Factors Affecting China’s "New Normal" Economic Growth
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Abstract. China’s economy from a high speed to smooth, i.e. the “new normal” has been widely recognized. At this stage, the urgent need of developing countries is economic take-off or development start-up. However, "dual structure" in the economy creates a barrier to economic growth. This paper expounds the characteristics and driving force of economic growth from the perspective of economic theory. And then, we combine economic data to derive the structure factor in economic growth and combine the current situation to conclude the challenge for the economic growth under the new normal. Finally, we draw the conclusions.

Introduction
China's industrial take-off started to mature. Original theory of growth as the core has begun to a transition period after the mature stage. Once the economy has entered a mature stage, the importance of growth problem is reduced. Meanwhile, China's economic growth mainly relies on labor. With the rise in labor costs, the Chinese economy is facing the pace of restructuring. At the same time, in the process of elements (i.e. technology, capital, labor and so on) structural change, each industry and its capacity change is a clear structure evolution process in the economic structure. It also includes a lot of phase transformation of the economic structure.

Driving Force and Features of Economic Growth
During the course of the development of human society, we have experienced the stage of natural resources, physical capital, labor and technological progress as the source of growth. From one main element to another is the transition of the growth mode. So far, mankind has experienced three such turning points.

![Figure 1. Driving force of economic growth.](image_url)

After the economy entered a phase of capital-driven, since the capital diminishing returns, capital accumulation can’t indefinitely support economic growth. It will eventually face the next turning point, which will turn to mainly rely on technological progress or labor productivity. The experience has shown that different countries will transform into different routes due to the
differences in historical conditions, political systems and factor endowments. And then it will generate differentiation to form the dual economic pattern.

The modern sector and traditional sector in dual economy are called "capitalist sector" and "non-capitalist sector". Real wages in non-capitalist sector is determined by the income level of subsistence. Assuming the labor force can fully flow between the two departments, the real wages in capitalist sector will be equal to the level of survival. Even if the labor demand has increased in capitalist sector, the actual wages will not increase. This is because the labor force has a characteristic of unlimited supply. In the agricultural surplus labor transfer model proposed by Lewis, as long as the wages in "capitalist" sector was up rural "subsistence" wage levels a certain threshold (such as 30%), farmers are willing to leave the land to transfer to the city to seek a new career.

A New Resource Perspective in China's Economy Era

When we utilize resources in the China's economy era, we must make full use of scientific and technical knowledge to consider the level of mutual relations of the various resources in the use of different levels for different types of resources, and also must consider region allocation and comprehensive utilization. Professor Xu Xu-song of Wuhan University puts forward the theory of the new resource perspective in her complexity-scientific-management theory explicitly. She holds that in the modern management we should change our capital perspective and the Resource perspective. In the view of capital perspective, the former capital perspective holds that only tangible assets are capital, but new capital perspective holds that the capital should include tangible and intangible assets and the intangible assets(such as intellectual capital) should give more attention. In the view of resources, the previous view of resources holds that only the natural resources are resources, but the new resource perspective of complexity-scientific-management theory holds that not only natural resources are resources, but also social resources (networks), cultural resources (culture, science & technology), system resources (institution, mechanisms), human resources (labor, finance), purchasing power resources etc. are resources; and knowledge, intelligence, information are also new resources that cannot be ignored in the modern management. Complexity-scientific-management theory holds that resources can be generated through cultivation and creation. As above analysis, the new resources of complexity-scientific-management theory conclude the following several forms: Social networks, culture, customer capital, system, purchasing power resources are all new resources; knowledge resources perspective - knowledge resources are a key factor in the development of social productivity; Intellectual resources perspective - intellectual resources are integrated dynamic system to cultivate new talent, selecting, restructuring and re-excavation, and it includes the production and training departments and units of knowledge and talent, development plans, policies, regulations, and the personnel training system of the national economy to ensure the personnel training costs, etc. Information resource perspective –
knowledge economy is knowledge-based economy, and the development and dissemination of information is a key factor in the knowledge economy.

Factors of China’s Economic Growth

China has achieved rapid economic growth from 1978 to 2015. The real GDP has increased by 20.7 times and the compound annual growth rate reached 9.9%. But after China’s GDP growth accounting, it can be found that in an average annual growth rate of 9.9%, the labor force contributed 24%, human capital contributed 24% and the transfer of labor department contributed 21% to the growth. The contribution of the number, quality and transfer of labor force to China's economic growth has more than half (68%), while the contribution of physical capital is 28%. The remaining unexplained part is only about 3%, which can be regarded as the contribution of other restructuring or technical progress to economic growth.

Meanwhile, a study by World Bank also shows that the contribution of physical capital to China’s economic growth during the reform period was 37%, the contribution of labor amount was 37%, the contribution of labor transfer was 16% and the unexplained part was 3%. To a certain extent, it is close to our research, i.e. the primary dependent of Chinese high-growth is more and cheaper labor.

Accordingly, although Japan and "Four Little Dragons" who stand out from the "Asian miracle" also relies on the large-scale investment, the efficiency improvement is obvious. In Japan, during the rapid growth in the mid-1950s to 1970s, the total factor productivity contributed 4.9 percentage points and the labor contributed 1.85 percentage points in the average growth rate of 8.77%. The comparison shows that the phenomenon of China's economic growth over-reliance on labor is very obvious.

The Challenges of Chinese Economy under the New Normal

The Situation of China is a Big Country

The international experience shows that per capita GDP3000-5000 dollars is the key to development and transformation. China's per capita GDP close to $4000 in 2010, which has entered the low and medium range of middle-income developing countries. In this interval, the Chinese economy is facing great development opportunities and it is the critical period of transition. In the seventies of last century, Latin American countries have entered into the area of per capita GDP3000 dollars. After that, they were long-term stagnation, so it is difficult to enter the ranks of developed countries. They fall into the "middle income trap". The East Asian Tigers beyond this stage, but they are small regions and countries. It is still a mystery whether big countries can transcend. Left the external demand driven, it is uncertain whether China can across this stage.

Excessive Reliance on Incentives

In 2006, the World Bank has pointed out, "the strategy making the economies from low-income economies to middle-income economies is not able to be reused for them to climb to the high-income economies. Locked by the original growth mechanism, it is difficult to break the 'middle income trap'. A country is easy to enter the stagnation period of middle-income stage."China is highly dependent on the expansion of incentives to develop, and continue through the "forcing mechanism" to force the government to stimulate the economy through mass mobilization and incentive policies. Despite the government still has ability to continue to inspire economic expansion in the short-term, it will lose the opportunity to change the growth mechanism. Although the economy is still developing, it may be just left the "poverty trap" and easily fall into the "middle income trap", which leads to the long-term stagnation.

Growth Downward in Physical Field

In Rostow’s opinion, there are two main points of take-off in physical field. First, relying on fixed asset investment-led economic growth experienced the resource constraints. Second, the most rapid growth phase of the take-off leading industry may come to an end. This means that the original
growth model has been difficult to make the pie bigger by the original rate, so the growth rate has to decline.

**Income Disparity in Social Field**

The consequences of rapid industrialization not only perform in the real economy, but also steadily affect the social field and cause the problems more difficult to solve. First, the rise of nationalist tendencies is the sign of completing take-off and is also a risk of entering the transition period. Second, rich-poor divide is the inevitable outcome of take-off, but its negative effects also begin to emerge. Finally, with the public’s wealth and welfare requirements increase, the restriction of social distribution to the economy begins to emerge.

Further, by locating the position of China in the industrialization process, China is facing a "mature" transition. In this context, China’s turning road will be more difficult. It has been out of the "low equilibrium trap" in China. Up to now, will China fall into the "middle income trap" or choose to change and improve efficiency in order to continue leading the developed world? "Left or right", China is in the choice of history fork.

**Conclusion**

In general, the Chinese economy is the new normal judgment a more constructive. In the high-growth environment, higher quality through structural reforms and a new engine of growth is clearly more pragmatic, more active, more creative strategic thinking.

1. To Chinese economy continues to boom, the first problem is to find the core issues restricting the growth. After analysis, the lack of innovation is the fundamental problem restricting China's economic growth. Innovation is determined by the innovation ability and innovation power. When the income differentiation has been difficult to guarantee the innovation capacity of the poor and the rich has no innovation power, a possible stagnation will occur. China's income differentiation is the inevitable result of rapid industrialization. When it is necessary to carry out debt for the cost of industrialization, China's economic faces a space conversion between growth and distribution. That is, growth will not be the only macroeconomic context to analyze the investment. The importance of the assignment should be on the agenda. Growth and distribution face the time-to-space conversion.

2. From the historical experience, the three major crises encountered in the three decades after China's reform is solved through internal revolutions. This time is no exception. From the contribution of consumption to growth in the financial crisis, internal changes stimulated demand, solved the crisis and ensured growth.

3. From the system level, it is due to the different groups of inhibiting innovation. For economic and social development, it is necessary to carry out institutional changes. This means that alleviating income differentiation will be the main feature in the transitional period, which will be based on profit sharing in exchange for growth and social stability. This period is at least a decade-long. Whether the income differentiation can be solved or not determines China’s ability to accomplish industrialization, which leads the denouement is to the left to Latin America, or to right to Japan, or recast brilliant.

4. It is necessary to accelerate the transformation of energy development, develop new energy and clean energy, change the coal-dominated energy structure, and establish a "stable, economical, clean and safe" energy security and modern energy industry system. Meanwhile, further optimize the energy structure and speed up the energy development mode change is also the way to transform China's economic development mode.

**References**


