

Strategic Analysis of Expanding Consumption Demand from the Perspective of Double Circulation

Guozhi Sun^{1, a}, Min Liang^{1, b}, Shujuan Wei^{1, c}

¹School of Teacher Education, Nantong University, Jiangsu, China.

^asunguozhi@ntu.edu.cn, ^b1689418575@qq.com, ^c2095474620@qq.com

Abstract. In the process of economic development, China is trying to smooth the domestic circulation and promote the domestic and international double circulation so as to form a strong domestic market and build a new development pattern. China's socialist market economy is a market-oriented economy, which is essentially a consumer-demand-oriented economy. In its economic development, China has put more emphasis on taking consumption as the driving force of economic development, enhancing the contribution of consumption to economic development, and taking expanding domestic demand as the strategic basis for development. In order to expand domestic demand in the context of double circulation, we should pay attention to coordinating the relationship between accumulation and consumption, expanding domestic demand and opening up, supply structure and demand structure, urban and rural residents' income and social consumption power, give full play to the guiding role of consumption demand, form a positive interaction between consumption demand and economic growth, and promote the healthy development of the socialist market economy.

Keywords: Expanding consumption demand; double circulation; strategic analysis.

1. Introduction

In the development of modern economy and society, consumption plays an increasingly prominent role in pulling the economy. China has a population of 1.4 billion and the most potential consumer market. The potential advantage of consumption for the economy contains huge development space. Therefore, China proposes to unblock the domestic circulation and promote the domestic and international double circulation, so as to form a strong domestic market and build a new development pattern. This is to expand domestic consumption demand and give play to the contribution of domestic demand expansion to economic development under the dual-cycle pattern. When expanding domestic demand, China should also pay attention to dealing with some strategic issues, such as dealing with the relationship between accumulation and consumption, balancing the relationship between expanding domestic demand and opening up, coordinating the relationship between supply structure and demand structure, and rationalizing the relationship between urban and rural residents' income and social consumption power.

2. Handle the Relationship Between Accumulation and Consumption

To develop the market economy and strive to improve the contribution of consumption demand to economic development, we must correctly handle the relationship between accumulation and consumption. To correctly handle the relationship between accumulation and consumption, on the one hand, we should ensure the appropriate growth of accumulation, so as to accumulate funds for expanding social reproduction and lay a solid foundation for improving consumption level. On the other hand, we should also consider the reasonable satisfaction of current consumption, so as to mobilize the enthusiasm of the people, create conditions for further development of production and increase accumulation, and promote the development of production and the improvement of consumption level. For the distribution of national income, it is very important to balance the relationship between consumption and accumulation, because the two are closely related, both promoting and restricting each other. The consistency between accumulation and consumption is mainly reflected in the mutual promotion of accumulation and consumption.

Accumulation can promote the expansion of the proportion of reproduction, accelerate economic development, and lay a good material foundation for consumption. In the long run, accumulation will undoubtedly promote the improvement of consumption level. On the other hand, there is still inconsistency between accumulation and consumption in social and economic life. For example, if the accumulation is too high in a certain period of time, the proportion of funds used for consumption will be relatively lower, directly affecting people's current living standards. If long-term high accumulation and low consumption, investment and consumption are not coordinated, it will inevitably lead to excessive investment and insufficient consumption, and a large backlog of consumer goods, making the two carriages driving domestic economic growth fast and slow, unable to keep pace with each other, and the economy will naturally be unable to coordinate growth. Therefore, the balance between consumption rate and accumulation rate can directly improve the living standard of the masses and continuously promote economic development. As for the relationship between accumulation and consumption, the basic principle should be to strive for a relative balance in the development dynamics, and organically combine the basic role of the market in allocating resources with the guiding role of macro-control in the socialist market economic system. Therefore, we should pay attention to the relationship between accumulation and consumption.

3. Reasonable Response to the Relationship Between Expanding Domestic Demand and Opening up

To build a new development pattern, we should adhere to the strategic base point of expanding domestic demand and make the domestic market the main source of final demand. But we should also see that the new development pattern that China is trying to build is not a closed domestic cycle, but an open domestic and international double cycle. This requires coordinating the relationship between expanding domestic demand and external development. We should not only promote the formation of a grand and smooth domestic economic cycle, but also focus on better attracting global resource elements, not only meet domestic demand, but also actively participate in international economic cooperation and new competitive advantages. China is a big country, and the advantage of its economy is internal circulation. The smooth domestic circulation can form a gravitational field for global resource elements, and the more conducive to the formation of new advantages in international competition and cooperation. There is no contradiction between expanding domestic demand and opening up.

In the context of increasingly fierce competition in the international market, taking expanding domestic demand as the basic policy to stimulate economic growth is fully in line with the current needs of China's economic development, and is also more dependent on the understanding of the release of China's domestic strong market potential, which is consistent with the objective requirements of the development of market economy. This is conducive to changing the past situation in which economic growth is excessively dependent on exports and investment, giving better play to the role of consumption demand, especially domestic consumption demand, and shifting the driving force of economic growth to rely on consumption, investment and export coordination. On the basis of adhering to the opening up, we should further expand domestic demand, especially consumption demand.

Taking internal circulation as the main body does not mean returning to the closed country, but reflects the strategic thinking of better grasping risk prevention, stable growth and pursuing the initiative of upgrading development. We should be soberly aware that whether it is to expand opening to the outside world, carry out international trade, or increase the total scale of imports and exports, and increase China's foreign exchange reserves, are all means to accelerate China's economic development, not the ultimate goal of socialist development. Therefore, to correctly grasp the relationship between expanding domestic demand and opening up to the outside world, we should not only pay attention to the improvement of the level of reform and opening up, maintain

sustained, stable and rapid economic growth, but also pay attention to the cultivation of consumer demand, so that the consumer demand of the people can be improved and met, reflecting the pulling role of consumer demand for China's economic development.

4. Promote the Adjustment of Supply Structure and Demand Structure

We should optimize the supply structure in terms of production and the demand structure in terms of consumption, and constantly promote the two-way interaction and adjustment of the supply structure and consumption structure. China's production and consumption should be adjusted. From the perspective of production, we should optimize the production structure, optimize and upgrade the industrial structure, meet people's consumption needs and improve people's quality of life through better development of production. Therefore, both the industrial structure and the consumption structure should be adjusted in response to this change. In the process of adjustment, production and consumption should reach a harmonious symbiosis. The adjustment of the supply structure should provide a better material basis for meeting the consumption needs of residents, and promote the optimization and upgrading of the supply structure by adjusting the demand structure.

Production plays a decisive role in consumption. The products consumed are determined by the content of production. Similarly, the production structure determines the consumption structure. The status quo and changes of the production structure restrict the status and changes of consumption demand. The two major categories of production of means of production and production of means of consumption in a society and their internal structure directly restrict the total amount and structure of consumption demand to be realized. Under the conditions of market economy, a certain industrial structure determines the quantity, quality and type of products. Of course, in turn, production needs to consider consumer demand. Otherwise, it will lead to unreasonable production structure, which will inevitably lead to poor circulation. Finally, in terms of consumption, the products that consumers need can not meet the demand, resulting in oversupply, and the products that do not need are overstocked. Therefore, the coordinated development of different industries, complete types and specifications, and excellent product quality can meet the needs of consumers at different levels, and ensure and promote the optimization of consumption demand structure.

The industrial structure affects the consumption structure, which is embodied in three situations: first, the sector structure of production and the internal structure of the sector affect the consumption demand structure. Second, the product structure affects the consumption demand structure. Third, the quality of products affects the structure of consumer demand. The industrial structure determines and affects the content, quantity and quality of consumer demand. We must analyze the demand of consumers for various consumer goods, and adjust the production structure in time to adapt it to the consumption demand structure.

5. Vigorously Increase Residents' Income and Release Social Consumption Power

Increasing the income of urban and rural residents is conducive to continuously improving social consumption power. The most direct driving force for the increase of consumption demand is the increase of disposable income of urban and rural residents. When the income of urban and rural residents increases, the purchasing power will naturally rise, and under other conditions unchanged, the consumption demand will also increase. With the increase of income of urban and rural residents, people will inevitably spend part of their expenditure to improve their lives, bringing about the improvement of material and cultural life. In terms of clothing, food, housing and transportation, which are most closely related to people's lives, whether it is clothing, housing, daily necessities and services, or transportation and communication, education, culture and entertainment, and medical care, people can spend more on these aspects according to their own needs through the

increase of income, thus improving their living standards. In this case, the consumption vitality of the whole society will be released and the consumption power will be continuously improved. Therefore, increasing residents' income will inevitably lead to an increase in total demand and social consumption.

The continuous increase of residents' income comes from the solid material foundation of productivity. Productivity is the decisive force of social development, and the increase of residents' income depends on the development of productivity to lay a material foundation. The increase of material wealth can better realize the people's yearning for a better life. The progress of society and the improvement of income level depend on higher labor productivity and economic development level. Only by continuously developing and improving the socialist market economy and continuously liberating and developing the productive forces can we continuously improve the income of urban and rural residents and lay a solid material foundation for meeting the people's needs for a better life. To increase the income of urban and rural residents, while developing production, we should also do everything possible to expand employment, which is an important measure to ensure that urban and rural residents maintain good income expectations for consumption. The government can introduce some encouraging policies, change the practice of valuing cities and towns over rural areas, strive to break traditional barriers, seriously implement the policy of rural revitalization, reduce the impact of urban-rural dual economy, and increase farmers' income. We should also pay attention to adjusting the pattern of income distribution, paying attention to the fairness of income distribution, and narrowing the income gap.

6. Summary

Consumption has a strong role in promoting, driving or restricting social production. Consumption is both the starting point and the end point of economic activities. In economics, people tend to regard consumption demand, investment demand and export demand as the three driving forces of economic growth. Among the three, consumer demand is the real lasting and fundamental driving force for economic growth. Whether from the perspective of meeting the needs of the people's living standards, or from the perspective of stimulating economic development, the continuous expansion and innovation of consumption demand has gradually become the driving force for the comprehensive, coordinated and sustainable development of China's economy. Therefore, we should pay attention to coordinating several problems facing the strategy of expanding domestic demand, make production, distribution, circulation and consumption more dependent on the domestic market to achieve a virtuous circle, clarify the strategic direction of supply-side structural reform, and promote the dynamic balance between total supply and total demand at a higher level.

Acknowledgments

This work is partially supported by Jiangsu Province University Philosophy and Social Science Research Project (2021SJZDA057), Nantong Social Science Fund Project (2021CNT010), and Nantong University Special Research Project (2020ZXYB002).

References

- [1] Proposal of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-term Vision for 2035, Beijing: People's Publishing House, 2020.
- [2] Xi Jinping. Holding High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects - Report at the 20th National Congress of the Communist Party of China, Beijing: People's Publishing House, 2022.

- [3] Sun Guozhi. Several Issues Being Noticed in Expanding Domestic Demand Under the Background of Double Circulation. Journal of Jiangsu Shipping College, 2021, 20(4): 15-20.