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China's QE in the Context of Economic Long-Wave Theory

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On China's QE

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1. INTRODUCTION

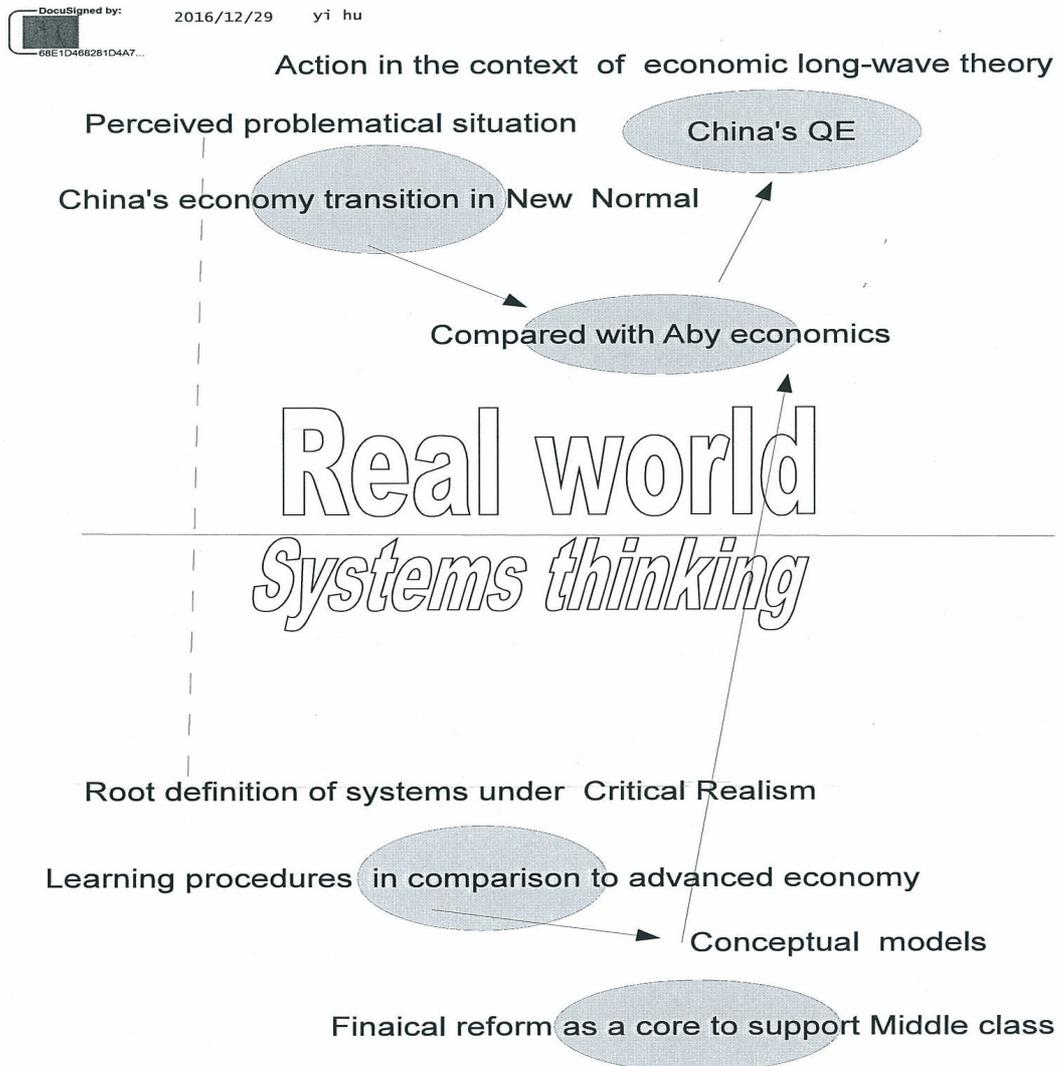
The concept of New Normal was created to describe the economic condition after financial crisis in 2008, which is characterised as new velocity structure and dynamics of economic growth of China. Until now no mathematic equation has been found to explicate the economic transformation in New Normal. Private investment growth sharply declined to 2.1% in June in 2016. The facts show the mainstream economic policy is inappropriate in New Normal. The paper expands the framework of soft system methodology to research of history of economic thought and get a new form of QE to cope with ill-structured economic problem in China.

2. OPTIMISING SOFT SYSTEM METHODOLOGY

Checkland(1999) pointed out that soft system methodology should be such that any developments in 'systems science' could be include in the methodology and could be used if appropriate in a particular situation. The saying encourages me to optimise soft system methodology and make it suitable for research of history of economic thought. Weltanschauung analysis is 'upgrade' to context mode. the concept of context mode was fomulated by van Dijk(2008). he said "context mode is transformation (filtering, selection, recontextualization) device between what we know and what we tell". Context mode was introduced to conform to 'perspective theory' by Walsh(1970). It should be deemed as creative exploration of problem situation prior to the choice of methods by Midgley(1997). Then Root Definitions of relevant systems is changed as abstraction of expressed problem situation in context mode t. In the case of the paper, Root Definition is learning procedure in comparison with advanced economies. This is narrative on the basis of radical exclusion of phenomenal detail(Fullbrook 2007). The context mode is Critical realism which rejects the deductive-nomological mode of scientific explanation and believes in the deep underlying (intransitive) causal forces responsible for the phenomenon in problem situation. Cause and contrast are epistemic tools that fit together well. In the last stage that implementing 'Feasible and Desirable' changes, Economic long wave theory is chose as context mode. Yi Hu(2011) discovered a gap between disappearing investing demand due to the motivation of making profit and increasing supply. The gap verifies that turning point of long wave cycle is December in 2007 . Because it is non-equilibrium characteristic of China's economy and the failure of economy system, the government need directly intervene the estate market and erase the bubble. Context mode allows tentative hypothesis ,namely criticizing the tentative hypothesis to eliminate errors. If the theory is successfully against the falsified, the problem will be resolved. Through the epistemic process which is supposed by Popper(1979), we access the historical knowledge.

3. Conclusion

Soft system methodology was 'rationally reconstructed'(as Marcuzzo (2008) recommended) to suit the research of history of economic thought. The paper constitutes a 'meaningful narrative' and 'coherent colligation' as Walsh(1970) guided. According to the soft system analysis map of China's QE below, The new form of China's QE is aimed at Easing Monetary Policy, small-scale living-related Fiscal Policy and revival of estate industry.



Key Words: economic long-wave theory; Aby economics; soft system thinking

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