

A Short Comment on
“Changes in Income Inequality in China”
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A Brief Summary

- Measure the income inequality in China.
 - (total) income per person
 - one shot household survey
 - in 2002
- Various measurement
 - Gini, Relative mean deviation, Coefficient of variation, Theil index, ...
- Comparison between rural and urban areas

A Brief Conclusion

- Large income inequality.
- Almost 1/3 of total inequality comes from between rural and urban areas.
- Inequality is larger in rural area than in urban area.

Discussion (1)

■ Cross-country comparison of income inequality

| | | |
|---------------|------|------------------|
| – Japan | 27.3 | (1999) |
| – Korea Rep. | 31.6 | (1998) |
| – Philippines | 46.1 | (2000) |
| – Thailand | 43.2 | (2000) |
| – Indonesia | 34.3 | (2002) |
| – India | 32.5 | (1999-00) |
| – China | 45.5 | (2002) Table 4-1 |

■ Gini Index in [World Development Indicators Database 2005](#)

Discussion (2)

■ Reasons of income inequality

– Non-wage inequality

- Institutional disparity such as the access to financial markets, the schedule of pension, etc.

– Wage inequality

■ Individual Difference

– Human Attribute

- age, gender, educational level, etc.

– Job Attribute

- occupation, experience, tenure, firm-size, etc.

■ Geographical Difference

Question (1)

- Why so much disparity exists between rural and urban areas?

Question (2)

- What is the most important factor to describe the cause of income inequality in China?
 - Decompose the income inequality into
 - Demographic difference
 - Labor market difference
 - Institutional difference (esp. access to financial markets)

Question (3)

■ What is the most important economic mechanism behind the income inequality in China?

■ Skill Biased Technological Change (SBTC)

– Higher education gets more premium.

■ Globalization

– Income grows faster in coast areas.

■ Institutional Barrier

– How much efficient the intra-regional migration is?