

Study on the Countermeasures of Stable Investment Growth under the Background of Economic Internal Circulation—Take Wudi County as an Example

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Abstract: *It is a correct decision made by the party and the government to construct a new development pattern in which the domestic big circulation is the main body and the domestic and international double circulation promotes each other. This paper will take Wudi County as an example, from the perspective of investment, further analyze the existing problems in investment in Wudi County on the basis of analyzing the internal logic of realizing internal circulation of investment, and put forward specific solutions.*

Keywords: *Internal circulation; Investment; Wudi county*

1. Introduction

In May 2020, China put forward the development concept of "domestic and international double circulation" for the first time, and strived to build a new development pattern in which the domestic big circulation was the main body and the domestic and international double circulation promoted each other. Among them, internal circulation refers to using domestic resources to produce products and sell them to the domestic market, while external circulation refers to using foreign production factors to produce products and services and selling them mainly to foreign countries (Jiang Xiaojuan and Meng Lijun, 2021). Under the background of the current epidemic impact and unilateralism pursued by the United States, it is of great strategic significance to build a dual-cycle development pattern with internal cycle as the main factor, and it is also the proper policy for China to face the international situation at present. Based on this, how to realize the internal circulation of economy has become one of the most important topics in academic circles. Jiang Xiaojuan and Meng Lijun (2021) proposed that the domestic circulation should be promoted by optimizing the structure of domestic demand, promoting urbanization of population, accelerating the reform of state-owned enterprises and promoting technological innovation. Guo Qing (2020) put forward that the weakness of consumption and investment is the biggest obstacle to the realization of economic internal circulation on the basis of combing the historical model of dual-cycle development in China, and found that the regional imbalance of domestic economic development reduced the operational efficiency of internal circulation. Su Peng and Li Wei (2020) pointed out that China's domestic demand-oriented investment flexible and accelerated market adjustment mechanism has been formed, but faced with problems such as insufficient self-matching ability, low investment efficiency and insufficient interest rate influence ability. Investment and consumption have always been regarded as the main means to stimulate domestic demand, Tong Jiadong et al.(2021), based on summing up and comparing the experience of Japan and Germany in building a double circular economy, pointed out that the development pattern of turning to internal circulation needs the support of "new infrastructure". For this reason, realizing economic internal circulation through investment is an important starting point for building a new development pattern.

In this thesis, Wudi County, Shandong Province will be selected as an example for analysis, Facing the test of public health emergencies such as epidemic situation in 2020, Wudi County still maintains a steady growth trend of fixed assets investment, From January to November, the fixed assets investment in the county increased by 7.7% year-on-year. Wudi County is an inland county in Shandong Province, so it is particularly important to improve the quality of internal circulation, Based on this background, it is of great practical significance to explore how to achieve stable investment growth and then build a development pattern dominated by internal circulation.

2. The internal logic of Wudi County's investment to help the internal circulation of the economy

The inner meaning of realizing economic internal circulation is to expand domestic demand, and investment and consumption are important components of internal demand. Therefore, the steady growth of investment is helpful for China to build a new development pattern with inner circulation as the main factor and outer circulation as the empowerment. In fact, investment can effectively strengthen consumption and then expand domestic demand as a whole.

2.1 Investment contributes to "demand side" management

Facing the complicated international and domestic economic development environment, this year, the Central Economic Work Conference put forward "focusing on demand side management", which shows that the focus of China's economy is shifting to the demand side, and the strategic basis of "demand side management" lies in "persisting in expanding domestic demand". The new policy focuses on "addition", which comes down in one continuous line with the "double circulation" economic strategy. Maintaining steady growth of investment means expanding domestic demand and strengthening "demand side management".

2.2 Boosting industrial transformation and upgrading

The steady growth of investment is helpful to realize industrial transformation and upgrading, so as to meet the needs of consumers in many ways and provide consumers with higher quality products and services. From January to November 2020, the high-tech industry in Wudi County completed an investment growth rate of 17.6%, an increase of 20.7 percentage points over the third quarter; Accounting for 15.1% of the total investment. The development of high-tech industry promotes the accumulation of innovative capital in the whole society, and improves the efficiency of economic development through the innovation of production methods.

2.3 Help infrastructure construction

Infrastructure construction is an important part of investment in fixed assets. From January to November 2020, the infrastructure investment in Wudi County increased by 16.3% year on year, accounting for 52.7% of the total. Among them, electricity, heat, gas and water production and supply, transportation, warehousing and postal services, water conservancy environment and public facilities management accounted for 21.4%, 69.8% and 8.8% respectively. On the one hand, the infrastructure construction improves the consumption power of consumers, on the other hand, it directly increases the demand for manufacturing products, which is of great benefit to the construction of "internal circulation" economy.

2.4 Helping people's livelihood short-board projects

Investment in education and health has increased. From January to November 2020, the investment in education in Wudi County increased by 149.7%; Investment in health and social work increased by 307.7%. This year's newly started old community renovation and supporting facilities projects are gradually increasing, represented by the old community renovation project in Wudi County in 2020 and the flood control and drainage renovation project in the old city of Wudi County; The education project is represented by Wudi County Preschool Education Center, Wudi County Preschool Education Action Plan Phase II Construction Project and Wudi Boao High School Project; Health is represented by the construction project of internal medicine ward and service building of Wudi County People's Hospital.

3. Problems and countermeasures to achieve steady investment growth under the background of internal circulation

3.1 Issues to be Concerned about

3.1.1 The capital allocation structure needs to be optimized

Judging from the industrial allocation structure of funds, Wudi County has focused on the primary industry, with a small proportion of secondary and tertiary industries, and the investment in advanced

manufacturing and service industries needs to be expanded urgently. Especially in the process of implementing the innovation-driven development strategy and striving to change from "Made in China" to "Made in China", the capital flow should focus on high-tech fields. At present, the investment in technological transformation projects of manufacturing industry in Wudi County is still weak. From January to November, 2020, there were 55 manufacturing technological transformation projects in the county, accounting for 32.5% of all investment projects, accounting for a relatively low proportion. In addition, Wudi County's investment in the "four new" industries still has great room for improvement. From January to November, 2020, the county's "four new" industrial investment accounted for 56.4% of the total investment, an increase of 3.7 percentage points over the third quarter.

3.1.2 Investment efficiency needs to be improved

Ensuring the construction efficiency of investment projects is a prerequisite for improving the quality of economic internal circulation through investment. However, the investment efficiency of Wudi County still needs to be improved. Specifically, from January to November 2020, there are 46 key projects in Wudi County and 40 key projects under construction. The planned investment and completed investment of 40 projects under construction account for 46.6% and 37.5% of the total planned investment and completed investment in this year, respectively, among which the completed investment in this year is slow.

3.1.3 The sources of funds need to be expanded

At present, the sources of fixed assets investment funds in Wudi County are limited, and the channels need to be expanded. Especially, the insufficient utilization of foreign capital can not give full play to the complementary role of overseas capital to domestic investment. Under the background of building a new economic pattern with internal circulation as the main factor and external circulation as the enabling factor, Wudi County urgently needs to expand the sources of funds and provide sufficient funds.

3.2 Countermeasures and suggestions

3.2.1 Optimize the industrial structure of capital allocation

Facing the current economic situation, Wudi County should focus on adjusting the capital allocation structure, and shift the capital flow to the secondary and tertiary industries. Under the requirement of innovation-driven development strategy, Wudi County is located in the eastern coastal province, so it should pay special attention to the financial support in science and technology industry. First, highlight the core role of the market in the allocation of funds, focusing on the contribution and support of private enterprises and R&D institutions to innovation; Second, increase investment in basic research, especially the research and development of invention patents, and at the same time, attach importance to investment in education industry to provide a source for technological innovation; Third, we should intensify the construction of innovative infrastructure, strengthen the layout and protection of intellectual property rights, support the formulation of standards, and intensify government procurement to form a favorable environment for innovation.

3.2.2 Strengthen the follow-up and supervision of key projects

The county government should continuously supervise the construction of investment projects to ensure the high efficiency of project construction. First, pay attention to the audit of investment projects, and employ third-party audit institutions to supervise the use and distribution of funds, and timely reflect and deal with problems found. Through strong external supervision, the use of funds is effectively restrained. Second, pay attention to the construction efficiency of investment projects, ensure the efficiency of capital allocation, improve the construction speed of projects, and pay attention to the quality of project construction to ensure the high-efficiency and high-quality completion of projects.

3.2.3 Continue to introduce foreign capital and realize the exchange of resources

Shandong Province is located in the eastern coastal area, and Wudi County has the unique geographical advantage of attracting foreign investment. Therefore, Wudi County should take advantage of this advantage to attract foreign investment, so as to realize the exchange of resources. At the same time, Wudi County should introduce foreign advanced technologies and industries on the basis of strengthening infrastructure construction and improving functional matching, focus on developing advanced industries such as digital economy and intelligent manufacturing, and realize the

optimization and upgrading of industrial structure, so as to build a new development pattern with internal circulation as the mainstay and external circulation as the empowerment.

4. Conclusion

Under the background of building domestic and international double cycle, this paper discusses the path and mechanism of investment to help build double cycle. By strengthening the "demand side" management, boosting industrial upgrading, infrastructure construction and developing people's livelihood projects, investment realizes the internal economic cycle. In the current situation, China's investment is facing problems such as structure to be optimized, efficiency to be improved, and source to be expanded. Accordingly, this paper puts forward the corresponding policy recommendations.

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