

## Appendix A2

### Income Data

#### *Rural net income*

The price levels constructed in this paper, based on household survey living expenditures, are intended to match household survey income. In the rural case, no definitions (or data) are available that explicitly relate living expenditures to income. Rural per capita net income in 2001 of 2534.70 yuan exceeded living expenditures by 35.91%; cash net income of 1748.03 yuan exceeded monetary living expenditures by 28.15%. Net additions to financial investments (including savings) and housing investment are part of the difference between net income and living expenditures. Our price level only takes into account living expenditures; this corresponds to the practice in compiling CPIs worldwide.

The proper rural income measure to use in inequality studies is per capita net income (*chun shouru*) rather than per capita total income (*zong shouru*) because household inequality measures should be clear of differential tax rates and of income which flows into business expenses. Total income consists of all labor remuneration (including business income of household businesses), transfer income, and property income, whether monetary or in kind (including self-produced-self-consumed goods and services). Net income by explicit definition equals total income less expenses incurred in the operation of productive and non-productive businesses, taxes, contracting and various other fees due to the collective, and depreciation of fixed assets (it is also less two presumably very minor items, subsidies given to households in exchange for participating in the survey, and gifts to relatives and friends living outside rural areas). No published data for these categories are available except for the first, and possibly the second and third categories together. Subtracting business expenses, “taxes and fees,” as well as the “purchase of productive fixed assets” (rather than depreciation) from total income yields an approximate value of net income that in 2001 was 3.18% larger than the published value of net income; for cash total income and cash net income, the corresponding value was 2.14%.<sup>1</sup> We use the official rural net income values.

#### *Urban disposable income*

In the urban case, all available income and expenditure measures reflect monetary transactions only; in-kind income, i.e., consumption of self-produced-self-consumed goods and services, plus of goods and services received without monetary payment, are not included. In 2001, urban household survey (total, or actual) income exceeded living expenditures by 30.10%, and disposable income exceeded living expenditures by 29.21%. The difference between (actual) income measures and living expenditures can be explained, except for what appear small errors and/ or omissions, through net changes to purely financial assets and liabilities and through non-living-expenditures.<sup>2</sup> Comparing household survey

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<sup>1</sup> For the data, see *Statistical Yearbook 2002*, pp. 342f., *Rural Household Survey Yearbook 2002*, p. 26. For the definitions linking total income to net income Liu Chengxiang, Liu Ke, and Jin Zhaofeng, 2000, pp. 131ff.

<sup>2</sup> In detail, with data for 2001, actual per capita income is related to living expenditures per capita as follows: living expenditures (5309.01 yuan) equals actual income (6907.08 yuan) plus income from borrowing (1661.34

income measures to living expenditures implicitly assumes that the part of income not spent on living expenditures is subject to the same price effects, on average, as living expenditures. Again, this appears to the international practice of using CPIs to price-adjust income measures.

The various urban income measures are related as follows: Cash income (of, per capita, 8568.42 yuan in 2001) less income from borrowing (1661.34 yuan) equals income (6907.08 yuan), sometimes also labeled “actual income” (*shiji shouru*). Income less personal income taxes (12.42 yuan), expenditures for household sideline production (3.75 yuan), and subsidies (*jizhang butie*, 31.33 yuan) equals disposable income (6859.58 yuan). The measure disposable income (*ke zhipai shouru*) was newly introduced with the 1997 data in the *Statistical Yearbook 1998*; publication of the previously published “income available for living” (*shenghuofei shouru*) ceased with the 1996 data. The reason given for the switch is that disposable income is more suitable for international comparisons. The in absolute terms main (but not only) difference between the two is that the earlier “income available for living” excludes support expenses (*shangyang zhichu*, such as for parents), as well as gifts (*zengsong zhichu*), which in 2001 amounted to 158.70 yuan and 500.02 yuan, respectively. An income measure used in inequality studies should include these items, i.e., disposable income is the preferable measure of the two.

Furthermore, disposable income may be preferable to (total, actual) income since the latter includes personal income taxes and expenditures for household sideline production; on the other hand, however, disposable income excludes subsidies which should usefully be included for inequality calculations. Since the difference between disposable income and actual income is very minor, in practice either one seems acceptable; the earlier “income available for living,” however, should be avoided, because in its derivation the relatively large support expenses and gifts (among several items) are deducted from (actual) income when, for the purpose of inequality studies, they should rather be included.<sup>3</sup> We use the available disposable income data for 2000, and construct disposable income for 1990 as actual income (*shiji shouru*) less subsidies (*jizhang butie*) less personal income tax (*geren suodeshui*); theoretically, expenditures for household sideline production should have been deducted, but no such data are available for 1990 (and could well have been close to zero given their very minor volume in 2001 (see note 2).

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yuan; this includes the withdrawal of savings deposits), less expenses for lending (1824.06 yuan; this includes the addition to savings deposits), less non-living-expenditure-expenses (1240.81 yuan), less household sideline production expenses (3.75 yuan), less an implicit residual (190.80 yuan). Non-living expenditures, accounting for 17.96% of actual income in 2001, comprise interest on loans (0.04% of actual income), personal income taxes (0.18%), other taxes (0.07%), non-saving insurance expenses (0.34%), support expenses (2.30%), such as for parents, gifts (7.24%), house purchases/ construction (7.15%), and “others” (0.65%). The implicit residual reflects *changes* in cash holdings and what otherwise, lacking a category “others” in per capita income, is likely to be errors and omissions; the two separate, independent household surveys of 2000 and 2001 show year-end cash holdings of 580.89 yuan and 672.48 yuan, i.e., an increase by 91.59 yuan (compared to the implicit residual of 190.80 yuan). For the data, with the numbering/ labeling of the data implicitly revealing the relationship, see *Urban Household Survey Yearbook 2001*, pp. 113-7, 2002, pp. 121-5.

<sup>3</sup> For the data, see *Statistical Yearbook 2002*, p. 324, *Urban Household Survey Yearbook 2002*, pp. 121-5. For the various definitions linking different income measures Liu Chengxiang, Liu Ke, and Jin Zhaofeng, 2000, pp. 118-20.

## Rural, urban, and joint income data

The table immediately below presents the rural and urban income data as well as joint income, i.e., average rural-urban per capita income. The population weights used to derive joint income are based on the population data presented in the table in the following section.

### Income Data

	Per capita income (yuan)					
	Rural net income		Urban disposable income		Joint income	
	1990	2000	1990	2000	1990	2000
Total	686.31	2253.42	1510.16	6279.98	862.82	3307.71
Beijing	1297.05	4604.55	1901.37	10349.69	1671.21	8529.34
Tianjin	1069.04	3622.39	1627.81	8140.50	1380.78	6253.50
Hebei	621.67	2478.86	1492.85	5661.16	746.26	3089.86
Shanxi	603.51	1905.61	1290.93	4724.11	754.76	2658.27
Neimenggu	607.15	2038.21	1148.94	5129.05	782.89	3125.48
Liaoning	836.17	2355.58	1550.89	5357.79	1140.62	3748.05
Jilin	803.52	2022.50	1230.19	4810.00	971.50	3254.35
Heilongjiang	759.86	2148.22	1200.68	4912.88	946.47	3413.18
Shanghai	1907.32	5596.37	2181.65	11718.01	2091.65	10140.43
Jiangsu	959.06	3595.09	1599.97	6800.23	1095.15	4580.60
Zhejiang	1099.04	4253.67	1917.48	9279.16	1235.45	5342.29
Anhui	539.16	1934.57	1354.60	5293.55	661.23	2592.74
Fujian	764.41	3230.49	1655.02	7432.26	918.74	4105.96
Jiangxi	669.90	2135.30	1224.73	5103.58	782.32	2799.42
Shandong	680.18	2659.20	1507.19	6489.97	834.23	3671.74
Henan	526.95	1985.82	1267.72	4766.26	620.99	2507.29
Hubei	670.80	2268.59	1427.15	5524.54	840.92	3170.23
Hunan	664.24	2197.16	1438.51	6218.73	781.66	2998.09
Guangdong	1043.03	3654.48	2303.15	9761.57	1350.55	5564.87
Guangxi	639.45	1864.51	1586.80	5834.43	780.23	2563.46
Hainan	696.22	2182.26	2303.15	5358.32	1031.80	2997.44
Sichuan	557.76	1903.60	1487.99	5894.27	695.02	2635.08
Guizhou	435.14	1374.16	1326.17	5122.21	544.86	1912.36
Yunnan	540.86	1478.60	1514.81	6324.64	674.82	2216.50
Tibet	649.71	1330.81	1321.41	7426.32	770.74	2483.09
Shaanxi	530.80	1443.86	1369.38	5124.24	690.80	2287.70
Gansu	430.98	1428.68	1289.59	4916.25	572.13	2091.57
Qinghai	559.78	1490.49	1321.41	5169.96	783.79	2576.92
Ningxia	578.13	1724.30	1421.14	4912.40	779.90	2638.08
Xinjiang	683.47	1618.08	1420.79	5644.83	1033.59	3639.84
Chongqing		1892.44		6275.98		2814.03

Urban per capita income in 1990 is derived as actual income (*shiji shouru*) less subsidies (*jizhang butie*), and less personal income tax (*geren suodeshui*)—theoretically, expenditures for household sideline production should have been deducted, but no such data are available for 1990 (and may have been close to zero). In 2000, data directly on the disposable urban per capita income are available.

Sources:

Rural net income: *Statistical Yearbook 1992*, p. 308 (at new imputation prices); *2001*, p. 325.

Urban disposable income: 1990: derived from actual income with data in *Urban Household Survey Yearbook 1990*, pp. 100, 106, 109; 2000: *Statistical Yearbook 2001*, p. 311.