

Chinese Business Cycle and Structural Reform after the Crisis

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Abstract

With the development of economic internationalization, the economic fluctuations of the main countries in the world are influenced by the world business cycle which is greatly dominated by U.S. economy fluctuations. From dynamic research view, analysis on Chinese business cycle is not only for better knowing the influences of the global economic crisis on Chinese economy but also for better estimate the economic fluctuation trend in the future, which is beneficial to put forward to macroeconomic policy suggestions and strategies for the government. Based on HP, BP, and CF filter methods, we obtain the cycle fluctuation data. By taking advantage of empirical test of spectrum analysis on these data, we can judge Chinese business cycle length in short cycle and medium cycle. Then we make clear that this decrease of Chinese economic growth after the crisis is a short cycle and belongs to the last medium cycle. With the economic recovery, it will begin a new medium cycle in the future for about 7 years. Besides, from the empirical results of business cycle analysis, we estimate that the structural reform has played an important role in reducing the influences on economic depression in the history. That is to say, with quick structural adjustment during the economic internationalization, the degree and length of economic fluctuation in the cycle are both decreased, which is called great moderation of business cycle among the economists.

According to the empirical analysis, it is reckoned that Chinese government needs to adopt structural reform as a post-crisis strategy for the sustainable development of economic growth since the economy will fluctuate from recovery, prosperity to depression and contraction in the future. In order to reduce the negative influences, China needs to change from exports-oriented growth to domestic demands-oriented growth, improve the development of finance industry to reduce the economic imbalance, and realize industry upgrade and innovation to promote the long-term economic development in the post-crisis era.

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