

Will People with High Assets Be More Pessimistic Towards the Economic Expectations? —— Research Based on the Data of CHFS in 2011

Wang Zhengfen^{1a}

¹ School of Management, Shanghai Sanda University, Pudong, Shanghai, China

^awzf@sandau.edu.cn

ABSTRACT

The study of economic expectation is conducive to understand the potential unstable factors in China's economic development. This paper discusses the impact of family assets on residents' economic expectations from the perspective of social structure. Based on the social structure mechanism, this study adopts the variable of asset scale and the data of China Household Finance Survey (CHFS) in 2011 to analyze the impact of asset scale on people's economic expectations with the multi-layer logistic model. It is found that the higher the asset scale, the less optimistic the individual's economic expectation is. Besides, this impact is different in regions with different economic development levels. In economically relatively developed regions, asset scale has a significant negative effect on individual economic expectation, while in economically relatively underdeveloped regions, asset scale has no significant impact on individual economic expectation.

Keywords: Asset Scale, Social Structure, Economic Expectation.

1. INTRODUCTION

The economic expectation is an important social mentality in a period, as well as a wind vane reflecting the trend of economic development. Optimistic expectations reflect people's confidence in future economic development and are an important factor in promoting China's high-quality economic development. Stimulated by good expectations, entrepreneurs will be more willing to expand investment and production and provide more products and jobs for the society, while consumers are more willing to consume, so as to promote the prosperity of economic activities. On the contrary, pessimistic expectations will have a negative impact on social stability and economic development ^[1].

Since the transformation of the economic system, China's rapid economic development for more than 30 years has enhanced people's confidence in the economic system. Some surveys show that more than 70% of the respondents have optimistic expectations for the future ^[2]. However, China's economy has entered the new normal in recent years, and the economic growth rate has dropped significantly with an L-shaped growth trend. Under such an economic situation, can people

still maintain optimistic expectations for the future? Some studies have found that among entrepreneurs, there has been a lack of confidence in future economic development. According to the report of the School of Social Science, Tsinghua University, the development confidence index of Chinese entrepreneurs has shown a downward trend since 2014. So, does this optimistic expectation of the future only exist in some specific groups or spread widely among the people? In other words, what factors and mechanisms affect people's expectations of the future economic situation? Based on the existing research, this paper attempts to test the impact of macro and individual-level factors on economic expectations, especially the impact of the difference of asset scale on expectations. Data in this paper comes from the China Household Finance Survey (CHFS) in 2011, a turning point of China's economy from the era of double-digit high-speed growth to steady growth. The economic expectation at this special time point shows more research significance and value.

2. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

Actually, the economic expectation reflects people's cognition and prediction of the current economic

situation. However, there is seldom empirical research on the factors affecting economic expectation. In recent years, the general growth of family assets has also exacerbated the differences in asset scale among families. China has developed from a society with low-level average assets before the reform to a society with obvious asset differentiation and intensified asset inequality. For individuals, asset scale not only reflects the amount of wealth owned by their families, but also means the economic and social resources they can control and use, and becomes the influencing factor for them to enter a specific class, obtain a specific membership or enter a specific social life situation^[3]. It shows their social identity and status, and has gradually become an important indicator to define the position of social structure^[4]. This paper holds that individuals with high household assets have more pessimistic economic expectations, and puts forward the following assumptions:

Hypothesis 1: The higher the size of household assets, the less optimistic their economic expectations are.

Economic expectation reflects the individual's judgment and prediction of the future based on the current economic situation. It is the product of the interaction between objective conditions and subjective psychology, and will be affected by various subjective and objective factors, both macro and micro. The economic development level of a region is also closely related to the asset scale of individuals. Gan et al.^[5] found that people in economically developed regions usually have higher assets. The vast majority of household assets in China are real estate assets. The real estate price in economically developed regions is relatively higher, so the asset scale is correspondingly larger. Therefore, this study believes that in economically developed areas, the impact of asset scale on expectation is significantly greater than that in economically backward areas, and puts forward the following assumptions:

Hypothesis 2-1: In economically developed areas, individual asset size has a significant negative effect on their economic expectations.

Hypothesis 2-2: In economically backward areas, individual asset size has no significant impact on their economic expectations.

This paper also controls some other variables, including gender, age, marital status, party membership, income and well-being at individual level, per capita regional GDP and regional GDP growth rate at the regional level. Those two indexes are used to reflect the economic development level and development trend of different regions.

3. MEASUREMENT AND ANALYSIS STRATEGY

3.1. Data Sources

The data in this paper are from the China Household Finance Survey by the Survey and Research Center for China Household Finance in 2011 and the China Statistical Yearbook 2011 compiled by the State Statistical Bureaus. The individual level data used in this study are from the National Financial Survey (CHFS), which interviewed 8438 families in 25 provinces, 80 counties and 320 communities through random sampling. The survey conducted a follow-up visit every two years. This paper uses the data of the first survey in 2011. The economic data at the regional level comes from China Statistical Yearbook 2011 consists of the economic data of each region in 2010. The prediction of the future is usually based on the sense of gain in the past. There is a certain lag in the impact of macro factors on people's subjective feelings^[6]. Therefore, this paper uses the economic data of the previous year for analysis.

3.2. Variable Measurement

3.2.1. Dependent Variable

The explanatory variable of this paper is economic expectation. The CHFS questionnaire directly asks respondents' expectations of the future economic situation. In this study, "very good" and "good" are the optimistic economic expectations coded as 1, and "average", "poor" and "very poor" are non-optimistic economic expectations coded as 0.

3.2.2. Explanatory Variable

The key explanatory variable in this paper is family assets, which refers to the net assets value owned by individuals or families, including the sum of the value of consumer durables, productive fixed assets, total household real estate and financial assets minus various liabilities and loans.

3.2.3. Control Variables

The controlling variables include income, per capita regional GDP, regional GDP growth rate and well-being. To distinguish the impact of income and assets on economic expectations, the income variables in this study only refer to the stable and continuous remuneration obtained by the respondents through personal labor, including annual wage income and bonus income, excluding operating income, property income, etc.

Other control variables include gender, age, years of education, married and Party members.

3.3. Research Model

In this study, the multilevel binary logistic model is used to analyze the data, and the random intercept model is specially used.

The specific expression of the model is as follows:

$$\log \left(\frac{P_{ij}}{1 - P_{ij}} \right) = \beta_0 + \alpha X_{ij} + \beta Z_j + \mu_{ij}$$

β_0 identifies the case at the individual level (the first level) and, j identifies the case at the regional level (the second level); P_{ij} is the probability of optimistic economic expectation of i case in j region; X_{ij} represents an independent variable at the individual level; Z_j refers to the independent variables at the regional level, α , β are the coefficients of each item respectively; μ_{ij} represents the random effect of the intercept.

4. STATISTICAL ANALYSIS RESULTS

To test hypothesis 1, this paper first makes regression analysis on the whole sample. The statistical analysis results show that when the control variables are put in (Table 1, Model 1), the coefficient of years of education is negative (the coefficient is -0.084), which is very significant at the level of 0.001. The coefficient of subjective well-being is positive (the coefficient is 0.610), and the significance is also very high at the level of 0.001. The coefficient of the macro-level variable per capita GDP is negative (-0.153), which is significant at the level of 0.001. Family income is not significant. After introducing the explanatory variable of asset scale, the analysis results (Model 2) show that the coefficients and significance of years of education, subjective well-being and per capita GDP are basically unchanged, which shows that the explanatory power of these three variables on economic expectations still exists after introducing the explanatory variable of asset scale. The coefficient of asset scale is negative (the coefficient is -0.012), significant at the level of 0.001, which means that the higher the household assets are, the more pessimistic their economic expectations are. It can be seen that the asset scale variable proposed in this paper has a significant impact on economic expectations, which confirms Hypothesis 1, that is, the expectations

of high asset groups for the future are relatively less optimistic.

Comparing the analysis results of two subsamples of relatively developed areas and relatively backward areas, we can find the following differences. Firstly, asset scale has different impact effects on the economic expectations of the two groups, and has a significant negative impact on the expectations of individuals in economically developed areas, but has no significant impact on individuals in relatively backward areas, which are supposed by both Hypothesis 2-1 and Hypothesis 2-2. Secondly, the impact of per capita GDP on the economic expectations of the two groups is also different. It has a significant negative impact on the expectations of individuals in economically relatively developed areas, but has no significant impact on individuals in economically relatively backward areas. Thirdly, for individuals in economically developed areas, Party membership has a significant positive impact on their economic expectations, but for individuals in economically backward areas, Party membership has no significant impact on their expectations. Fourthly, age makes a significant positive impact on the economic expectations of individuals in economically backward areas, but has no significant impact on the economic expectations in economically developed areas.

5. CONCLUSION

In recent years, as China's economic development has entered the historical stage of the new normal, Chinese people still hold an optimistic view on economic expectations. However, the degree of optimism has also fluctuated, and the expectations of some groups (especially entrepreneurs) for the future have generally attracted the attention of the state and the public. Economic expectation not only reflects people's confidence in future development, but also harms social development. It can be said that it is both the driving force and pressure for social development^[7]. The study of economic expectation helps to grasp the potential unstable factors in the economic system.

The research in this paper brings the following enlightenment for us. First, the asset scale has become an important indicator to determine the position of the social stratum, and the problems of asset differentiation and asset inequality are becoming increasingly prominent. Asset stratification is an independent issue to be paid attention to

Table 1. Results of Multi-Layer Logistic Regression Analysis Of Economic Expectation

Independent Variable	Total Sample		Relatively Developed Areas		Relatively Backward Areas	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Individual-Level Variable						
Male (Female = 0)	-0.019 (0.067)	-0.006 (0.067)	-0.074 (0.094)	-0.053 (0.094)	0.055 (0.097)	0.053 (0.097)

Age	0.003 (0.003)	0.003 (0.003)	-0.001 (0.004)	-0.001 (0.004)	0.009 [*] (0.004)	0.009 [*] (0.004)
Party Member (Non-Party Member = 0)	0.146 (0.099)	0.142 (0.099)	0.282 [*] (0.135)	0.265 [*] (0.135)	-0.012 (0.145)	0.002 (0.146)
Married (Non-Married = 0)	-0.067 (0.098)	-0.080 (0.098)	-0.225 (0.134)	-0.241 (0.134)	0.139 (0.144)	0.126 (0.144)
Years Of Education	-0.084 ^{***} (0.010)	-0.084 ^{***} (0.010)	-0.100 ^{***} (0.015)	-0.093 ^{***} (0.015)	-0.073 ^{***} (0.015)	-0.071 ^{***} (0.015)
Logarithm Of Income	-0.009 (0.029)	0.012 (0.029)	-0.003 (0.040)	0.029 (0.041)	-0.014 (0.042)	-0.004 (0.043)
Subjective Well-Being	0.610 ^{***} (0.051)	0.619 ^{***} (0.052)	0.664 ^{***} (0.076)	0.682 ^{***} (0.076)	0.552 ^{***} (0.071)	0.555 ^{***} (0.071)
Asset Scale		-0.012 ^{***} (0.004)		-0.012 ^{***} (0.004)		-0.017 (0.012)
Regional Level Variable						
Per Capita GDP	-0.153 ^{***} (0.029)	-0.137 ^{***} (0.027)	-0.211 ^{***} (0.052)	-0.195 ^{***} (0.049)	0.012 (0.128)	0.018 (0.129)
GDP Growth Rate	0.053 ⁺ (0.030)	0.043 (0.028)	0.040 (0.039)	0.030 (0.036)	0.053 (0.043)	0.051 (0.044)
-2Log- Likelihood	5979.202	5968.539	2919.248	2911.156	3045.295	3043.435
Individual Numbers On The First Layer	6393	6393	2785	2785	3608	3608
Regions Numbers On The Second Layer	25	25	9	9	16	16

Notes: (1) * $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$

(2) The numbers in brackets are the standard error of the coefficients.

instead of the embodiment or result of occupational stratification. Second, Chinese people are generally optimistic about the future economic expectations on the whole, but compared with low asset groups, the expectations of high asset groups are relatively less optimistic. High asset groups are property owners in China's society who have mastered certain economic and social resources. Their confidence will have a certain impact on economic prosperity and social stability. The government must formulate corresponding policies and systems to enhance the confidence of high asset groups in the future, such as strengthening the protection of private property rights, further liberalizing the business scope of private business, curbing excessive speculation in the real estate market and capital market. Third, in areas with relatively developed economic development level, the economic expectations of high asset groups are lower, while in areas with a relatively underdeveloped economy, the impact of asset scale on people's economic expectations is not significant. Real estate is the main and the most important asset of Chinese residents, whose price in economically developed areas is also relatively higher, intensifying the impact of asset scale variables on people's expectations. Therefore, stabilizing house prices and preventing house prices from rising too fast is not only conducive to the overall stability of society, but also conducive to enhancing people's confidence in the future.

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