

Original Research Article

Research on the Time-Varying Characteristics of China's Financial Cycle Volatility and Its Macroeconomic Effects

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Abstract: Based on China's financial cycle fluctuations, this paper first analyzes the characteristics of financial structure in the process of financial cycle fluctuations, further explains the relationship between the time-varying characteristics of macroeconomic effects and financial cycle fluctuations, and finally summarizes the dynamic characteristics of time-varying characteristics of macroeconomic effects, hoping that this paper can provide constructive suggestions for relevant fields.

Keywords: Finance; Cyclical Fluctuation; Macroeconomic Effect; Time-Varying Characteristics

1. Introduction

Financial activities are the key parts of the national economy, and the benign development of the financial industry is the booster of the fluctuation of national financial cycle. It is necessary to compare the development models of Western and Chinese economies to analyze the time-varying characteristics of macroeconomic effects in the process of financial cycle fluctuations.

2. Characteristics of financial structure in the process of financial cycle fluctuation

The structure of China's financial system is in an unbalanced state, which is manifested in the following three aspects:

(1) The proportion of direct financing is far lower than that of indirect financing. The asset scale of financial institutions is 92% in banking industry, and only 8% in insurance industry and securities fund industry. The valuation of blue chips is far lower than the "high quality but not good price" of poor performance stocks, which shows that in the current structure of China's financial system, the proportion of direct financing is relatively low, which affects and reduces the operation efficiency of China's financial system.

(2) The structure of direct financing is unreasonable. The proportion of stocks and bonds is unbalanced, and the balance of corporate credit bonds is less than a quarter of the market value of stocks.

(3) There are many problems in the financial system that relies too much on credit. It is possible that when the national financial crisis breaks out, the national financial system will face systemic risks, which has a great impact on the real economy.

3. The relationship between the time-varying characteristics of macroeco-

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-nomic effect and the fluctuation of financial cycle

As the first leaders in financial market, banks play an irreplaceable role in financial market transactions. The most important financial investment mode in modern social economy includes stock market and capital market. At present, most people will choose capital market for investment. At the same time, the National Bank and Insurance Regulatory Commission can supervise the bank's loan process, which can not only find a stronger partner for the development of the bank, but also reduce the risk of investment activities.

As for the enterprise, the enterprise reduces the internal risk by issuing shares. In the process of stock financing, shareholders distribute profits according to the proportion. However, the risk of stock is much higher than that of bank loan.

The factor endowment structure determines the management ability and development trend of enterprises. Therefore, the time-varying characteristics of macroeconomic effects are actually dynamically adjusted. In the structure of the financial system, the proportion of different financial system arrangements should be compatible with the technology and characteristics of enterprises in the structure. Then, in the development stage of financial institutions, the time-varying characteristics of the country's macroeconomic effect will also present a gradual evolution to provide a more superior economic system environment for the development of enterprises. Therefore, in order to establish the time-varying characteristics of macroeconomic effects, we must grasp the market changes, understand the market dynamics in time, and improve the factor endowment structure.

(1) The impact of foreign capital on domestic economy is only limited to various regions in China. The total social capital can be represented as financial and real capital, and the capital stock of the former comes from financial market and industry capital accumulation.

(2) Assuming that the economic structure and scale economy remain unchanged, the changing range of technological progress maintains the social average level, and the resources of all social parties remain free flowing. Under this assumption, capital, labor and other factors always maintain the optimal allocation.

According to the above two assumptions, if the quantity and quality of labor force are controlled, under this condition, the total social output depends on the proportion of financial sector and real sector^[1].

This section constructs the index of financial cycle and explains the theoretical model of linkage relationship between financial cycle and economic cycle in combination with hypothesis conditions. With the help of this theoretical model, we can see that in the 5-10-year cycle, there is a significant relationship between the fluctuation of financial cycle and macro-economy. Secondly, we can see whether the fluctuation of financial cycle can predict the change of economic cycle. This paper describes the influence of real interest rate, financial cycle index and economic growth rate of one lag period on the current growth rate, and then analyzes the relationship between the fluctuation of financial cycle and the time-varying characteristics of macroeconomic effect in China.

4. Dynamic characteristics of time-varying characteristics of macroeconomic effects

Different countries in different stages, there are obvious differences in their economic structure. At present, the allocation of such funds is conducive to reducing the risk factors of information asymmetry, so as to realize the risk dispersion. This kind of capital allocation scheme can be conducive to the development of the financial industry. From the perspective of capital, in different periods of economic development, affected by the internal and external environment, the demand for financial services will change in varying degrees. At the same time, the financial system adopted by the country or region also shows obvious advantages and disadvantages. Therefore, in order to maintain the fluctuation of financial cycle, the financial structure needs to conform to the development of national economy^[2].

The primary stage of economic development is characterized by abundant labor but less capital, and the development of labor-intensive industries will be more prominent. Therefore, this industry can attract more human, material and financial resources of the industry, and the requirements for the quantity and quality of capital are relatively low. After

the primary development of financial entities, with the rapid economic development of financial entities, in view of the gradual growth of enterprise scale and the improvement of people's income level, the market and capital gradually form a certain scale for enterprises. At this moment, the technology and products of financial entities are constantly breaking through the development technology, and the risk of product innovation industry will be further reduced^[3].

In the current stage of economic development, taking small and medium-sized enterprises as an example, as the main component of the financial system, the main goal of the financial system is to provide services. In the current stage of economic development, capital and labor demand thus maintain a certain balance, showing the development of labor-intensive, technological innovation industry^[4]. There are some differences in the scale of enterprises. In terms of technological innovation and capital structure transformation, in view of the significant differences in risks faced, in the mature stage of economic development, there is an embarrassing situation of rich capital but shortage of labor force, which is similar to the current stage of economic development in China. Under the current development trend of national economy, the development of high-tech and assets intensive enterprises have certain advantages. In order to reduce the risks of technology and products faced by enterprises, the financial system can further expand the scale of the company according to various risks and problems, and the financial system can also make appropriate adjustments with the economic development stage^[5].

5. Conclusion

Through the above discussion, in view of the different development periods in the real economy, we need to consider the differences in capital, labor force and other factors, and the time-varying characteristics of macroeconomic effects will have different performances.

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