

## **EXECUTIVE SUMMARY**

Since reforming and opening up from the 1980s, the income level of China's householder has been greatly improved while the income gap among industries and regions is also enlarging. The widening income gap is often described as a threat to social stability. In this thesis, we will use quantitative method to explore the income issue in China.

Following Chenery's tradition of analyzing factor contributions to economic growth, we use an input-output model to study the effects of technological change, international trade and consumption on individual income and income distribution in China in the period of 1987-2005. Specially, we intend to identify the contribution of technological change, international trade and consumption to individual income and income discrepancy in an optimized input-output model, and conduct an empirical study to analyze the quantitative effects of various factors on income. Also, we take into account the characteristics of China as a transitional economy in our analysis. After that, we provide some recommendations for China's future policies based on the study in this thesis.