



**UNIVERSITY OF MACAU**

**FACULTY OF SOCIAL SCIENCES AND HUMANITIES**

**DEPARTMENT OF ECONOMICS**

**How Does Nonfarm Income Affect Inequality in Rural China:**

**Evidence from Provincial Panel Data**

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# ABSTRACT

Abstract of thesis entitled “How does nonfarm income affect inequality in rural China: Evidence from provincial panel data”, submitted by Xinyu Wang (M-A9-6804-1) for degree of Master of Social Sciences in Economics at the University of Macau in July 2011.

This thesis examines how nonfarm income (net wages from jobs in Townships and villages enterprise (TVEs) and in the city and income from self-employment) affects income inequality in rural China by using provincial data that covers twenty-one provinces from 1998 to 2008. It emphasizes inequality at the rural provincial level instead of national level. By using Gini decomposition method, we find out that nonfarm income distribution is much more unequal than farm income (net income from primary sector including agriculture, livestock, forestry, fishing, and hunting) and residual income (transfer payments and financial income) in rural China, and that nonfarm income contributed the most to regional inequality. In addition, the structural effect is very important for increasing inequality, which means that a large part of the increase in inequality is caused by the increasing proportion of nonfarm income. Besides, this study finds out the determining factors of both nonfarm and farm income. Strong evidence shows that education, farmland and regional dummy have significant impact on the growth of farm and nonfarm income.

**Key words:** inequality, Gini decomposition, nonfarm income; China

# DECLARATION

I declare that this thesis represents my own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

**Signed** \_\_\_\_\_

**Date** \_\_\_\_\_



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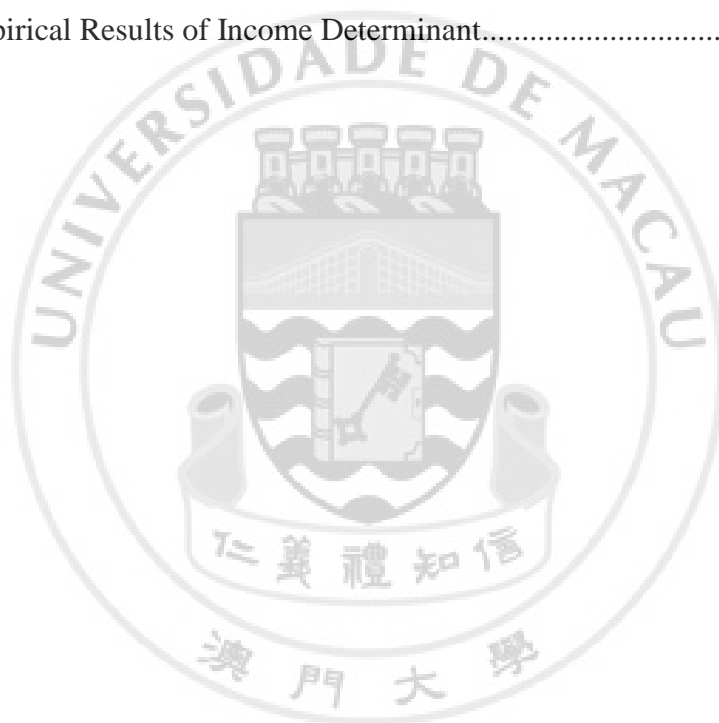
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# ABBREVIATION

FDI	Foreign Direct Investment
GDP	Gross Domestic Product
LDC	Less Developed Countries
OLS	Ordinary Least Square
WTO	World Trade Organization
HRS	Household responsibility system
TVEs	Townships and villages enterprise
CPI	Customer Price Index

