

# Analysis of Chinese Consumption Incensement Contradiction

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The basic forming of Chinese buyer's market can go back to the year 1996. Although the state has lowered bank rate for 7 times from May 1996 to June 1999 and promote active currency policy, it still works limitedly in stimulating people's consumption. Facing the enormous increasing deposit and the exhausted consumption market, how to stimulate consumption has been an important subject in the research of economic development research. The forming of buyer's market is the successive transfer from planned economy to market economy of Chinese economy and it has solved the problem of simply having adequate food and clothing of billions of Chinese people. But nowadays we haven't solved the problem of simply having adequate food and clothing of thousands of people, the income level of rural and urban residents is low, the purchase power is not enough, this kind of market is not indeed the supply of overproduction, which likes the economic crisis happened in America in 1929 to 1933 where milk, wheat were poured in the river. This article expects to present suggestion to find solutions to solve contradiction problems encountered in present Chinese consumption incensement, which can promote steady incensement of Chinese consumption and improve life level according to the regulation of development and the features of buyer's market.

The main content of this article is:

**1 Fully realize the features of Chinese buyer's market is the prerequisite of properly solving the present consumption problems.** This article sets out the points and the features in 3 aspects:

① The demand and supply of the market is basically on the balance or demand is over the supply is one of the basic features of buyer's market;

② The price of the market is basically stable is another basic features of buyer's market;

③ The continuous development and mature of buyer's market is the necessary criteria of economic development.

**2 Combined with the contradiction analysis of Chinese consumption encroachment, this section mainly discuss these parts of problems.**

① The consumption incensement is not in accordance with the income incensement of residents in urban and rural areas and national economic development, so we should properly solve the relationships among the economic development, income incensement and the consumption incensement.

② The relationship between currency deflation and the conscription incensement, we should not judge currency deflation only because of the drop of price level, it is limited. We shouldn't be disturbed by the continuous drop of price level and believe that consumption slump is only because of the people's consumption psychology of "buy high not buy drop" and hope to stimulate consumption according to the rise in price.

③ The relationship between macro economic policy and promote consumption demand, it points out: it is limited to incensement consumption demand by bank rate adjustment and we should be careful to start consumption by active financial policy.

④ The influence upon consumption incensement by expanding the income distribution gap. Now

people's index of individual domination income is gradually expanding, the whole country is above 0.4, which means entering into an improper state; this has directly influenced the realistic of consumption incensement.

**3 Suggestions on how to solve contradiction problems of consumption incensement.** This section points out: nowadays Chinese consumption is still quite low, the reason is that the economic development is facing obstruction, for example, large number of people go off sentry duty, economic globalization is not clear, Chinese entering into WTO has not been solved, which leads to no confidence about economic development for producer and consumer so, we suggest:

① Promoting income is the important guarantee of improving consumption confidence of residents. It is the important guarantee of improving consumption confidence of residents; it is unimportant means to inspire consumption confidence by making to improve income.

② Inspire non-governmental investment, promote consumption incensement. The aim of inspiring non-government investment is 80% of bank currency is held by 20% of people is entered into investment area, which promote consumption incensement and the rise of economy.

③ Restrict "high consumption", let price lever play its active roles in consumption incensement. In china, not many people can bear "high consumption"

④ Improve consumption environment of countryside, promote consumption incensement, We should fasten urbanization of countryside and open the market of countryside, promote to consume.

⑤ Gradually improve social security systems and every consumption policy, lead the consumption development properly. As the gold key in promoting consumption in western society, credit consumption is widely used by all stages of society, which has achieved excellent results. In the western developed countries, credit consumption is amount for 20-30% of the total bank funds, but in China at the end of 1998, it is less than of 1%. In order to expand consumption, we have to depend on expansion of credit consumption.