

Income Comparisons in China

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Summary:

This is a very interesting and nice piece of work that addresses various issues using a unique data set from a very interesting country.

The paper provides:

Evidence to understand human behavior.

A satisfaction paper for an interesting country.

Interesting questions for future research.

Growth & happiness:

- How to defend the usual critics?
 - Difficulty of comparing countries or people living in very different periods of time
 - The existence of a bounded scale
- There are no Happy slaves a la Sen.
 - Does this mean that people only *reasonably* adapt? Or that we do not adapt but we do not need much either (decreasing marginal utility of income)?

Reference group:

- You overcome the 2 drawbacks you mention
 - You know income of ALL individuals in reference group.
- What about the to whom do individuals compare?
 - Do people compare to family members or ex-village neighbours living in the city? Guiyang=3Millions & the province 40 millions!-
 - Can you argue that the communication between villages is as poor as the region? Are they isolated and this is also why this is so interesting?
 - Do people compare with similar people in other villages? What is the heterogeneity between & within villages?
 - Regional reference groups assumes super exogeneity.

Data:

Do you only have information on rural Guizhou?

How is income inputted? What about home production?

What do people understand for income satisfaction?

Do they understand that it includes home production?

What was the phrasing (I also don't speak Chinese but would be interesting to have the real translation)

Results

- Since you can not control for FE, is there any personal traits variable you could use?
- What about bi-probit (so very many people have 0)
- Satisfaction rises with village median income:
 - Helping each other, amenities, etc- → what if you take another reference (not geographic) group? (notice that for educated, median income is negative!!)
 - Not exactly like the Danish: $\ln(y)$ is not stat.sig.
 - Why is $\ln(Y)$ not significant?
- If Gini within village small + lots of measurement error → median income may be a better estimate of own income than reported income.

... results

- The median village income coefficient is larger than own household income!
- Subsamples: Why is income negative for some individuals (eg. For non-immigrants is 0 & for immigrants is ≈ -0.3)?
- There seems to be no asymmetry in the effect of rank. Why?
 - Maybe you could show all rank deciles.

... results

- Past income:
 - Why including past income turns everything else insignificant (median income notably)?
 - What happen when only including current & past income?
 - Why is past income positive (no habituation) & current income is 0? Is it wealth? What about using mean income 2004&2007?
- Past rank:
 - Why does everything else become non-significant? Is data 2007 of better quality?
 - Is there strong correlation? If yes, should not present situation be more relevant? (past bottom rank similar magnitude as present rank in baseline!!!)
 - There is habituation to rank but why being at the bottom today has no effect on happiness if you where not at the bottom yesterday?

The future (work)... looks bright

- Subjective rank shows asymmetries in the opposite direction as we expect them in western countries
- Subjective & objective income rank are correlated but people *make mistakes*. What explains this? (isolation –tv, roads, topology-, size of the villages, nbr of emigrants –nbr family members in the city-, nbr of immigrants, gini of the village & polarization, etc-)
- Is the endogeneity of the reference group explained by mistakes in estimating others and own income or on choosing the group (even if question asks “within your village”)? (maybe some of the village or also considering tho