**Review**

**A feasibility study on the protective consumption under the circumstances of China**

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**ABSTRACT**

Supply/demand has been one of the two sides of the social and economic development in China, the balance and coordination between supply/demand are of importance in economic development. "Supply Side Structural Reform" (SSSR), "New Planned Economy"(NPE), "Internet of Things”(IOT) and other new ideas and methods are emerging and demonstrating a new era of China's development, China's future development path shall be to build a balanced relationship between supply/demand, to stimulate the economic potential for the shared well-off in all over China. Based on the nationwide questionnaires as well as supply/demand theory, after understanding the China's current universal consumption status and the future trends of Chinese cases, we both propose here a new concept of innovation, viz., “the protective consumption”, trying to solve the problem about unbalanced relations between supply/demand that is commonly existing in today's Chinese society. In perspective of raising, doing research and resolving issues, we deeply analyzed the government difficulties, plight of enterprises, national dilemmas, formation of reasons and appearance in the imbalanced supply/demand, etc., according to the principle of complete random, we selected 362 questionnaire sample surveys with reliable data and ultimately put forth the methods and ways to solve the imbalanced problem, and further proved the feasibility of constructing the protective consumption mechanism. We, eventually, build a four-sided win-win model of the protective consumption.

**Keywords:** Protective consumption, consumer merchant, feasibility

**Forward**

In November of 2015, at the meeting of the central financial leading group, President Xi Jinping proposed the supply side structural reform (SSSR) (Supply side structural reform (SSSR) refers to emphasizing the implementation of structural optimization in viewpoint of supply side, to increasing the effective supply of the macro control for the medium and long term. To promote a new round of economic reform should be the mainstream of the international "western medicine"-like demand management in China, it turns the reform and innovation of the supply side more conscious and positive so as to prevent from the over reliance on "western medicine" management, China will use a comprehensive therapy combining Chinese medicine with Western medicine management of the supply and demand. In face of the economic downturn, China no longer works out large-scale economic stimulus plan but decentralizes the authority of administrative examination and approval, explores the establishment of a free trade area, stimulates the inherent vitality of market, etc., we can...
perceive the shadow of new supply theory, the simple four words. The President originally said, "Under an appropriate expansion of aggregate demand, in the meantime, China shall exert efforts in reinforcing the supply side structural reform, and strive to improve the quality and efficiency of the supply system." Based on the current economic situation in China, by way of random sample questionnaires of a number of cities across the board, our thesis proposes a protective consumption model consistent with President Xi's "Supply side structural reform", (Bao, 2016) "new planned economy", etc., which can adapt to the sustainable development of the four sides such as the country, enterprises, consumers and financial professionals.

The supply/demand of Chinese consumer goods is facing a structural imbalance, which cannot be ignored. The "supply/demand dislocation" has become the biggest obstacle to China's sustained economic growth. Excess capacity has become a major constraint in the transformation of China's economy. Excess capacity makes enterprises occupy a large number of resources, also makes the manpower, capital, land and other costs remain high as well as restrict the development of new economy. The widespread existence of zombie enterprises has become the vampire of national economy. On the other hand, the supply of traditionally low-ended consumer goods is serious and superfluous, for instance, clothes, shoes and toys, etc. cannot be digested, it follows that their prices continued to decline; on the other hand, the supply of high-quality consumer goods seems insufficient, Chinese residents go crazy shopping abroad, even leave for Japan to buy toilet lid or electric cookers.

What are the root causes and logic of these facts? How should we guide and change it? In this thesis, based on the author's research on various policies and measures of the national consumption pattern, evolution trends and the government's participation in the recent 15 years, we have engaged in the following analyses and put forward solutions.

**Raising the issue of protective consumption**

Throughout China's development process, we have experienced two stages of the planned economy and market economy. At the stage of planned economy, we have implemented a policy "to act on the production plan, to consume according to the spending plan"; this stage characterizes the few economic crises, at the same time, less enthusiasm for production and underdeveloped economic development level. Until the stage of market economy, we have implemented a policy to act on willingness, to distribute according to profits; at the same time, due to the power open to the production, if a certain product is needed, there will be produced, and would not be limited, production relied entirely on competitive mechanism to adjust the main theme of consumption and production. When the product volume is greater than that of consumer demand, the product volume will be surplus. According to China's development path, when our productivity is highly prosperous, it will enter the "communist" stage. By then, all of the production seems orderly, there is no longer excess product, and the demand will be met according to needs. This is actually the outcome of the era of China's market economy, and also China will gradually enter the internet stage. (Lee, 2015).

Within the traditional mode of production, the producers dominate the mode of production; consumers only need to decide whether or not to buy according to their own needs. The industrial innovation such as Industry 4.0, Internet+, etc. serve as the typical representatives of the production technology, which brings about emancipation in consumption mode, the future of consumer relationship will become fully consumer-oriented process.

Producers will turn out what consumers need, this is counter to the production process, and also completely different from the previous buyer's market situation, in the process of high confidence, the progress mentioned here is a reconstruction process under the new economic era in which the supply/demand relationship in the whole society might be destroyed.

As Internet develops to a certain stage, it will inevitably lead to deep integration between the manufacturing industry and Internet, it will turn out to invent the C2F, B2C, C2C and other models, that is to say, there would bring about an integrated production and marketing model of direct communication between brands and users through Internet and technology. This is also the nature of the industry 4.0; the Industry 4.0 will be to achieve a fusion amidst the plant, consumer, product, and information data in the future as well as ultimately realizing the interconnection of all things, production in the entire society will be restructured. Namely the use of Internet of things, big data, mobile Internet means, etc. enables manufacturers to achieve the customized production process (to turn out according to needs), and an integration from consumer demand to factory manufacturing to follow-up services. Nowadays most factories turn out products according to requirements of vendors without understanding, counting and integrating the consumer demand in-depth. At this moment, the consumer demand, design and production, sales and service processes are separated from one another, production is simply production, the real needs of consumers are not fully recognized, and manufactures are only concerned about the volume and size of orders. And those who engage in trade and sales are not engaged in production; even they cannot meet the needs of small, personalized quantities of consumer products. Manufactures turn out products according to sales forecast, which inevitably will generate inventory and overstock. Any firm shall be swallowed up by profit black hole; it is out of the question for commodity prices to
decline in China. Inventory and overstock are the natural enemy to profits, the retail price of Chinese retail merchandise is often 5 times compared with the costs, for example, retail prices of glasses, jewelry and luxury often cost hundreds of times to their costs, such huge price differences are the root causes for layers of inventory, overstock and high prices of retail terminals as well. The C2F core of manufacturers is to establish shopping malls to directly sell products to final consumers. Manufacturers can gradually eliminate trade intermediaries while culturing shopping mall volume; as a result, sellers shall no longer hold sales terminals. Of course, some visionary vendors also carry out the counter attack, they erect their own sales terminals, through big data and internet of things, they improve consumer shopping experience than they furnish manufacturers with sales data of demand, but this time producers have to go through their shopping mall consumer demand data acquisition to actually survive in recent years, a large number of business-segmented shopping malls belong mostly to vendors. If the past ten years belonged to the Internet business, the next ten years will belong to do the successful transformation of traditional enterprises, traditional businesses will be evolved by Internet, fission and reconstruction. It can be seen that the construction of consumer database will directly affect the future production and consumption.

In the past, China's economic growth mainly relied on government investment, to invest is to expand production at that time, and the focus of Chinese economy was on the back end of producers. Later on, China's economic growth count upon the consumption of the populace which is to stimulate people to consume. At this point, the supply chain of Chinese economy focused on the front end of consumers. Therefore, the supply relationship of China's economy has also been a big reversal. The future of China's manufacturing industry is not simply a sense of manufacturing today, the future manufacturing must be to manufacture based on demand and customization must be smart manufacturing. Take Haier's refrigerator production as an example, to meet the needs of market, when and how much does Haier turn out can be figured out accurately.

From the "Troika" (Investment, consumption and export are often compared to a troika pulling the GDP growth in economics. ① Investment pertains financial expenditures, that is, through a series of financial budgets, including the issue of bonds, education, science and technology, defense, health and other business expenses, the government supports the expansion of domestic demand; ②Consumption refers to the internal consumer demand, that is, the consumer demand of domestic residents, it is a main driving force of the economy; ③ Export connotes external demand, that is, domestic products enter the international market to participate in international competition and to expand their product sales.) to "Supply side structural reform", it has outlined the evolution of China's economy, that is, consumption takes up more and more percentage in national economy proportion, the supply side needs increasingly higher leveled demand, under a forced pressure, "the supply side structural reform effect" is directly related to a smooth landing in China's economic transformation. (Li and Yuan, 2015) China will enter an era of "New physical economy" (New physical economy refers to the basic industries below, e.g., traffic, energy, Internet, etc.; those ones above extend to equipment manufacturing, then top ones reach production and services for public, private products.), namely, all production will be implemented according to the consumption demand, prior to producing each future product, the producers have already known who its consumer is and what specifications are for this product ahead of time. And the competition amidst producers is who can be the first to receive consumer demand rather than the price anymore as well as the precise degree of consumer demand in fulfilling required goods. At this point, there will be no inventory, vicious competition; the industry will be further segmented, a new supply relationship shall be formed. Thus a new group emerges as the consumer merchants, that is, a group of business people who operates the consumption and consumer group. It has been such case for a long time, only business operators make money, consumers spend money, once consumers would also like to make money, want to participate in the distribution of profits, previously inconceivable, but as the time goes by, consumers have finally entered an era in which they have the right to commercial profit allocation. Only it needs to change the thinking way, can customer merchants also integrate varied resources, find more preferential consumption channels, discover more confused consumers, and can their own business dreams come true. (Note: there is a similar concept in foreign countries, translated into Chinese "production consumers", playing both roles in production and consumption.)

(a) Generally speaking, there are the following eight characteristics for consumer merchants: Table 1.

(b) The difference between the consumer merchants and conventional ones as follows:

Convention dealers evidently are operators who run the market and need a large capital to operate; Consumer merchants only need to experience the products, in the meantime, share the after-use effect of products with more people, no need of a great deal of funds.

(c) Consumer merchants will become a favorite of the times

As we enter an era of information economy, the economic activities will center on consumers, the consumer merchants may become the favorite of the times. It can be predicted that in the near future, the consumer merchant shows a very promising career; a large number of people will get rich. As Tencent Corp. CEO Ma
Huateng put it like this is an Internet conference, “When your user base is large, your business model is no longer a problem. That is to say, you have a large consumer group already, then you sell any products to them, which enable you to make money, the promise is that the products do not harm your consumers, i.e., consumer merchants can become capitalists.

In summary, for the time being, as Internet +, Industry 4.0, etc. move forward rapidly, the representatives have appeared among the state, enterprises and individual consumers, China walk into a critical period of social transformation. (McKinsey, 2012). The key is how to build a sustainable development amidst the state, enterprises and individual consumers, to seek shared profits, mutual support and trust security through a mode of sustainable consumption which can stimulate domestic demand, increase state revenues, gradually rid zombie enterprises, pay off government debt; and also the mode of consumption enables enterprises to master the latest data, quality requirements so as to rationalize investing and financing channels. As such, enterprises can make profits for survival, development opportunities and space; at the same time, through legitimate, reasonable and feasible channels, all the individual consumers will become the participants in the distribution of profits under a professional guidance of investing and financing, it is vital for them to reinforce consumer confidence in society, and ultimately revitalize the money stock, stimulate domestic demand, accumulate capital and the like. Therefore, what is concerned about in society is to seek a multi benefit platform.

Debating the issue of protective consumption

In current times of China economy, we can sort out the economic context: As the country serves as the main representative of the macro economy, apart from "supply side structural reform", "new planned economy", etc. What is most urgent is to resolve the issue of government credit, the country has developed the following aspects, including a major economic policy, reasonably stimulating domestic demand, adjusting the capital structure, restoring fiscal income, increasing the effective taxation, aiding in key sectors of livelihood, raising funds, completing excellent project financing, investing activities, timely and safely improving/coming to an end of all kinds of zombie industries. (Mizuki, 2016). But if it's not enough to really do that, and it's not enough to rely on the government alone. This also requires the participation of enterprises and consumers, now the information age exerts heavy impact in survival context of enterprises, it is necessary for them to either shift the modern from traditional business model or inevitably confront the construction of big data as well as their own development strategy and orientation.

Even with the policy support and assistance or distributing profits or other emerging modes of operations, it is hard for us to win in the competition. And as current economic times focuses on consumers, but most consumers are confused and helpless. For instance, on the third trading day following the stock market in 2016, the A shares dramatically collapsed again, triggering the fuse mechanism, both Shanghai and Shenzhen stock exchanges suspended trading for 15 minutes. In addition, real estate industry has continued as the main carrier of the rapid economic development for nearly 20 years, in the aftermath of the superposition of the rigid demand, after the introduction of the national projects on the real estate policy, will the rigid demand of the majority of investment channels for citizens face with challenges? (Shang, 2015). At present, Chinese buyers have mushroomed overseas generally, there is a more competitive pressure: due to permanent property, lower taxation than at home, a certain degree of preferential policies, relatively low costs of living, relatively fair educational opportunities of foreign schools and so forth, which have made some Chinese transfer money to foreign real estate projects. Finally, as to the gold and silver markets which are the general standard currency, where a large sum of Chinese money follows.

China aunties swept gold, luxury products such as Herms, LV, Channel, etc., it is no longer kidding the world. What a pity! The gold market does not skyrocket because of Chinese gold buyers; on the contrary, to further study the deep reasons, in addition to initiatives of the operators of the gold market, which China aunties who bought a pile of gold and could not understand the adjustment mechanism of gold value at all, actually the adjustment mechanism of gold value is to effectively regulate the measures of China's economy, to guide private capital to be legitimate, reasonable investment in a bit to obtain the corresponding reasonable return. As such, China faces currently the most urgent macro state policy, enterprise survival space and rational use of private capital and so forth; these issues are to be solved urgently. It is the lack of such an innovative mechanism that is bound to generate private capital fraud cases springing up all over China suddenly. There have been a huge amount of victims throughout China where Ezubao (e-rental treasure) incident is the most typical example. According to Ms. He Qinglian at the "Salt's International Forum 2015" in Vancouver, Canada, she made the public speech in which there has been a summary -- China is now facing the following six major dilemmas: Figure 1 below.

Dilemma 1: Decline of the world's powerhouse status, hard times for industrial restructuring.

The year of 2008 marked the turning point of the decline of the world's powerhouse. From 2008 to 2012, the state statistics shows that Dongguan powerhouse shut down
Over the past 20 years, real estate sector has been the leading industry to promote China's economic growth. From the beginning of the year and before the end last year, the bubble of the real estate industry came to standstill, although the government and enterprises strive to prevent the housing market from declining, the real estate holding dozens of upstream and downstream enterprises have fallen into full overcapacity. For example, the recent steel industry, the real estate industry, cement industry in which their overcapacity has reached as high as 30%; And also the floor and tile, furniture, textile industry and other related industries far from reality remain a serious surplus. This excess capacity crisis is likened to a nuclear threat to China's economy; the economic crisis may be detonated at any time. (Shao, 2015).

The world market arrive at saturation and other developing countries enter the low-ended manufacturing, China walks into overcapacity, its GDP has been kidnapped by the real estate, to puncture the bubble means to drop GDP, etc., who dares to make vigorous efforts to turn the tide? this is the 1st dilemma.

Table 1. Eight features of consumer merchants

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tbody>
<tr>
<td>Feature 1</td>
<td>Opportunistic consumer merchants</td>
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<tr>
<td>Feature 2</td>
<td>Reasonably distributing profits</td>
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<tr>
<td>Feature 3</td>
<td>Main body of Low risk business</td>
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<tr>
<td>Feature 4</td>
<td>Disseminators who either save money or spread goods.</td>
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<tr>
<td>Feature 5</td>
<td>Light asset model</td>
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<tr>
<td>Feature 6</td>
<td>Multi-professions</td>
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<tr>
<td>Feature 7</td>
<td>Participating in the distribution of profits</td>
</tr>
<tr>
<td>Feature 8</td>
<td>Key bodies of sales</td>
</tr>
</tbody>
</table>

Dilemma 2: A high workforce of the unemployed

China is the most populated country in the world; its unemployment has been a Damocles sword hanging above China. At present, China's unemployed workforce is composed of four levels.

- The rural surplus labor force. Along with the shutdown of the world's powerhouse, a large number of migrant workers gradually return to hometown, unemployment phenomenon is serious;
- Foreign white-collar workers. Along with the withdrawal of a large amount of foreign capital in China, many white-collar workers with originally generous salary have been laid off their jobs;
- The unemployment of college students. Because colleges require students to provide proof of employment before issuing the graduation certificate, then students have to be forced to find ways to let parents or relatives provide colleges with false employment certificate, it follows that the employment rate provided by colleges has lost its genuine meaning;
- Youth cohorts in cities. They stay at home for a long term after graduation from junior/senior high schools, so called...
The unemployed are there in China, anyway? There are two data available for reference. According to the former Prime Minister Wen Jiabao in March of 2010 publicly announced at the China's Development Forum that China's unemployed population had been 200 million; according to the former World Bank Vice President Justin Lin. Justin Lin in 2015 Davos forum said. Due to rising wages, China will have 124 million manufacturing jobs to be transferred to other developing countries. At present, China's working aged population reaches 940 million, once the unemployed population reaches 300 million, the real unemployment rate will be equivalent to 32%. In addition to many labor force, the market turns saturated, while a large number of robots is penetrating all walks of life, which results in the aggregate demand for the decline of workforce. This is the 2nd dilemma. (Yang, 2016).

Dilemma 3: Serious resources crisis, high dependence on importation.

The environmental pollution seems to be 3-dimensional in China, that is, water (rivers and lakes), land (earth), sky (air) have been totally polluted. There are much information available, This part discourse only about the resources crisis. China's economic development faces severe resources constraints; China highly rely on imports from overseas mineral resources as a means of production and food as a living material alike. Oil is known as "the blood of economy", China depends on more than 60% of oil imports, iron, copper, zinc and other metals that are relatively high degree of dependence on foreign importation. In short, China's economic security highly dependent on external factors. An empty sack cannot stand upright, it only take the grain as an example, China agricultural population accounts for 60%, but the food self-sufficiency rate till 2014 has been reduced to 87%, the three major items of grain such as soybean, corn, wheat, all rely on imports. Put aside food pollution caused by land pollution, only look at the fluctuations of grain prices in China and international markets, as long as there are natural and man-made disasters such as war, flood or drought to take place, the yield of grain producers will reduce and Chinese prices will rise accordingly. 20 years ago, regarding the issue of serious food insecurity, a US eco-environment scholar Mr. Brown wrote an article entitled Who Will Feed China, reminding China of attention to food security, but China viewed Brown's article as a conspiracy "Anti China forces to discredit China", "China Threat Theory", it has been criticized for several years. (SDRC, 1995). In recent years, the food security has finally become a problem, the attitude towards Brown has changed, he was invited to make a speech to China audience, but at the end China still could not accept many of his viewpoints, then Brown’s capital idea cooled down immediately. Opposed to Scholar Brown, changes of attitude from hot to cold, it is hard to speak the truth in China. All in all, the resources crisis will be a long-term problem, even if the new technological revolution can significantly improve the efficiency of resources use, China resources issues shall not be resolved within a short term. This is the 3rd dilemma.

Dilemma 4: Local governments mired in debt.

China's total debt scale, the year before the last year, according to estimates made by foreign investment banks, China's GDP was up to 168% in all (the McKinsey Global Institute on May 8th, 2015 released the latest report in which China’s debt crisis has reached 282% of total GDP), of which only a small part consists of personal debt, yet most of them is both government and corporate debt, including the first rank of local debt, up to about 20 trillion CNY. Previously reported 18 trillion CNY seemed less, because officials have the performance to consider. According to Mr. Li Tie, an official of the National Development and Reform Commission (NDRC), the number of local debt (18 trillion CNY) has been less than a half of the actual debt number, because they engaged in local research on more than a dozen cities, there were few local governments which reported their debt amounts which had reached over 50% of actual debt. In this regard, the central government was more concerned about the actual local debt. (SDRC, 1998).

And in September of 2014, the central government enacted the official file No.43, saying that before January 5th, 2015, local governments mired in debt must honestly report their real amounts of local debt, and dropped a hint in that the central government would afford a part of the local debt, which enabled some of local officials who originally were afraid of losing officialdom and concealing the actual debt numbers to see the torch of hope. Due to a honest report, Hainan Province first exposed the actual debt number to the public, which resulted in the bursts of growth of local debt. The Ministry of Finance had a look around the amounts reported, finding that the central "paternalism" could not work well, had no choice but issued another official file in late January of 2016, announcing all the previous reports of local debt null and requiring local governments to report once more within the original 20 trillion CNY. The solution is now that local governments report 20 trillion CN¥ of the debt, the central government shall partly to pay the bill, and the market to partly afford, and local provincial governments pay off the remaining debt at last. Generally speaking, the local government is default; once group incidents take place, the provinces symbolically bear some of local debt to quell any group events. (SDRC, 2007).

Except for land, the local government does not find new source of revenues; the huge debt quagmire makes the
central government headache. How do the central government and local government carry out a new distribution of benefits? This is the 4th dilemma.

**Dilemma 5: A financial crisis, excess money forms a surplus of liquidity.**

In addition, factors leading to deal with the debt crisis also increases the rate of bad debts as well as high excess money of liquidity. (SDRC, 2010).

First of all, let us talk about bad bank debts. Since the reform and open policy 30 years ago, there has been the 3rd peak time of bad debts caused by the real estate.

The first peak of bad debt was in the Premiere Zhu Rongji era, which got started in 1998; China began to deal with initially splitting up of 170 billion U.S. dollars and took more than six years. But after having cleared IOU accounts and cleaned up an old part of bad debts, in the meantime, it has formed the more new bad debts so that the overseas listings of Bank of China severely were blocked. The Chinese government merely applied a smart approach to the establishment of four state-owned asset management companies to whose books of value the Chinese government split and appropriated all the bad bank debts so that all the value of bank books would look sound and pretty. Some of these non-performing assets were packaged to sell to foreign investment companies - why did foreign investment companies buy bad assets? It was mystical only for them to find out the operation of China's financial system through the purchase of non-performing assets. (David, 2009; Kwok, 2009).

The second peak time of bad debt was in the Premiere Wen Jiabao era; where Chinese banks had accumulated bad debts of about US$ 800 billion. To list in the United States, through the securities swop market, China had to go through the "Sarbanes Oxley Act" (the full name of the Sarbanes Oxley Act, referred to as the SOX act by the United States Congress in July 2002), China was obliged to hire several world famous assessment agencies such as Ernst and Young, PWC, etc. to aid in auditing.

A senior U.S. politician Cox then took office in Chairman of the U.S. Securities and Exchange Commission, He had no good impression on China and exerted the strict control. These U.S. assessment agencies in the audit found that the situation of China's banking system was too bad, it is estimated that it is difficult for China to pass, it is recommended that these Chinese banks go listed in Hong Kong, Wall Street is hard to be targeted. (Shuangxi, 2010). Afterwards China invited more than a dozen foreign banks such as UBS, Citibank, Bank of America, and Singapore Temasek to be strategic investors for the Bank of China and promised for the expiration of the contract to exit freely. Due to these excellent partners' packaging. A shares of the four largest banks of China succeeded in listing in Hong Kong and watched a bull market run. This was only a few large flagship of Chinese banks listed, A shares accounted for more than half of the total market value absorbing a lot of money. Foreign banks’ pockets were overflowing with earnings. After the withdrawal of foreign investment companies in 2007, the Chinese government's ability to deal with bad bank loans made foreign counterparts stunned. (Wu, 2015; Zhang, 2015).

After the U.S. financial crisis in 2008, it was hard for Europe and the United States to deal with it; even at last the United States was forced to allow a century-old bank Lehman Brothers to go bankrupt. Faced with this situation, a columnist of Wall Street Journal recalled from the Chinese government smart tactic processing bad bank debts, wrote a joking article entitled An Airborne Party Branch on Wall Street, argues that we should invite China to deal with the financial crisis on Wall Street, to establish asset management companies, to split bad debts from American banks, to let bad debts turn over several times between banks and firms, and to magically disappear without a trace. (Hou, 2013).

Secondly, let's discuss the issue of China's excess money supply. China's economic growth in the past 30 years, one of the important modes was to rely on super currency. In recent years, China became the world's first printing press. During 10 years (2003-2013), the base currency was increased by 88 trillion CNY, foreign exchange assets were increased by US$3.4 trillion. In the period of investment boom, the negative effect of super currency was not obvious; (Qin, 2015), in the past two years, the investment slowed down, it follows that domestic savings increased, hot money increased, the plight of excess liquidity was also exacerbated. Because there are few tools for sterilization, Central bank president Zhou Xiaochuan who was well versed in Chinese financial situation of the central bank, finally thought out a way to write off, that is to say, in November of 2010, he proposed the theory of the pool at Caixin summit, the general idea is that to address short-term speculative capital inflows, we must reinforce levies; as to hot money that had entered China, we must build a pool. What does it mean in terms of the pool? Popularly speaking, that one is to develop the real estate sector with which China builds a pool in a bit to encircle the liquidity of hot money. This is the reason why China's housing prices have been rising in succession, even top the world. Someone once wrote an article, saying that the realizable value of the entire real estate in Beijing would afford the whole United States. (Xu, 2012; Zhang, 2009).

Now the real estate sector does not run well, then China uses the stock market to build the pool to encircle the liquidity of hot money, once the stock market declines, the market value will be evaporated, the liquidity will also be reduced dramatically. China issued such a super currency, but in perspective of the basic necessities of life, the inflation rate does not seem high, mainly because the consumer price index (CPI) excludes calculating real
Dilemma 6: Unfair distribution, a large disparity between the rich and poor.

Nearly 20 years ago, China's crony capital has been plundering the public, common people’s wealth resulted in the large gap between the rich and poor as well as the excessive concentration of wealth on minor groups.

According to the Chinese Academy of Social Sciences Research Center of Beijing University has issued a report 2014 on China Livelihood Development, of which there are several data: in 2012 China family net worth of the Gini coefficient arrives at 0.73, the 1% top families of total population occupy more than 1/3 of the total national property, whereas the 25% low-ended households of total population account for only about 1% of the total national property. Such excess concentration of wealth and a high Gini coefficient, this sort of phenomenon exists only in China, even the worst African country Zimbabwe has not reached this inequality status. Therefore, China's low-income class (the poor) accounts for almost 60% of the total population; a poor society without rising channels shall be an unsustainable one. (Jia, 2015).

It can be seen from the above that those specific steps to solve the six major dilemmas must be consistent with the specific operations proposed at the central economic working conference held in December of 2015, i.e., the solutions to the 6 dilemmas should correspond roughly with the following five tasks such as cutting excessive capacity, destocking, deleveraging, reducing costs and making up for weaknesses as well. Mr. Hou Yunchun, a researcher at the development research center of the State Council, stressed that now the economic contradiction lies in irrational economic structure, excess capacity, lack of demand and insufficient effective supply, we are facing a hard task of structural adjustment. China puts forth to accelerating the reform of supply side, which is to accelerate the development of the service industry (especially the high-ended service), improve the quality of products and the quality of people’s livelihood. (Yin, 2015).

At this point, let us once more return to the beginning of the "supply side structural reform" mentioned in the article as well as the proposed solution: namely, only we can improve the structurally imbalanced contradiction between supply and demand, the social supply adapts to the social demand, all the production in society is implemented precisely in accordance with consumer demand, is it likely to ease the above plight and lay the foundation for a stable, rapid economic growth.

Resolving the issue of protective consumption

To accurately grasp the consumer demand, first of all what we need to do is to see the changes in consumers demand and the causes of change. For this purpose, we propose the "protective consumption concept", and based on the nationwide network questionnaire and Weixin network platform in which we issued the protective consumption feasibility study questionnaire to execute the research on the current situation of China. (He, 2015).

(a) The scope of research

Table 2 and Figure 1. The questionnaire survey, the questionnaire was distributed to 27 provinces in China, fully complied with the principle Random Selection, distributed 1000 copies of the questionnaire and paid several alternate visits, and finished 362 valid large sample questionnaire and had a return of 362 valid questionnaire responses, the main results are shown as follows:

(b) Feasibility study

To establish an effective and feasible attitude towards protective consumption in China, 362 sample results show that 81% of respondents are consider this feasible Figure 3.

(c) Respondents

Willingness to participate in the protective consumption mechanism 362 sample results show that 75% of the respondents are willing to participate in the distribution of the protective consumption; 17% of them are unwilling to do; and 8% of them hold a wait-and-see attitude.

(d) Research participation and security agencies

If the establishment of this protective consumption mechanism is feasible, do you think you are more convinced that which institutions would get involved in participation and protection? 362 sample survey results show that: firstly, the main body of the protective consumption mechanism shall be to consist of the government organs (280 persons), banking agencies of China (205 persons) and insurance companies (164 persons); secondly the professional financial investment institutions (141 persons); thirdly, there is an intention.
Figure 1. China faces the six dilemmas

Table 2. The protective consumption survey involved in the proportion of each province

<table>
<thead>
<tr>
<th>Serial number</th>
<th>Province</th>
<th>Number</th>
<th>Proportion</th>
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<tbody>
<tr>
<td>1</td>
<td>Yunnan province</td>
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<td>36.5%</td>
</tr>
<tr>
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<td>Sichuan province</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>8</td>
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<td>11</td>
<td>3.0%</td>
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<tr>
<td>9</td>
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<td>9</td>
<td>17.1%</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<td>Shaanxi province</td>
<td>4</td>
<td>1.1%</td>
</tr>
<tr>
<td>14</td>
<td>Fujian province</td>
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</tr>
<tr>
<td>15</td>
<td>Guangdong prov.</td>
<td>4</td>
<td>1.1%</td>
</tr>
<tr>
<td>16</td>
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</tr>
<tr>
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<tr>
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<tr>
<td>19</td>
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</tr>
<tr>
<td>20</td>
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<tr>
<td>26</td>
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</tr>
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<td>Xinjiang Uygur</td>
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</tr>
<tr>
<td>28</td>
<td>Overseas</td>
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</tr>
<tr>
<td>Total:</td>
<td></td>
<td>362</td>
<td>100.0%</td>
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</table>
shows that the foreign banks (56 persons) and foreign insurance companies (51 persons), which also serve as the main body of protective consumption mechanism. (Zhang, (Provide year). Figure 5.

(e) **Research on the characteristics of protective consumption mechanism**

(Table 3) 362 sample survey results show that the characteristics of protective consumption mechanism, the
primary characteristic lies in implementing the security mechanism of protective consumption, to protect the credit, consumer rights and interests is an indispensable cornerstone (67 persons); secondly because the protective consumption concept is proposed by us for the first time in China, so many of the respondents do not quite understand its meaning (51 persons), this is the 2nd characteristic; another feature is the need of support and escort of government and law (17 persons), this is the 3rd characteristic.

(f) Annual income of respondents

(Figure 6) 362 sample survey results show that 40,000 CNY/year occupies 12%; 40,000-100,000 CNY/year, 38%; 100,000-200,000 CNY/year, 31%; 200,000 CNY/year or more, 19%; if the latter items are to be merged, namely the percentage of over 100,000-200,000
CNY/ year takes up 50%, the salary income of half respondents takes over 100,000-200,000 CNY/ year, i.e., a monthly salary of more than 8,300 – 16,700 CNY.

(g) Research on consumption resistance

Base on the respondents to the following questions: China’s present consumption situation, do you think there is no consumption resistance? What is the specific thinking? We screen the keywords that are involved in the respondent’s written answer bar, and choose the 12 keywords with the highest frequency, which are listed in Table 4.

362 sample survey results show that in consumption, people generally perceive the following consumption resistances: low level of income, limited capacity to pay (102 persons); high commodity prices, e.g., housing prices, vehicle prices and so on (100 persons); other obstacles to consumption are fake products, low levels of education, medical treatment, pension social security, high tariffs, not good at financial management and the like. (Lu, 2011).

(h) Research on eliminating consumption resistances

Respondents believe that these are the 6 direct ways to banish consumption resistances Table 5.

362 sample results show that the primary pathway is to stabilize prices (129 persons), the secondary one is to provide consumers with high-quality financial services (41 persons) and other ones, for example: state support, increasing income, quality products, loosening personal loan conditions and the like. (Tian and Ou, 2015).

(i) Jobs undertaken by respondents

(Figure 7) 362 sample results show that teachers take up 25%; financial employees 19%; retail distributors 17%; industry workers 14%; health and social personnel 10%; others 15%. In other words, 81% non-financial employees are eager to get financial services, investment and financing assistance from the 19% financial professionals.

(j) The educational level of respondents

(Figure 8) 362 sample results show that 3-year education or less accounts for 48%; bachelor’s degree or above 52%. That is to say, more than half of respondents belong to the high quality population, including graduates, post-graduates, PhD students, post doctoral, etc.. They are the backbone of consumers.
CONCLUSIONS

Under the circumstances of varied state policies and complicated environment, people from all walks of life have been exerting efforts in finding a solution to plights. (Zhou, 2009). Based on our investigation especially in the introduction of a new security platform for consumers, we started with an innovative research on the following seven aspects such as analyzing the effects of individual and enterprise production, business attitudes, intentions, backbone, total income, professional wealth management, main participants and motives to invest and finance, etc.; through the data statistics, this research is to ascertain changes in consumer demand and the reasons for these changes:

(1) Attitudes of individual, enterprise consumer merchants: 81% people believe that the promotion of protective consumption is feasible. (Tang, 2015).

(2) The willingness of individual, enterprise consumer merchants to join: 75% people are willing to participate in the protective consumption.

(3) The backbone of the individual, enterprise consumer merchants: graduates or above account for 52%.

That is, more than half of the respondents were highly qualified people, including graduates, post-graduates, PhD students, post doctoral, etc. (Chen, 2015).

(4) The total income of individual consumer merchants is: 100,000-200,000 CNY / year account for 50%, there are more than half of respondents to earn an annual salary income of 100,000-200,000 CNY / year, a monthly salary of 8,300-16,700 CNY/year or more.

(5) The demand of individual, enterprise consumer merchants for high-quality financial services: 81% non-financial practitioners are eager to get financial services, investment and financing help from 19% financial professionals. (Su, 2014).

(6) To set up a main body of participation and security for protective consumption: the first is the government agencies (280 persons), Bank institutions of China (205 persons) and the insurance companies (164 persons); the second is the professionally financial investment institutions (141 persons); the third even the intention to show that the foreign banks (56 persons) and foreign insurance companies (51 persons) as the partial main body of participation and
security for protective consumption.

(7) The general motives of the individual, enterprise consumer merchants to invest and finance: diversification of legal financing channels, specialization of wealth management, seeking increment of ROI, and so on. (Lin, 2012).

(Figure 9) To sum up, all the consumer merchants gradually enter the big protective consumption platform on which the professional investment and financing personnel accept the commission and supervision of the state, individual and enterprise customer merchants and the professional investment and financing personnel settle accounts in the financial clearance center linked with the protective consumption platform. (Yang, 2013). Ultimately, China can erect an entirely protective consumption business win-win cooperation model beneficial to the state, enterprise and individual customer merchants as well as effective financial institutions and professionals, all the four sides can run efficiently and effectively so that China can serve a purpose of the protective consumption.

ACKNOWLEDGEMENTS

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