

## The aid basis and aid ways to decline industry of China

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**Abstract:** Firstly, this article simply introduces the meaning of decline industry and some points should be paid attention to when understand the meaning. Secondly, it is pointed out that the reason of aid to decline industry is the irreversibility of production factors' allocation: assets of special-purpose, labor barrier. Finally, some methods are introduced to aid decline industry.

**Key words:** decline industry; aid; withdrawal

Every industry has the process from the innovation to form and from mature to decline. Along with the economical development, the speed of industrial change is speeding up gradually. In the market, new industrial is forming unceasingly, and the traditional industry is also declining unceasingly. The aid to decline industry becomes more and more important.

### 1. The meaning of decline industry

The decline industry is refers to an industry in a country or a region, which sales growth decline continually under the normal condition. It should be paid attention to the following points.

(1) The decline industry does not mean that the entire industry will vanish in the industrial structure

From the development process of Japan and South Korea, they both took the textile industry as theirs pillar industry in the initial period after the World War II. The sales growth of textile industry was increasing at that time. With economic developing further, the sales growth of textile industry decline gradually and lost its pillar status in the national economy. However, the textile is impossible to vanish in the national economy for it is the necessities of life. But there are some traditional industries that will be gradually substituted by new industries, which will fade out industrial structure, until vanishing. For example, at the beginning of China's reform and opening-up, the sales volume of monochrome set growth quickly. As China's economy flourished more and more, the monochrome set is replaced by the color TV. It is difficult to seek the monochrome set in Chinese market at present.

(2) The decline industry has the strong localization

On the one hand, China has a vast territory, and regional economic development is uneven. The eastern coastal area is the pioneer of China economic development, the middle and western area relatively fall behind. Some industries in the eastern area have gradually transited to the decline industries, as the same time these industries is developing into the local pillar industries in the middle and western area. For example, China's textile industry mainly concentrates in the eastern area at present, with the employment system gradually improving in recent years, its labor cost rising, the competitive advantage of textile industry in the eastern area is weakening

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gradually, and the sales growth of textile industry starts to slide. But in the middle and western areas, the labor cost is relatively low, some textile factories in the eastern area have moved to middle area or western area. Some area in the middle and western area is becoming the new textile base. On the other hand, some industries have strong dependence on natural resource. When these natural resource dry up gradually, these industries degenerates into the decline industries. The natural resource distribution has the regional characteristic, therefore these decline industries has the localization, such as the coal industry and the petroleum industry.

## **2. The aid basis of decline industry**

The aid basis of decline industry is the irreversibility of the production factors' allocation. It is manifest in the following two aspects:

### **(1) Assets of special-purpose**

The assets of special-purpose is refers to that the use of the fixed assets can't change. Along with the economical development, the industrial division is getting smaller, and the use of fixed assets is getting more special. When some industry transits to decline industry, its sales volume and the profit margin have began to decline, its enterprises want to switch to another industry. For assets of special-purpose, the fixed assets only can be sold to another enterprise in the industry. At that time, the industry's enterprises are reluctant to expand their production scale, and very few new enterprises enter this industry. So, it is very difficult for enterprises to sell its fixed assets, and the withdrawing process of decline industry become longer.

### **(2) Labor resources barrier**

With economic development, the labor division is getting more and more special. The labor skill of different industry is different, so it is difficulty for the worker to transit from one industry to another. On the one hand, the worker masters many profession skills and profession information in the original industry, which became useless when the worker transits to another industry. So the value of the worker will drop and the worker is reluctant to transit to another industry. Furthermore, the characteristic of different industry is different, which forms the different industry culture. When the worker shifts to a new industry, the worker will not adapt to the new industry for having accustomed to the original industry behavior.

The irreversibility of production factors' allocation hindered the withdrawing of decline industry, so the withdrawal process becomes slower, which inevitably hinders the optimal distribution of resources. Therefore, the government should speed up the withdrawal process of the decline industry. However, if the withdrawal process of decline industry is too quick, the manufacturer will lose in a big way, many workers will be unemployed. If these problems can't be solved correctly, that may cause turbulence in society and not favor to the sustained economical development. Therefore, the government should slow down the withdrawal process of decline industry.

## **3. The aid ways to decline industry**

The aid to the decline industry mainly includes the following two aspects:

### **(1) The policy of reduction the withdrawal barrier to decline industry**

The purpose of these policies is mainly to accelerate the withdrawal process of decline industry, so the production factors will enter new industry quickly, the allocation of resources will be optimal. The main ways to reduce the assets barrier include the acceleration of the equipment depreciation, the stipulation equipment's life

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