Keywords: Middle income trap, Political economics, Cause analysis, Coping strategy.

Abstract. At present, China is in a critical period of moving from a upper-middle income country to a high-income country, with its economic growth slowing, it faces the challenges from the "middle-income trap". In the view of the present situation of the "middle income trap" faced by our country, this paper uses the view of Marxist political economics to make a depth analysis and provide accurate theoretical support with developing effective coping strategies for crossing the "trap" smoothly.

Introduction

The concept of the middle-income trap was first proposed by the world bank in its research report on the economic growth of east Asia in 2006, which states, when most countries of them entered the stage of middle income of per capita GDP3000US dollars to 5000US dollars, due to the unreasonable resources possession, unfair income distribution, slow development of technology, the concentrated outbreak of social contradictions and others, the economic and social development will be in a long-term stagnation. To sum up this general phenomenon, we call that the relative stagnation of economic development around GDP5000 per capita "middle-income trap". Countries in the middle-trap cannot gain greater advantages than low-income countries in labor costs, and also fail to compete with the developed countries in the field of cutting-edge technology research and development, meanwhile, all sorts of problems accumulated in the process of rapid economic development burst out, such as economic growth stagnation, excessive urbanization, shortage of social public services, employment difficulties, fragile financial system, and so on, which intensify the gap between rich and poor, block the urbanization process, hinder the industrial upgrading, and give rise to social conflicts and mass disturbances frequently.

Since we followed the policy of reform and opening in 1978, China's economy had achieved a rapid growth, but which was at the cost of a high savings rate, a high investment rate and a high resource consumption rate, and due to the nonrenewable of resources, the decline in population growth and the transformation of the international environment, this growth pattern is considered to be unsustainable. The GDP growth rate tailed off to below 7% in 2015, and it was frequently mentioned in speech that China had suffered a middle-income trap. There are only two possibilities in the development of future stage when we encounter the middle-income trap, either seize the opportunity to steadily push forward, smoothly realize the industrialization and modernization and cross the trap to enter the ranks of the developed countries, or reform incompletely, fail to transform, the economic and social development appear a long-term stagnation, even may appear the phenomenon of social unrest and economic recession, and fall into the trap. Thus, here it is necessary to use the view of Marxist political economic to deeply study this issue, and get scientific cognition for it in the period after the third plenary session.

The Analysis on China “Trap”

The growth of China's economic is driven by investment after the third plenary session of the 11th Central Committee, and this external-oriented expanded reproduction has led directly to the
unsustainability of the rapid economic growth, and the transformation of economic development pattern lags behind. More fundamentally, China “trap” is induced by a series of problems caused by backward technology level and low independent innovation ability and other causes. Only by constantly deepening reform, explore the fundamental problems that exist China's current economic system, and find out the most essential induced factors of the trap. To this end, we can further explore issue of the “trap” in China through the following several aspects.

Production

On productivity, our country presently is roughly at the important stage that the economic growth is slowing and urges to be transformed. The cheap labor era has gone forever, and the social production demands the transition to the mode with high technical content. There exists more labor-intensive products, low labor productivity, low manufacturing industry, backward processing equipments and so on.

In the aspect of means of production, the traditional factor bonus is being exhausted, and contributions from the intangible elements are still weak. National economic development relies mainly on the factor-driving, such as capital, technology talents, market, and the dividends from that promotes the economic growth, But this kind of development model ignores the scarcity and the nonrenewable of resources. large-scale resource consumption causes a series of environmental problems and resource crisis, not only in the contemporary development causes high cost and brings about negative external effects, also leads to the unfairly intergenerational development and endangers the basic needs for the descendants existence and development. In terms of labor, with an aging population growing, that the demographic dividend contributes to economic growth is gradually decaying, meanwhile, subjected to the regional development distinction, the labor force flowing resistance across the region and industry is large, and due to the ceaseless deepening of industrial structure, the training orientation of modern education can't coordinate to meet the needs of industrial development, resulting in a large number of structural unemployment, and some parts industries even appear labor shortage phenomenon last for years.

Another main reason for the lack of economic development motivation is the low production efficiency that caused by deficiency of institutional and technological innovation. In new growth theory, technological progress is the decisive factor for sustained economic growth, but in reality, the promotion of technological progress to economic growth is limited, the enterprise’s independent innovation ability is insufficient, and depends heavily on foreign technologies. The reason for that is that there is a less investment in technology research and development funds in our country, and lack of perfect security system and appropriate incentive mechanism. The main body of national innovation is national scientific research investment, the transformation and application of the knowledge innovation achievement is limited, and lack of the corresponding investment incentives policy, which severely restricted the enterprise innovation abilities, meanwhile ,Blindly emphasizes on the growth of the economy in our country, and ignores the economic development mode so that induces the low efficiency of resource allocation, and hamper the innovation to promote our social and economic development.

Exchange

Exchange is the precondition for commodity economy and the foundation for smooth production process. In the primary stage of socialism in our country, we pursue a pattern with the public sector remaining dominant and distribution according to one's performance, which may arise that social production lags behind the social demand, but why there appears the insufficient domestic demand and the problem of excess production capacity? This needs us from the perspective of Marxist political economics to explain. Marx divided the commodity value into transferred value of the means of production, value of labor power and surplus value, and if the reproduction is normal, the former two parts must be fully committed to the circulation process, only the surplus value will appear problems and lead to the lack of the whole society effective demand. Under the condition of capitalist private ownership, influenced by the abstinence, when accumulate the capital, the
capitalists would not put all of the surplus value into use as the consumption data, thus there came to be questions about the realization of the purchasing power of surplus value.

Based on the situation in China, Within the perspective of domestic environment, along with the change of economic factors that the advancement of reform and opening up, the proportion of public assets is gradual declining, and the private assets proportion is rising, the capitalist economy factors constantly are growing, capitalist laws gradually penetrate into our country economy and influence more and more field. From the current trend in terms of international environment, with the constant improvement of globalization, the relationship China's economy with the developed capitalist countries in the world is more and more close, and that capitalist economic laws impact on our country's economy have also been gradually increasing. Therefore, although China has entered socialism, but now is still in it the primary stage of socialism, and the market has not developed completely. Our country emphasizes on the pattern with the public sector remaining dominant and diverse sectors of the economy developing side by side and the socialist economic component coexists with the capitalist economic component in order to develop the economy, and together with the effect of international relations in the economic globalization, the basic economic law of capitalism will inevitably affect the economic development of the primary stage of socialism, and eventually cause local overproduction and the problem of insufficient domestic demand.

**Distribution**

In the industrializing process of our country, the government's macro-control still favors the pattern of industry development guided by the government, follows the non-balanced, unfair path that gives priority to develop the eastern coastal area, and then drives the inland economic growth to realize the common prosperity. It manifests too much stress on promoting the industrialization process and achieving high outputs by high inputs, besides the excessive government intervention in the allocation of resources and the impact of ownership structure, thus directly or indirectly causes the wrong configuration of resource and lack of effective competition mechanism, even exacerbates the imbalance of the industry. And the imbalance of the industry will lead to the inefficiency of the market, eventually results in a serious problem of income distribution. Distribution is determined by production, and different income distribution systems should be supported by different ownership relations, just as the labor-based distribution in China requires the institutional arrangement of public ownership. For more on the subject of distribution, Marxist political economics explains that the technology and management should be regarded as complex labor, with its income recognized as complex labor income, and knowledge, information, patent, rent are the capitalization of property rights, which can be negotiable, and belong to the category of capital, included in capital income. As a result, our personal income can be divided into that from work or from other sources. The essence of production factor distribution is capital-based distribution, namely the unearned income. As we can see, the substance of primary distribution is the master-subordinate relationship between labor and capital in the allocation. In our country, the distribution of non-labor income will give those who already have private property an advantage in distribution, and cause an increasing in non-labor income and a relatively reduce in labor income share, as time goes on, it will inevitably lead to the phenomenon with unfair distribution and growing income gap, also directly induce the contradictory situation of absolute wealth and relative poverty existing in our country, and in the process of redistribution, the transfer payment mechanism is imperfect and fails to provide fair and efficient public services, thus corruption problems, social problems become more frequent, which further expand the gap between rich and poor.

Another explanation about the widening gap between the rich and poor is that, the regional coordinated development was inadequate in the process of Chinese comprehensive reform and opening up. For achieving the rapid development of our country economy, there are huge regional differences in the economic policies and investment programs on treatment of regional issues. That priority to the development of the eastern coastal areas accelerates a rapid economic growth of the eastern region, but, there is a slow rising in the central region with loss of momentum and narrow investment channels. In the northeast, with aging industrial structure, severely inadequate
investment, the economy is sluggish. The western region is the focus of the government support in recent years but because its foundation is weak, it still has the disparity with between regions. The uneven development of the region restricts the rational flow of productive factors, including labor, and the industrial distribution is not reasonable, and a regional discrepancy exists in the economic foundation, and that unbalanced regional development, difficult industrial transfer and market development, further expand the differences between urban and rural, and the regional gap between rich and poor has become increasingly serious.

**Strategies on China “Trap”**

Facing the challenges from the middle-income trap, our country should turn the core of the economic growth from extensive growth with high-speed to intensive growth of high quality in medium and high speed and even medium growth to avoid the trap. Strategies are as follows:

**Fully Play the Decisive Role of the Market Mechanism**

Correctly understand and handle the relationship between the government and the market. The market itself has spontaneity, hysteresis, blindness and other drawbacks, which determines that it cannot fully play a role in the market economy. Once market malfunction appears, the government should timely "fill the seats" to make reasonable macroeconomic adjustments and interventions. In the new stage of Chinese “new normal” economy, the government should gradually lessen the control over the market and reduce improper intervention of the economy, meanwhile, the government should improve macro-control, through a series of fiscal and monetary means, reasonably and timely intervene to guarantee a steady and rapid economic development. Given the current problems of excess capacity, unreasonable ownership structure, and blocked industrial structure upgrading and so on, promoting the advancement and rationalization of industrial structure and demand structure should be focused on to establish an efficient economic structure of high quality, and coordinated advance of industrialization and urbanization should be emphasized, besides, by perfecting the infrastructure construction and improving public service level and using the coordination mechanism to narrow the gap between regions, improve the environment of economic development. We should fulfill the decisive function of market mechanism, meanwhile, more attention should be paid to scientific development, social fairness, the construction of the people's livelihood, and independent innovation.

**Change the Development Mode and Encourage Innovation Promotion**

For facilitating the transformation of economic development patterns, the administration reformation should vigorously be advanced and innovation promotion should be encouraged. The previous economic development way can no longer provide enough power for the economy under the current circumstances, and in order to boost economic growth rate and prevent the economic "hard landing", the government needs to change the existing pattern of economic development, timely through technological improvement, scientific and technological innovation and supply-side reform and other ways, regain the new momentum of economic growth in the process of traditional economic growth momentum gradually disappearing. First of all, the government needs to optimize the existing environment of economic development in our country, such as infrastructure, public services, and establish a comprehensive and efficient social security system, improve the level of all residents welfare to ensure their optimistic outlook for economic growth. Secondly, the government needs to perfect the existing economic system and improve the existing distribution system, completes the work of initial distribution and redistribution to narrow the gap between rich and poor, and enlarge the subject of innovation, and increase investment in innovation. Moreover, optimize the existing property rights incentive system, weaken the government intervention, strengthen market competition mechanism, and use market demand to motivate enterprise innovation. Facing with the challenge from middle-income trap, technological innovation has a better practical and strategic significance to our country. From the reality of our country, our country should establish a full range of technology innovation system with enterprise as the main
body, select relevant industries as a breakthrough for independent innovation, technology upgrading, and transformation, and further increase support to technological innovation, stand firm on the road of making China powerful through science and technology for providing a power source to cross the "trap".

**Adjust the Economic Structure to Ensure a Steady Economic Growth**

In order to improve the basis for the current economic development and improve the quality of economic growth, the existing economic structure in our country should be adjusted. First of all, we need to adjust the factor structure based on natural resources and labor inputs and increase the proportion of investment capital and technology, and lay emphasis on the contribution of intangible factors, improve the utilization rate of resources, perfect the extensive mode of production, and reduce the cost of economic development. Secondly, adjust and optimize the existing industrial structure, change industrial layout with second industry holding dominant position, and strengthen the support to the first industry for consolidating its the basis position, at the same time, stimulate the development of the third industry for expand employment as well as create a more lasting impetus for economic growth. Furthermore, current demand structure depending on degree being too high should be improved and the domestic demand stimulating mechanism is required to be perfected to promote the upgrading of consumption structure and improve the efficiency and quality of investment. Stress the contribution of consumer demand and corporate investment, and improve the government's investment decision-making, and optimize the investment behaviors of the government. Finally, we should narrow the gap between regional development and strengthen regional cooperation to promote the development of urban and rural integration, support the urban development based on the villages and nurturing rural economy by urban demand.

**Reform the Income Distribution Way to Narrow the Gap between Rich and Poor**

Fair and reasonable system of income distribution is the foundation of social stability. In order to propel the reform of distribution system, the government should perfect the existing income distribution structure and system and standardize the order of income distribution. First of all, in the link of primary distribution, improve the remuneration of ordinary workers, increase the transparency of the income distribution, improve the mechanism of wage growth, and resist illegal gray income under a premise of fairness and impartiality. Secondly, in the link of redistribution, through the fiscal and taxation reform and administrative legislation, change income inequality caused by primary distribution, such as raising taxes on high earners and provide equal and shared public infrastructure, etc. In addition, further ease the wealth contradiction triggered by the income gap through perfecting social security system and supporting charities, etc. and eventually realize common prosperity.

**Reference**


