

The Role of Households in Sustaining China's Economy 1997-2007, A Structural Path Analysis

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It is well known that one country (region)'s economy depends not only on the industry structure but also its industry linkages. However, as an important connecting pole of economic activities or more exactly, the linkages between production and consumption spheres of the economy, the role of household has been ignored in most research. In this paper, we construct 1997 and 2007 Social Accounting Matrices for China with the data from various yearbooks, 1997 and 2007 input-output tables, etc. We use structural path analysis, a good way to see how a certain sector (household) transmits its economic influence in great detail. It is also a better method because it can even consider cases ignored by normal multiplier analysis. For example, multipliers with small magnitude may involve many linkages in the economic system. The paper will also the following questions: How household sustained China's economy? Particularly, for which sectors, household are more important? How about things changed during the last decade and what the different trend for urban households and rural households?