

It Is Better to Be the Head of a Chicken than the Tail of a Phoenix?

*A Study of Concern for Relative Standing in
Rural China*

Fredrik Carlsson and Ping Qin



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Abstract

This paper examines the concern for relative standing among rural households in China. We used a survey-experimental method to measure to what extent poor Chinese farmers care about their relative income and found that the respondents cared to a high degree. Compared to previous studies in developed countries, the concern for relative standing seems to be equally strong among rural households in China. This should be seen in the light of the rapid change China has undergone, with high growth, increased inequality, and the highest urban-rural income ratio in the world. Thus, the rural population, which is lagging behind, is suffering not only from low absolute income but also from low relative income.

Key Words: Relative standing, China, inequality

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It Is Better to Be the Head of a Chicken than the Tail of a Phoenix? A Study of Concern for Relative Standing for Rural China

Fredrik Carlsson and Ping Qin*

Introduction

Relative standing is important to people in China, reflected in two, partly contradictory Chinese sayings. The first, “it is better to be the head of a chicken than the tail of a phoenix,” suggests that relative standing is important for a person and that it is better to be in a relatively good position. The second, “the gun always shoots the fastest bird,” intimates that it is better not to be too different from others or, at least, not better than others. Many prominent economists in the past, including Adam Smith, Karl Marx, Arthur Pigou, and Thorstein Veblen, have discussed the observation that people are concerned with their own income and consumption relative to that of others. Based on the important work by Robert Frank (1985, 1999), economists have more recently renewed an interest in concerns for relative standing. There is also growing empirical evidence that relative standing is indeed important for many people (Carlsson et al. 2007a; Johansson-Stenman et al. 2002; Kingdon and Knight 2007; Solnick and Hemenway 1998). Most of the empirical studies have been done either in developed countries or with students in developing countries (Alpizar et al. 2005; Carlsson et al. 2008; Solnick et al. 2007). The only exception is Carlsson et al. (2007b), who did a study similar to ours on Vietnamese farmers. This means that most of the evidence regarding concern for relative standing is valid for medium- and high-income people (in a global perspective), while not much has been done in poor countries. One interesting question, therefore, is whether comparatively poor people in a poor country are equally concerned about their relative standing. If concern for relative income is

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present at lower income levels, then it lends much more power to the argument that relative income matters (McBride 2001). In order to investigate this, we conducted a household survey and economic experiment (these were part of a larger survey on a different topic) in a rural province of China. As far as we know, the only study of concern for relative standing among a Chinese population is Solnick et al. (2007). They used a student sample and a survey-experiment method similar to ours and found that there were very small differences between Chinese and U.S. students with respect to concern for relative standing.

The two Chinese sayings above also point to the duality of China and current Chinese society, which makes it even more interesting as a case study of concern for relative standing. Chinese people are group-oriented (Leung 1996), but at the same time, they have a strong desire for social status and emphasize competitive and self-oriented goals, such as “social status, power, and wealth” (Yang 1996). Apart from the cultural aspect of positional concern, China has undergone drastic change—change that is in conflict with the fundamental political ideology of equality. Since the late 1970s, China has witnessed radical social change and economic development, from a period when planned economy dominated and people were equal and poor to an era with a strong market orientation, increasing incomes, and increasing income inequality. During a short period of less than 30 years, the Gini coefficient for China increased from 0.16 before reforms in the 1970s, to 0.41 in 1994, and then to 0.47 in 2004.¹ In addition, according to Chang (2002), China had the highest urban-rural income ratio in the world; in 2000 the ratio was 2.8.

This development clashes with the official communist ideology and, more importantly, it may distract people’s attitudes from the fundamental values and beliefs in “equality.” Although the Communist Party’s egalitarian notion can be seen as simple rhetoric, it does shape Chinese social structure and attitudes. As Bowles (1998) argued, markets and other economic institutions influence the evolution of people’s values and tastes. Thus, people’s perceptions of factors, such as equality and relative standing, are affected by the society in which they live. People who live in rural areas at the lower end of the income distribution—and who live in a society where equality has been important—might suffer even more, not only from income differences between urban and rural areas, but also from rising income differences within rural areas. Bramall (2001) showed that the Gini coefficient for rural China increased from 0.24 in 1980 to 0.35 in 1999.

¹ These are official Chinese statistics found on the Chinese official website, http://news.xinhuanet.com/english/2007-08/08/content_6493366.htm.

Benjamin et al. (2005) documented large inequalities between neighbors within villages in rural China, as well as income differences between rural and urban areas.

The rest of the paper is organized as follows. In section 1, we discuss the underlying economic theory and the design of the survey and the experiment. The results are presented in section 2, and section 3 concludes the paper.

1. Design of the Survey-Based Experiment

The survey and experiment were conducted in the Guizhou province, located in southwest China. We interviewed 210 respondents (all from farmer households) in 11 rural villages and two counties (Jin Ping and Ma Jiang). The experiment was part of a larger survey designed primarily to obtain information about respondent views on the privatization of forestland in the province. Guizhou is the poorest province in China, an ideal setting for studying the implications of status concern of poor households (Brown et al. 2008). The average per capita income of our sample was 2,882 yuan, which was above the village mean of 1,102 yuan, but below the provincial mean of 5,409 yuan. In the two sampled counties, around 20 ethnic groups are represented, including Han, Miao, Dong, and Buyi. Ethnic groups account for around 80 percent of the population.

The subjects were interviewed in their homes for about one hour. No compensation was paid for showing up, but as explained in detail later, the subjects were paid at the end of the survey. Before the experiment, they were given verbal information and instructions, and all questions were read aloud to each respondent. All alternatives in the experiments were shown on paper as well.

We designed a survey-based hypothetical experiment, similar to that in Johansson-Stenman et al. (2002), where we asked respondents to make repeated choices between two hypothetical states of the world for an imagined future relative. Two elements were varied in the experiment: the income of a relative and the average income in society. Furthermore, in one part of the experiment, the income of the future relative was below the average income in one of the two alternatives; in another part, it was above the average in both alternatives. Our reasoning for this was to test whether concern for relative standing depended on whether a respondent was above or below the average. Dusenberry (1949), for example, argued that this could be the case. In particular, he argued that low-income groups are affected by high-income groups' consumption, but not vice versa. Andersson (2006) also used an experiment like ours on Swedish

students and found that, when individuals make choices about above-average incomes, they are less concerned about relative standing than if the income is below average.

A number of papers discuss various ways to model concern for relative standing (Johansson-Stenman et al. 2002; Knell 1999; Ravallion and Lokshin 2005). In order to compare our experiment with previous empirical research, and to keep it simple, we assumed that people potentially relate to the average income in society. The comparison, for example, could be in terms of a ratio comparison utility function, $u(x, x/\bar{x})$, or an additive comparison utility function, $u(x, x - \bar{x})$, where x is the individual's income and \bar{x} is the average income in society. For simplicity's sake, we assumed an ordinal additive comparison utility function, $u = (1 - \gamma)x + \gamma(x - \bar{x}) = x - \gamma\bar{x}$. As suggested by Johansson-Stenman et al. (2002), γ reflects the marginal degree of positionality, i.e., the fraction of the marginal utility of income that is due to the increase in relative income. Thus, when $U = u(x, r) \equiv u(x, x - \bar{x})$, then

$$\gamma = \frac{\partial u}{\partial r} \frac{\partial r}{\partial x} / \left(\frac{\partial u}{\partial x} + \frac{\partial u}{\partial r} \frac{\partial r}{\partial x} \right), \text{ where } r \text{ is a measure of relative income.}$$

Suppose that the marginal degree of positionality is 0.2. This means that for a small income increase, there are two effects on utility: an absolute income effect and a relative income effect. If γ is 0.2, then 80 percent of the utility increase is due to the increase in absolute income, and the remaining 20 percent is due to the increase in relative income.²

What we wanted was an experiment that allowed us to estimate the marginal degree of positionality for a respondent. In addition, we wished to test whether the marginal degree of positionality was a function of r —or, in our case, if the value depended on whether the own income was above or below the average income.

In order to elicit people's preferences regarding relative standing, we needed to create a formal experiment. Following Johansson-Stenman et al. (2002), the subjects were instructed to make choices for an imaginary relative living two generations in the future. If the subjects had children of their own, we asked them to think of their children's grandchildren. If they did not have children, we asked them to imagine their future grandchildren. This was to help the respondents liberate themselves from their current circumstances. At the same time, we assumed that they would respond using their own preferences, since it is fair to say that they had limited conceptions of what their future relative would think and would probably expect their future

² It is therefore natural to restrict the marginal degree of positionality to be between 0 and 1.

relative to be like them. This assumption can no doubt be questioned. A different way to look at this would be to ask respondents what they think people in general would choose. Research in psychology has shown that people use their own preferences to predict those of others (e.g., Epley and Dunning 2002; Hsee and Weber 1997). This is analogous to the false consensus notion in social psychology (Ross et al. 1977), which implies that people overestimate the degree to which other people share their own preferences.

Our subjects were asked to make repeated choices between two alternatives: A described average income, and B, the imaginary grandchild's income. In all other respects, the alternatives were identical. The respondents made six choices. In the first three choices, alternative A was a fixed number where the average income was 4,000 yuan/month, and the grandchild's income was 3,600 yuan/month.³ This alternative was compared with three different B alternatives that had varying incomes for the future relative, but a fixed average income. (See an example in the appendix.) The grandchild's income in alternative B was chosen correspond with a certain degree of positionality if the individual was indifferent to the two societies (assuming an additive comparison utility function). Table 1 shows the two alternatives for the six choices. (This was also the order in which they were presented in the survey.⁴)

Let us look at the first choice. If an individual is indifferent to the two alternatives, then

$$x_A - \gamma x_A = x_B - \gamma x_B \rightarrow \gamma = \frac{x_A - x_B}{x_A - x_B} = \frac{3,600 - 3,150}{4,000 - 2,200} = 0.25 .$$

A respondent who chooses alternative A has a marginal degree of positionality less than 0.25, and a respondent who chooses alternative B has one larger than 0.25. In the first three choices, the grandchild's income is always lower than the average in alternative A and always higher than the average in alternative B. In order to test whether the concern for relative standing depended on whether a person is below or above the average, we constructed three additional choices. They reflected the same implicit marginal degree of positionality as the first three, except that the grandchild's income was above the average income in both alternatives. In alternative A, the average income remained 4,000 yuan, but the grandchild's income was 4,200 yuan. The average income in alternative B was also the same as before, but the grandchild's income was higher.

³ US\$ 1 = Yuan 7.42, at the November 2007 exchange rate.

⁴ The choices were always presented in the order shown in table 1. There was, of course, a risk that the order of the choices could affect the responses. At the same time, we wanted to make the experiment as simple and easy as possible for the subjects.

Table 1 Design of Alternatives in Relative Income Experiments

		Average income	Grandchild's income	Degree of positionality if indifferent (γ)
Choice 1	Alternative A	4000	3600	0.25
	Alternative B	2200	3150	
Choice 2	Alternative A	4000	3600	0.5
	Alternative B	2200	2700	
Choice 3	Alternative A	4000	3600	0.75
	Alternative B	2200	2250	
Choice 4	Alternative A	4000	4200	0.25
	Alternative B	2200	3750	
Choice 5	Alternative A	4000	4200	0.5
	Alternative B	2200	3300	
Choice 6	Alternative A	4000	4200	0.75
	Alternative B	2200	2850	

2. Results

The survey was conducted in September 2007, with a total of 210 interviews. Of the 210 responses to the choices for a future grandchild, eight were inconsistent in the sense that the subjects switched from alternative A to alternative B in a later choice, which violated the monotonicity assumption of the utility function. Potential explanations for such behavior are learning and fatigue effects or an alternative functional form of the utility function.⁵ Regardless of the cause, we excluded these responses from the analysis. The share of inconsistent responses was in line with previous similar experiments, despite the fact that most of the respondents had a low level of education. The results of the experiment are presented in table 2.

⁵ For example, an individual might want to be as close to the average as possible in absolute terms. This would mean that he/she opted for society A in the first two choices, and society B in the third.

Table 2 Results of the Hypothetical Experiment

		Grandchild's income	Average income	Degree of positionality if indifferent (γ)	Share respondents
Choice 1	Alternative A	3600	4000	0.25	0.43
	Alternative B	3150	2200		0.57
Choice 2	Alternative A	3600	4000	0.5	0.51
	Alternative B	2700	2200		0.49
Choice 3	Alternative A	3600	4000	0.75	0.54
	Alternative B	2250	2200		0.46
Choice 4	Alternative A	4200	4000	0.25	0.52
	Alternative B	3750	2200		0.48
Choice 5	Alternative A	4200	4000	0.5	0.57
	Alternative B	3300	2200		0.43
Choice 6	Alternative A	4200	4000	0.75	0.65
	Alternative B	2850	2200		0.35

A large number of the subjects were concerned with their relative standing. The distribution of the responses was bipolar. A large fraction had a marginal degree of positionality smaller than 0.25 and a large fraction had one larger than 0.75. The estimated mean degrees were similar to those found in other studies. Carlsson et al. (2007a) estimated a mean degree of positionality for income between 0.59 and 0.71, using a random sample of the Swedish population, while Alpizar et al. (2005) estimated a mean marginal degree of positionality for income of 0.45, using a sample of Costa Rican university students. Using the same assumptions about the utility function as we did here, the implicit mean degree of positionality in Solnick and Hemenway (1998) was 0.33. If we compare the implicit mean marginal degree of positionality of 0.28 for the Vietnamese farmers (Carlsson et al. 2007b), it is clear that Chinese farmers are much more concerned with relative standing. Solnick et al. (2007) conducted a study on university students in China and found that they were concerned with their relative income: 59 percent of the respondents would choose a state where they are better off in relative terms compared to others, instead of a state where they are better off in absolute terms of income.

In the part of the hypothetical experiment where the income in alternative A was lower than average (choices 1–3), 46 percent had a marginal degree of positionality above 0.75. If we

compare the responses to the first three questions with those to the last three questions, we see a clear shift toward less concern for relative standing when the grandchild's income is above the average in both alternatives. The estimated mean marginal degrees of positionality are 0.51 in the first part and 0.42 in the second part.⁶ The median is 0.5 in the first and 0.25 in the second. Using a t-test, we can reject the hypothesis of equal means (p-value = 0.066). Using a Wilcoxon signed-rank test, we can also reject the hypothesis of equal distributions (p-value=0.033).

These results are in line with what Andersson (2006) found in a similar study with Swedish students. Among our subjects, that upward comparison is stronger than the downward comparison. Reference groups for upward comparison can be, for example, people in the city and off-farm migrants in the city. Knight and Song (2006) argued that the high growth of urban incomes and the extension of peasant horizons through media and increased temporary migration may have generated a sense of relative deprivation among rural people. Indeed, there have been newspaper and even official reports of peasant discontent and incidents of rural protest and unrest. Thus, the relatively poor farmers in our subject pool did care about relative standing. Since they were poor, they suffered not only from being poor but also possibly from being in a relatively bad position, compared with, for example, people with an off-farm job in the city. However, this depends on with whom they compare themselves. There are many possible reference groups (such as the individual's own past, aspirations, or desired future; others in the family; spouse; others with similar characteristics; and others in the same residential vicinity or workplace), since individuals have different identities in different contexts and so might have different comparator groups (Kingdon and Knight 2007). In our follow-up questions, we asked our subjects if they agreed or disagreed with the following statement: "I always compare my income with..." We provided seven groups that we thought they most likely would compare with. The results are presented in Table 3.

There were small differences between the different groups, but the two groups with which the subjects most often compared themselves were people in the village and off-farm migrants in the city.⁷ The group they compared themselves with the least was actually people in the city. Thus, as expected, the distance to the comparison group affected the extent to which they compared themselves with the groups. At the same time, the situation in the city mattered

⁶ For non-extreme responses, we used the mid-value in each interval when calculating the mean. For the extreme responses $\gamma < 0.25$ and $\gamma > 0.75$, we set the values to 0 and 1, respectively.

⁷ These are the two groups they strongly agreed or agreed that they compared with in their statement.

indirectly, since an important comparison group was the off-farm migrants who move to the cities to earn a living.

**Table 3 Groups with Which the Respondents Compared Themselves
(Fraction of Respondents Who Agreed with the Statement)**

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Relatives	0.16	0.31	0.06	0.28	0.18
Neighbors	0.19	0.35	0.06	0.25	0.14
People in the village	0.19	0.40	0.06	0.26	0.09
People in the township	0.10	0.35	0.07	0.34	0.14
People in the city	0.10	0.19	0.06	0.37	0.29
Party members	0.13	0.24	0.09	0.34	0.20
Off-farm migrants in the city (from the village)	0.15	0.40	0.06	0.25	0.13

We now turned to the question of which individual factors determined the responses in terms of concern for relative standing. In the regressions, the dependent variable was the marginal degree of positionality for the two hypothetical experiments. In order to account for the fact that we observed interval-censored values, we estimated an interval regression model. Table 4 shows the descriptive statistics of our sample for various variables that we included in the regressions. The sample size had 202 observations.

We included three dummy variables for household income to capture whether a household was relatively poor or rich. Household income was the sum of farming income plus income from all other labor activities. We also included a number of household characteristics in the regressions (gender, ethnic belonging, education, Communist Party member, and house value), and two attitude variables measuring to what extent respondents agreed with the two Chinese sayings. (“It is better to be the head of a chicken than the tail of a phoenix,” and “the gun always shoots the fastest bird.”) Finally, we included village size as an explanatory variable, in order to test whether individuals were less concerned with relative standing in a large village.

Table 5 reports the results of the two interval regressions. The first regression model is for the first part of the experiment, where the grandchild earns less than average in alternative A and more than average in alternative B. The second regression model is for the second part of the experiment where the grandchild earns more than average in both alternatives A and B.

Table 4 Descriptive Statistics

	Description	Mean	Standard deviation
Income group 1	= 1, if equivalence-scaled household income is less than 1,500 yuan; zero otherwise*	0.223	0.417
Income group 2	= 1, if equivalence-scaled household income is between 1,500 and 4,000 yuan; zero otherwise*	0.376	0.486
Income group 3	= 1, if equivalence-scaled household income is between 4,000 and 6,000 yuan; zero otherwise*	0.188	0.392
Income group 4	= 1, if equivalence-scaled household income is between more than 6,000 yuan; zero otherwise*	0.213	0.410
Female	=1, if respondent is female; zero otherwise	0.069	0.254
Age	Respondent age in years	49.49	12.41
Education	Respondent education in years	5.97	2.99
Party member	=1, if respondent is a Communist Party member; zero otherwise	0.203	0.403
Han	=1, if respondent is Han Chinese; zero otherwise	0.307	0.462
Dong	=1 If respondent belongs to Dong ethnic group; zero otherwise	0.134	0.341
Miao	=1, if respondent belongs to Miao ethnic group; zero otherwise	0.411	0.411
Other ethnic groups	= 1, if a respondent belongs to another ethnic group; zero otherwise	0.148	0.356
Relatives in city	=1, if respondent has relatives living the city; zero otherwise	0.049	0.217
Interaction with Guiyang	How many times respondent has visited Guiyang (1 = many times ... 4 = never)	0.119	0.324
Chicken and phoenix saying	Agreement with saying about chicken and phoenix (1 = strongly disagree ... 5 = strongly agree)	2.376	1.196
Bird saying	Agreement with saying about bird (1 = strongly disagree ... 5 =strongly agree)	2.896	1.332
Value of the house	Value of respondent's house in 2007 (in 10,000 yuan)	1.785	2.696
Size of the village	Village population (in 100s)	15.71	9.569

* Equivalence-scale is $(\text{number of adults} + 0.5 \times \text{number of kids})^{0.75}$; members older than age 16 are adults.

Table 5 Interval Regression Estimates of the Degree of Positionality

Description	Below average income in alternative A		Above average income in both alternatives	
	<i>Coefficient</i>	<i>P-value</i>	<i>Coefficient</i>	<i>P-value</i>
Income group 1	0.094	0.233	0.164	0.038
Income group 2	0.118	0.096	0.128	0.065
Income group 3	0.103	0.188	0.162	0.035
Female	0.053	0.587	0.093	0.330
Age	0.001	0.925	0.0003	0.871
Education	-0.003	0.799	0.003	0.753
Communist Party member	0.032	0.624	-0.011	0.865
Miao	-0.104	0.069	-0.076	0.178
Dong	-0.046	0.584	-0.069	0.394
Other ethnic groups	0.015	0.856	0.011	0.881
Relatives in city	-0.017	0.871	-0.080	0.442
Interaction with Guiyang	0.045	0.568	-0.027	0.714
Chicken and phoenix saying	-0.009	0.676	-0.004	0.856
Bird saying	-0.032	0.070	-0.011	0.572
Value of house	0.021	0.021	0.026	0.010
Size of village	-0.005	0.076	-0.009	0.001
Constant	0.613	0.000	0.508	0.004
Sigma	0.329		0.321	
Number of observations	202		198	

As is typical with this type of data, it is difficult to explain the variation; not many of the explanatory variables are significant. We did find that respondents from the relatively poor households were more concerned with relative standing than respondents from high-income households. The major difference was actually between the high-income respondents and the remaining respondents. Thus, poor people care more about, and thus suffer even more from, their poor relative positions in society.

There are two large ethnic groups in this region, the Miao and Dong.⁸ Respondents from these two groups were less concerned with relative standing than the Han respondents, consistent with our intuition, although the difference between the groups was not always significant. Culturally, the Han Chinese ethnic group is more competitive and more concerned with position than the ethnic groups.⁹ This result is consistent with Brown et al. (2008), who also found that households with heads belonging to the Han Chinese spent more money on positional goods.

We did not find that being a party member had a strong influence on preferences for relative standing. Carlsson (2007b) found that the Vietnamese households where at least one person was a member of the People's Committee were more status concerned. We also found that the higher the value of the house, the more the subject cared about relative standing, although this effect was not significant in the first part of the experiment. This implied that a person who lived in a nicer house was more concerned with relative standing. The house constitutes a large share of household wealth, particularly since land cannot be owned. The house is also a status-signaling good, and its visibility and other characteristics might make it more strongly related to positional concern than other goods (Carlsson et al. 2007a; Johansson-Stenman and Martinsson 2006). Empirical evidence also shows that farmers spend a large share of their money on their houses. This could be explained with the concept of "face," or honor. Culturally, face is very important to the Chinese people. In a cultural context, especially in Chinese villages, the house plays an important role for a person who is concerned with face, and the person can win more face by having a beautiful house in the village, visible to all local villagers.

We did not find that a person who agreed with the old saying, "it is better to be the head of a chicken than the tail of a phoenix," was more concerned with relative standing. But interestingly, we did find weak evidence that a person who agreed with the other saying, "the gun always shoots the fastest bird," tended to be less concerned with relative income in the first part of the hypothetical experiment, where the grandchild's income is below the average income in one of the alternatives.

⁸ In this particular region, these groups are not minorities in terms of population, but they are in other regions.

⁹ For example, for a long time in China the imperial examination system played a very important role in people's life, and this had particular influence on the Han ethnic group. The only way to get a better life was to perform very well in the competitive examination in order to get a position in the government.

Another interesting finding was that respondents who lived in larger villages were less concerned with relative standing. This is in line with the finding by Johansson-Stenman and Martinsson (2006) that individuals in small towns are significantly more concerned about status. There are two possible reasons for this. In a small community, it is much easier to establish the strata of society, and most people know their relative standing within the community. Runciman (1966) stressed that the choice of reference groups is very important. In our case, it could be that people were more likely to make an upward comparison where a community was small. It could also be that a respondent had a strong sense of being poor if there were only a few poor people in the village. However, if there are many poor people in the village, the respondent still knows that he/she is relatively poor, but the sense of being poor is not as strong. In the latter case, the respondent can more easily justify being poor.

3. Discussion

In this paper, we investigated people's preferences regarding relative standing, or status, in a rural region in China. A number of recent empirical studies have shown that people in developed countries do have preferences in this regard. Our results indicated that, on average, Chinese rural farmers are also highly concerned about their relative standing, although the farmers in our sample were relatively poor. The concern for relative standing, measured as the implicit marginal degree of positionality, is similar in strength to what has been found in comparable studies conducted in developed countries.

What exactly affects the degree of concern for relative standing in different countries is a more complex issue. Although concern about relative standing in society seems to be a fundamental part of human nature (Solnick et al. 2007), we believe that the Chinese political system, traditional values, history, and customs may all play important roles as well. This may partly explain why Chinese poor farmers are highly concerned about relative standing. In our case, we can speculate that strong concern for relative standing might stem from the traditional values in Chinese society, which may well have survived into present-day China, since they fit very well into its current values. The values associated with competitive and self-oriented goals, such as "social status, power, and wealth," have become important than the values associated with authorities and the family (Yang 1996).

The results point to some factors that may influence the degree of positionality. The Han ethnic group was more concerned with relative standing, compared to the Miao and Dong ethnic groups. We tend to believe this result because, culturally, Han Chinese are more competitive and value social status more.

We found that a person who agreed with the old saying, “the gun always shoots the fastest bird,” tended to be less positional. This is an interesting finding that shows that some people are still influenced by the culture of *The Doctrine of the Mean*.¹⁰ The belief that a person should not be different from others decreased the degree of positionality. Village size may, to some extent, also influence the degree of positionality. People are less positional in large communities than in small communities. In addition, we found that being a Communist Party member did not significantly influence an individual’s preference for positional concern, although it is reasonable to expect a party member to have preferences for equality, since such beliefs no doubt harmonize with the political ideology of the Communist Party.

Should the current communist China still be perceived as a country of “equality”? China in the late 1970s was a poor country and people were equally poor. Then, reform and an opening-up policy began, and now China has even moved toward a market-oriented economy. During a short period of less than 30 years, China experienced rapid development. However, income inequality increased rapidly at the same time until China had the highest urban-rural income gap in the world (Chang 2002). The highly unequal income distribution has caused widespread discontent and social protest. Knight and Song (2006) argued that the fast growth of urban incomes and the extension of peasant horizons through media and increased temporary migration may have generated a sense of relative deprivation among rural people. Thus, people who live in rural areas at the lower end of the income distribution, and who have lived in a society where equality has been very important, might be even more frustrated than they would have been before, from the increased income differences between the rural and urban areas. This could also be the reason we did not find a low degree of positionality, as Carlsson et al. (2007b) found with Vietnamese farmers. The highly unequal development could have intensified the desire for a better relative standing in a society.

We also showed that our subjects, to a larger extent, compared themselves with their neighbors and people from the village, but the differences between different groups were not that large. Furthermore, people earning off-farm incomes in the cities were an important comparison group. The strong concern for relative standing has important welfare implications. The increased inequality and, in our case, increasing incomes among the relatively rich people imply

¹⁰ *The Doctrine of the Mean* is part of the Confucian scriptures. Here, it implies that the right action to take would be a mean between the extremes of too good and too bad.

a negative externality on others.¹¹ People in the rural areas who do not benefit from the increased incomes are thus very disgruntled with the increased wealth of others.¹² This could in turn have important political implications. For example, there might be a strong pressure for increased interventions in the economy and for policies to equalize incomes.

¹¹ Our paper focused on the concern for relative position. There is not necessarily a direct link between increased inequality and changes in the relative position. What we particularly had in mind was increased income differences between different groups.

¹² There are, of course, other important welfare consequences of the increased growth in China. For one thing, many people have enjoyed drastic increases in absolute income, and the living conditions and standard have presumably risen much higher for a large share of the population. On the other hand, the pressure on the environment has also increased dramatically.

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Appendix

This is an example of the text used to describe one of the choices posed to our subjects.

We will now ask you some questions about future generations. We will ask you to make choices for a person who lives two generations into the future. So, if you have children, think of your children's grandchildren. If you do not have children, think of your future grandchildren. If you have grandchildren, think of your grandchildren's grandchildren.

The difference between the alternatives is the income of your grandchild and the average income of others in society. Prices are the same in the two alternatives, and the same amounts of goods are available. Assume that the prices are the same as today. Your grandchild has the same type of job in both alternatives. The government provides education, healthcare, and social security for all people. The distribution of income is the same in the two alternatives. This means that there are equally as many poor and rich people in the two alternatives.

We want you to focus on what is the best for your future grandchild. There is no right or wrong answer. Choose between alternative A and B for your future grandchild.

Alternative A: Your grandchild's income is 3,600 yuan per month.
The average income in society is 4,000 yuan per month.

Alternative B: Your grandchild's income is 3,150 yuan per month.
The average income in the society is 2,200 yuan per month.

Your grandchild earns 450 yuan more in alternative A than in alternative B. This means that the grandchild can eat better food, live in a better house, and buy more things in alternative A. In alternative A, your grandchild earns 400 yuan less than the average income in society. In alternative B, your grandchild earns 950 yuan more than the average income in society.

Everything else is the same in the two alternatives. Choose the alternative that you consider the best for your future grandchild.

- Alternative A
- Alternative B