

Growth and structural change of the Chinese economy prior to reform

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Using newly compiled Chinese historical input-output tables (CHIOTs), my paper reevaluates Chinese economic growth of the era prior to reform in a multi-sectoral framework. These hybrid tables are comprehensive covering 161 commodities in physical units, as well as 18 industries in monetary units. New results show that prior to the reform years, the Chinese economy achieved far from balanced growth. This motivates the multi-sectoral analysis, which reveals a growth strategy that favored industries with strong backward linkage. Thanks to the strong backward linkage, the newly built facilities of these industries raised the production efficiency of not only these industries also other downstream industries. This growth strategy fundamentally changed the economic structure and provided a foundation for the growth of the economic reform era. Meanwhile, the recession caused by the Cultural Revolution affected both the economic aggregate and structure. A simulation analysis shows that compared with those of the reality, GNP of 1973 in the no-recession-scenario doubled and its percentage of light industries nearly tripled, to 22.14%.