationship between Chinese Economic Resilience and its Financial Characteristics

Hausmann measured the economic complexity of more than 100 countries using export trade data. Data show that from 2001 to 2018, China's economic complexity ranking rose from 39th to 18th, and its economic complexity increased from 0.44 to 1.34. China's production capacity and economic strength of complex products are constantly improving. It can be seen that there is a positive relationship between economic complexity and economic growth [7]. How did this happen?

First, China calmly responded to the financial crisis and implemented a number of measures to tighten the macroeconomic regulation of the market. This is a pioneering initiative in the world. Against the backdrop of the global financial crisis, the government has taken proactive measures to further expand domestic demand, accelerate the construction of low-income housing projects, and take effective measures to promote rural infrastructure. China should comprehensively implement VAT reform in all regions and increase financial support for economic growth. The amount of state investment reached one trillion yuan to stimulate domestic demand, which effectively contained the spread of the financial crisis in China [8].

Moreover, during the global financial crisis, the Chinese government took active and effective measures to cope with market changes and made remarkable achievements. In January 2009, the National Bureau of Statistics released the data for 2009: China's economy grew by 8.7%, investment increased by 30.01%, and the total retail sales of consumer goods increased by 16.9% in real terms. The Chinese government has made remarkable achievements in coping with the market changes of the world financial crisis. In 2009, in the face of the world financial crisis and global economic depression, China's economic growth turned from a free fall since 2008 to a quarterly increase since 2009: 6.2% year-on-year growth in the first quarter, 7.9% in the second quarter, 9.1% in the third quarter and 10.7% in the fourth quarter. Industrial production has rebounded every quarter, and profits have turned from a sharp decline to rapid growth. At present, in the context of the global economic depression caused by the epidemic, China's economic aggregate has exceeded 120 trillion, reaching 121 trillion yuan, and GDP (gross domestic product) has increased by 3% [9].

Third, China's financial adaptability has recovered from the financial crisis, but it still requires time to do so. The results show that: in the Asian financial crisis, the western region of China's economic maintenance is high, while the central region's economic maintenance is generally low. The provinces with high economic recovery are mainly concentrated in the central region, while the eastern and western regions have low economic recovery, showing a certain negative correlation between economic sustainability and economic recovery. In addition, all regions of China have generally high economic sustainability in coping with the global financial crisis. The regions with low economic sustainability are mainly located in the eastern coastal region, while the regions with high economic sustainability are mainly concentrated in the western region. China has shown strong economic resilience in the secondary industry, while the tertiary industry has shown better economic resilience in the global financial crisis. To be specific, many economies have fallen into risk traps, such as serious problems in the balance sheets of lending institutions and a lack of liquidity of important funds. These problems require regulators to act quickly. China provides a good example of how we can effectively address our common challenges. But you may not see a significant shift any time soon.

5. Recommendations for the Chinese Economic Resilience

5.1. Improve Regional Coordination Mechanisms and Coordinate Economic Cooperation

The following are the policy ramifications of China's enhanced economic resilience and sustainable economic development: First, it is essential to continue opening wider to the outside world, reduce tariff barriers, increase the flow of human resources, capital and technology, commit to bilateral, multilateral and regional trade cooperation, encourage trade liberalization and facilitation, and actively participate in and deeply integrate global value chains. All regions in China should take the road of endogenous driving forces driven by innovation, improve the added value of products through the continuous improvement of technical complexity and diversification of export products and the optimization and upgrading of industrial structure, and constantly extend to both ends of the "smile curve" [10].

Second, on the basis of the large international cycle, China should grasp the basic national conditions of its large market with 1.4 billion people and a per capita GDP of over 10,000 US dollars. We should use a series of market-logical policy combinations to mobilize the potential of domestic market demand and provide effective supply. We will build industrial chains and value chains to form a sound pattern of internal circular development.

Thirdly, China should focus on solving structural problems. The outbreak of the financial crisis has highlighted the problems of state-owned enterprises. In particular, the "4 trillion" economic stimulus policy launched in response to the financial crisis has made state-owned enterprises, which are difficult to adjust to market demand and lack an exit mechanism, suffer huge losses. Therefore, it is necessary to accelerate the reform of state-owned enterprises, balance the dual mechanism of "constraint" and "impetus", expand domestic and external demand on the basis of effective risk control, improve the competitiveness of state-owned enterprises, and maintain the sustainable development of the regional economy.

5.2. Adjust the Product Mix of Trade in Order to Seek Relatively Stable Markets in Diversification

The influence of industrial structure diversification on economic resilience in the financial crisis has been positive, which is consistent with the existing research conclusion that a region with a diversified industrial structure is better able to cope with economic crisis than a region with a specialized industrial structure. In the process of dealing with the economic crisis, the region can put forward the corresponding industrial structure adjustment measures from the aspect of improving the diversification of the regional industrial structure.

In addition, the research on regional economic resilience explores regional development paths and differentiation. The improvement of regional economic resilience and sustainable economic development are the accumulation processes of structural transformation and necessary capacity. The shaping of the resilience of China's regional economy is not the improvement of its extensive economic growth rate, but rather a high-quality development mode that enables the region to timely optimize the allocation of factors and structures and other adaptive transformation capabilities. Therefore, it is of great significance to explore the deep production capacity of regional product diversification and complexity for the improvement of regional economic resilience [8].

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6. Conclusion

Combining theories, literature, and data reveals that while some of China's responses to the financial crisis have been successful, there are still disparities in regional development. The level of economic resilience in eastern China is much higher than that in central and western China. While the level of economic resilience in the interior provinces of central and western China is relatively low, it is geographically concentrated in the eastern coastal region where these provinces are located. China should adjust the product mix of its trade in order to seek relatively stable markets in diversification. The disadvantage of this paper is that it collects data on the dynamics of China's financial crisis and economic resilience through economic newspapers, special reports on financial channels on various websites and academic papers. This indirect approach may ignore the actual process of dealing with the financial crisis. In future studies, more attention will be paid to empirical analysis.

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