



# Research on the Differences in Consumption Levels between Urban and Rural Residents after Reform and Opening-up

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**Abstract:** In the past 40 years of reform and opening up, the consumption level of urban and rural residents in China has been greatly improved, and the contribution of consumption to economic growth has also been steadily improved. However, the difference of consumption level between urban and rural residents has been widening year by year, which has seriously affected the development process of urban-rural integration in China. Based on the data from 1978 to 2019 of the National Bureau of statistics, this paper analyzes the importance of consumption for economic development since China's reform and opening up, and studies the differences in the consumption level of urban and rural residents. Finally, at the critical moment of building a moderately prosperous society in an all-round way, it puts forward policy suggestions on how to reduce the consumption level of urban and rural residents.

**Keywords:** Reform and opening-up; Urban and rural residents; Consumption level

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## 1 Introduction

Over the past 40 years of reform and opening up, China has always adhered to the road of socialist development with Chinese characteristics and has been exploring the direction of progress. The reform of economic system, the optimization of income distribution system and the evolution of consumption

policy have all injected continuous vitality into China's economic development. At present, China's economic aggregate ranks the second in the world, second only to the United States. Especially since the 18th National Congress of the Communist Party of China, China has changed the thinking of economic development, carried out reform from the supply side, paid attention to the quality of economic development rather than the speed, and achieved remarkable results. Behind the achievements of China's economic development, export, investment and consumption play an important role in promoting economic growth. The pulling effect of export and foreign investment on China's economic growth was affected by the external environment. However, the scale of China's domestic market is huge. Under the situation of global economic instability, it is of great significance to release the potential of residents' consumption and stimulate domestic demand for the stable development of China's future economy.

According to statistics, in 1978, China's total retail sales of consumer goods was 155.86 billion yuan. After 40 years of domestic reform and opening-up, the total retail sales of consumer goods doubled to 41164.7 billion yuan in 2019. At the same time, the consumption scale of urban and rural residents in China is also expanding, from 184 yuan in 1978 to 21558 yuan in 2019. With the continuous development of China's consumer market and the increasing consumption scale, the total retail sales volume of consumer goods in China is increasing. The expansion benefits from the continuous improvement of China's socialist market economic system and the advantages of China's socialist system; Analysis from

the supply side shows that, in the early years of the People's Republic of China, the country's low level of productivity and lack of material goods made it impossible to meet the people's basic needs in life, so a planned economy was implemented, resulting in low purchasing power among residents. After China's reform and opening-up, the country's productivity level developed vigorously, its material production capacity was constantly rising, residents no longer needed to present tickets in exchange for material materials, and the abundant supply of commodities enabled them to purchase them freely; thus, the purchasing power of China's residents increased rapidly after the reform and opening-up. Analysis from the demand side, on the one hand, income is an important factor that affects the consumption of residents, after the reform and opening up of China's per capita income level has continued to increase, in 2019 China's per capita disposable income is up to 30,732.85 yuan, an increase of 8.9% over last year, the increase in income for the consumption of residents provides the possibility, on the other hand, after the reform and opening up of China continues to improve the social security system, the establishment of sound The medical insurance system, unemployment benefit system, education, housing, and other systems are constantly being optimized so that residents can consume without worry.

While China is releasing the consumption potential of the population, the disparity between the consumption levels of urban and rural residents is widening, with the consumption level of urban residents far higher than that of rural residents, which will not be conducive to the sustainable development of consumption in China. The 19th CPC National Congress proposed to unleash the vitality of rural development and implement the strategy of rural revitalization, so it is of great practical and strategic significance to raise the consumption level of rural residents and reduce the difference between urban and rural residents' consumption levels.

## **2 The importance of consumption for economic development**

Production, distribution, exchange and consumption, as the four links of social reproduction, play an important role in the normal operation and stable development of social economy, in which

production and consumption influence each other and complement each other. Production determines the type, mode and quality of consumption. On the contrary, consumption can regulate and promote production. The improvement of residents' consumption level also forces the development of production. The upgrading of residents' consumption promotes the diversified development of production.

After the reform and opening up, China has developed rapidly. The results are significantly benefited from the economic pull of "troika": consumption, export and investment have initially formed a Trinity and deep development pattern. In recent years, the central government has repeatedly stressed in public that we should pay attention to the basic role of consumption in China's economic development. It can be seen that further improving the level of residents' consumption and stimulating domestic demand will occupy an important position in the future development. According to the data of the National Bureau of statistics, in 2019, the contribution of consumption to GDP growth is as high as 57.8%, which drives the GDP growth by 3.5 percentage points. By contrast, the contribution of investment to GDP growth is 31.2%, and the contribution of export is 11%. Moreover, the contribution of consumption to economic growth in China has remained above 55% for five consecutive years Therefore, it is of great significance to encourage consumption and stimulate domestic demand for the sustainable and high-quality development of China's economy under the new normal. Capital and export are greatly affected by the international environment and economic cycle, so their contribution to economic growth fluctuates greatly and is unstable, especially in export. Western capitalist countries led by the United States have refused to recognize China's social democracy for many times The dominant position of the market economy restricts China's exports in international trade. Therefore, the contribution of exports to economic growth has been negative in some years, and since 1999, the contribution of exports has been less than 20%. Since encouraging residents' consumption is an important way to stimulate domestic demand, it is less affected by the external environment, and its pulling effect on economic growth has been relatively stable, and it has maintained a medium high contribution<sup>[1-2]</sup>.

### **3 The difference of consumption level between urban and rural residents since the reform and opening up**

With the continuous expansion of China's consumption scale and the increasing contribution of consumption to economic growth, we can not ignore the current problems in the field of consumption: the difference of consumption level between urban and rural residents is expanding, and polarization is very serious. According to the National Bureau of Statistics, in 2019, the consumption level of urban residents was 35,716 yuan and the consumption level of rural residents was 15,023 yuan, the gap between the two was as high as 20,693 yuan, as shown in Figure 3, both urban and rural residents are moving forward, but the gap between the consumption level of urban residents and rural residents has been growing since 1993, and from 1978 to the end of the 20th century The gap between urban and rural consumption levels is small. With the convening of the Third Plenary Session of the Eleventh Central Committee, China launched a campaign to rectify the situation in various fields and industries, focusing the country's development on economic construction and taking the lead in reforming agricultural production in the countryside by implementing the family contract responsibility system; this reform has revitalized and revitalized the countryside, gradually raising the atmosphere for farmers to engage in agricultural production and gradually raising their standard of living, giving them a certain degree of purchasing power. As a result, the difference between rural and urban consumption levels during this period is minimal. After the rural reform to a certain stage, the country began to revive the vitality of urban development, the urban economy carried out a drastic reform, since then the productivity of the city has been rapidly liberated, the income level of urban workers has been improved, on the other hand, the social security system of urban residents in China is more perfect than that in rural areas, so the purchasing power of urban residents is far greater than that of rural areas Since 1994, the consumption level of urban residents has been developing faster than that in rural areas. Behind this huge gap is not only the difference between urban and rural consumption levels, but also the polarization of urban and rural development and the huge gap between the rich and

the poor<sup>[3-4]</sup>. Therefore, to solve the problem of huge difference in consumption level between urban and rural areas will help to solve the dual structure of urban and rural areas, promote rural revitalization and realize the great rejuvenation of the Chinese nation as soon as possible.

### **4 Reducing the consumption level of urban and rural residents and realizing high quality economic development**

#### **4.1 Speeding up rural development and increasing farmers' income**

First of all, the grass-roots government should do something to actively implement the Party Central Committee's accurate poverty alleviation and Rural Revitalization Second, we should speed up the transfer of rural land, form the separation of ownership, contracting rights and management rights, so as to maximize the welfare of farmers; Finally, adhere to the rural development in line with local conditions, find the most suitable economic characteristics for local development, follow the law of agricultural production, vigorously develop rural characteristic planting economy, use Internet and other tools to sell agricultural products online, live with goods, and increase the income of rural residents.

#### **4.2 Improve rural consumption market and stimulate consumption vitality**

First of all, we should improve the rural infrastructure construction. On the one hand, we should rectify the rural market to form a large-scale market. On the other hand, we should establish large-scale shopping malls to attract high-quality businesses to settle in, improve the convenience of residents' consumption, and meet the needs of rural residents Secondly, we should encourage the grassroots government to introduce foreign capital and attract investment to localize the production of goods and reduce the cost of goods transportation from other places, so as to reduce the price of commodity consumption and further expand the scope of residents' consumption; Finally, rural residents should be encouraged to change their consumption concept, pay attention to the quality of consumption, and pursue development oriented consumption and service-oriented consumption<sup>[5]</sup>.

### **4.3 Improve the rural social security system and improve the consumption environment**

First of all, we should ensure that there is a standard and unified social security system between rural and urban areas, so that rural residents can live in the countryside Citizens enjoy the same civil treatment as urban residents. To solve the three major problems of rural medical care, pension and education, we should really achieve that rural residents have access to medical treatment, old age care and learning; secondly, we should establish a sound market supervision system in rural areas, strictly review the qualifications of rural vendors, learn from the city for the management methods of rural vendors, achieve fair competition, reasonable and orderly development, and be strict with the behavior of infringing on the rights and interests of consumers Finally, we should strengthen the publicity of law popularization in rural areas, enhance the awareness of self-protection of rural residents as consumers, encourage rural residents to take up legal weapons to safeguard their

legitimate rights and interests, and let rural residents really "dare to consume".

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