WORKING PAPERS IN ECONOMICS

No 308

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Fredrik Carlsson
Ping Qin

May 2008

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Fredrik Carlsson[a]
Ping Qin[b]

Abstract
This paper examines the concern for relative standing among rural households in China. We use a survey-experimental method to measure to what extent poor Chinese farmers care about their relative income and find that the respondents care 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 the low absolute income but also from low relative income.

Keywords: Relative standing, China, Inequality.

JEL classification: C93 D63

1. Introduction

That relative standing is important for people in China is reflected by two, partly conflicting, Chinese sayings: "It is better to be the head of a chicken than the tail of a Phoenix," suggesting that relative standing is important for a person and that it is better to be in a relatively good position, and "The gun always shoots the fastest bird," suggesting that it is better to not be too different from 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 (Frank, 1985, 1999), economists have relatively recently shown a renewed 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 either been done 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 is therefore whether relatively poorer people in a poor country are equally concerned about their relative standing. In order to investigate this we performed a household survey and two economic experiments in a rural province of China. As far as we know, the only study on concern for relative standing among a Chinese population is Solnick et al. (2007). They used a student sample and a survey-experimental method similar to ours, and found that there are very small differences between Chinese and US students with respect to concern for relative standing.

The two sayings above also point to the duality of China and the current Chinese society, which makes it even more interesting as a case study on concern for relative standing. Chinese people are group-oriented (Leung, 1996). 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 related to positional concern, China has undergone a drastic change, a 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 70s to 0.41 in 1994, and then to 0.47 in 2004.[1] In addition, according to Chang (2002), China has the highest urban-rural income ratio in the world; in 2000 the ratio was 2.8. This development conflicts 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 the Chinese social structure and attitudes. As Bowles (1998) argues, 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 have lived in a society where equality has been considered important, might then suffer even more from the increased inequality.

The rest of the paper is organized as follows. In Section 2 we discuss the underlying economic theory and the design of the survey and the experiment. The results are presented in Section 3 and Section 4 concludes the paper.

2. Design of the experiments

The survey and experiments were conducted in the Guizhou province located in Southwest China. We interviewed 210 respondents (all from farmer households) from 11 rural villages in two counties (Jin Ping and Ma Jiang). The experiments were part of a larger survey designed primarily to obtain information about respondent views on the privatization of forestland in the province. The subjects were interviewed in their homes and the survey lasted for about one hour. There was no compensation paid for showing up, but as will be explained in detail later, the subjects were paid a compensation at the end of the survey. Before the experiment, they were given verbal information and instructions, and all questions were read aloud to the respondent. All alternatives in the experiments were shown on paper as well.

The first experiment, which we will henceforth refer to as the hypothetical experiment, was a survey-based experiment with a design similar to that in Johansson-Stenman et al. (2002). We asked respondents to make repeated choices between two hypothetical states of the world for

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[1] The statistics are from Chinese official statistics and the Chinese official website http://news.xinhuanet.com/english/2007-08/08/content_6493366.htm.

an imagined future relative. Two things were varied in the experiment: the income of the relative and the average income in society. Furthermore, we designed the experiment so that in one part, the income of the future relative was below the average income in one of the two alternatives, while in the other part it was above the average in both alternatives. The reason is that we want to test whether concern for relative standing depends on whether a respondent is above or below the average. Dusenberry (1949), for example, argues that this could be the case, and Andersson (2006) used a similar experiment as we do on Swedish students and found that individuals with above-average incomes are less concerned about relative standing than others. The second experiment is a simple experiment that involves real money being paid to the respondents. We included this because we wanted to investigate whether and if so to what extent the choices made in the hypothetical experiment and the choices made using real money are correlated. This experiment was conducted at the end of the survey.

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 with previous empirical research and to keep it simple, we assume that people potentially relate to the average income in society. The comparison could for example 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 we assume 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 $U = u(x, r) \equiv u(x, x - \bar{x})$ we have that $\gamma = \frac{\partial u}{\partial r}\frac{\partial r}{\partial x} \bigg/ \left(\frac{\partial u}{\partial x} + \frac{\partial u}{\partial r}\frac{\partial r}{\partial x}\right)$, where r 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% of the utility increase is due to the increase in absolute income, and the remaining 20% is due to the increase in relative income.[2]

What we want to do is design an experiment that allows us to estimate the marginal degree of positionality for a respondent. In addition, we wish to test whether the marginal degree of positionality is a function of r; in our case if the value depends on whether the own income is

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

above or below the average income. These are the two aspects we wish to capture in our hypothetical experiment.

Experiment 1: Hypothetical choices for a future relative

In order to elicit people's preferences regarding relative standing, we needed to create a proper experiment. Following Johansson-Stenman et al. (2002), the subjects were instructed to make choices for an imaginary relative living two generations into the future. If they 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 very limited information about what their future relative would think and that they probably expected their future relative to be like them. This assumption can no doubt be questioned. An alternative way to look at it would be that respondents answer what they think people in general would choose. At the same time, research in psychology has shown that people use their own preferences to predict those of others as well (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.

The subjects were asked to make repeated choices between two alternatives, A and B, described by average income and 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 alternative 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 with varying income for the future relative but a fixed average income (an example is presented in Appendix 1). The grandchild's income in alternative B was chosen such that it corresponded to a certain degree of positionality if the individual was indifferent between the two societies (assuming an additive comparison utility function). Table 1 reports the two alternatives for the choice situations. This was also the order in which they were presented in the survey.[4]

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[3] 1 US Dollar corresponds to 7.42 Yuan using the November 2007 exchange rate.
[4] In order to simplify survey logistics and to make it easier for the respondents, we decided to use only one order of the questions. There is of course a risk that there is an effect on the responses due to a particular order.

Table 1. Design of alternatives in relative income experiments

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

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

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

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 choice situations, 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 depends on whether a person is below or above the average, we constructed three additional choice situations. These three reflect the same implicit marginal degree of positionality as the first three. However, the grandchild's income is above the average income in both alternatives.[5] In alternative A the average income is still 4,000 Yuan, but the grandchild's income is 4,200 Yuan. The average income in alternative B is also the same as before, but the grandchild's income is higher.

Experiment 2: Real-money reward
We also conducted an experiment involving real money at the end of the survey. We explained to the respondents that they were going to be paid for participating in the survey. They could choose between two options. In option A they would receive 20 Yuan, while everybody else who did the survey that morning/afternoon would receive 30 Yuan. In option

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[5] The experiments were always conducted in the order presented in Table 1. There is of course a risk that the order of the questions could affect the responses. At the same time we wanted to make the experiment as simple as possible for the respondents.

B they would receive 15 Yuan, while everybody else would receive 10 Yuan. If we assume the same functional form as before, but only look at the monetary reward from the experiment, the implicit marginal degree of positionality is 0.25 for a person who is indifferent between the two options. Note that if we instead assume that the respondent cares about the total income, for example monthly income, then the implicit marginal degree of positionality is much smaller.

An important issue with this experiment is whether we could get the respondents to reveal their true preferences, since they might have disguised their true preferences to avoid looking bad to the interviewer (Bertrand and Mullainathan, 2001). They might for example have chosen the 20-Yuan reward for their grandchildren to avoid revealing their selfishness to the interviewer. Alternatively, it could work the other way around: They might have chosen the 15-Yuan reward only because they felt bad showing the interviewer that they wanted more money. Taking into account all possibilities, we decided to use an anonymous procedure in this experiment. The respondents were told how the experiment was to be carried out in an anonymous way before the real money experiment was conducted. First, each respondent was asked to write the answer on a blank card and put the card in an envelope. The enumerator again ensured that the decision was private, and sealed the envelope in front of the respondent. Then the enumerator went back to the village council and gave the envelope to the team leader. When all of the envelopes had been collected, the team leader randomly picked one, and every respondent was paid the corresponding compensation based on the answer. Finally the money was put in each envelope, and all envelopes were sealed again. The enumerator returned the envelope back to the households he/she had interviewed.

3. Results

The survey was conducted in September 2007. In total 210 interviews were made. We begin by reporting the results from the experiment involving hypothetical choices for a future grandchild. Of the 210 responses, eight were inconsistent in the sense that they switched from choosing alternative A to choosing alternative B in a later choice, which violates the monotonicity assumption of the utility function. Potential explanations for such behavior are learning and fatigue effects. Irrespective of the cause, we exclude these responses from the analysis. The share of inconsistent responses is in line with previous similar experiments, and

this despite the fact that most of the respondents had a low level of education. The results of the hypothetical experiment are presented in Table 2.

Table 2. Results of the hypothetical experiment

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

A large share of the subjects were concerned with their relative standing. In the part of the hypothetical experiment where the income in alternative A was lower than average (choice situation 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 notice a clear shift towards 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. In our view, they are also consistent with the socialist ideology of equality, which manifests itself in an aversion to falling behind others. Knight and Song (2006) argue 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

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[6] For non-extreme responses we use 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.

subject pool do care about relative standing. Since they are poor, they suffer not only from being poor but also from being in a bad relative position.

The distribution of the responses is 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 have done here, the implicit mean degree of positionality in Solnick and Hemenway (1998) is 0.33. If we make a comparison with the implicit mean marginal degree of positionality of 0.28 for the Vietnamese farmers (Carlsson et al, 2007b), it is very 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 Chinese students are concerned with their relative income: 59% 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 experiment involving real money, fewer respondents, (30%) chose the option where they received more than average but less than in the other alternative. The implicit marginal degree of positionality was 0.25 (assuming an additive utility function which is only a function of the monetary rewards). In other words, there are clearly fewer respondents opting for the alternative with a better relative standing in the experiment with monetary rewards. In our opinion this is still important evidence of the strong influence of positional concern. After all, the subjects could have a direct influence on their neighbors' income from the survey, and 30% of them chose the option where they themselves got more than the others, although that decision made them receive less than in the other option. Furthermore, respondents who chose the option of receiving more than average in the real-money experiment were more likely to have a high marginal degree of positionality in the hypothetical experiment, at least for the first part of the experiment. Table 3 reports the responses in the hypothetical experiment for the two groups of respondents in the real-money reward experiment.

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Table 3. Responses in the hypothetical experiment for the two groups of respondents in the real-money reward experiment

		Degree of positionality if indifferent (γ)	Opting for a better relative payment	Opting for a better absolute payment
Choice situation 1	Alternative A	0.25	0.30	0.48
	Alternative B		0.70	0.52
Choice situation 2	Alternative A	0.5	0.35	0.59
	Alternative B		0.65	0.41
Choice situation 3	Alternative A	0.75	0.38	0.61
	Alternative B		0.62	0.39
Choice situation 4	Alternative A	0.25	0.40	0.56
	Alternative B		0.60	0.44
Choice situation 5	Alternative A	0.5	0.56	0.57
	Alternative B		0.44	0.43
Choice situation 6	Alternative A	0.75	0.60	0.67
	Alternative B		0.40	0.33

Using the Wilcoxon-Mann-Whitney test we can reject the hypothesis of equal distributions of the two groups for the first part of the hypothetical experiment (p-value=0.002), but not in the second part (p-value=0.105). Both the hypothetical and the real-money experiment thus show that many of the subjects do care about relative standing. One should of course always interpret hypothetical and low-reward experiments with care. What has been found in previous similar studies is that extreme responses tend to be overrepresented (Alpizar et al., 2005). This may be the case here as well, since it is easier for the subjects to apply a simple decision rule of for example always choosing the alternative with the highest absolute or relative income. The effect of this on the mean marginal degree of positionality is not obvious, but the distribution of preferences is most likely not as bipolar as in our data.

We now turn to the question of which individual factors determine the responses in terms of concern for relative standing. We focus the analysis on the responses in the hypothetical experiment. In the regressions the dependent variable is the marginal degree of positionality for the two hypothetical experiments. In order to account for the fact that we observe interval-censored values, we estimate an interval regression model. Table 4 reports the descriptive statistics of our sample for various variables that we include in the regressions; the sample size is 202 observations.

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 1	= 1 If equivalence-scaled household income is between 1,500 and 4,000 Yuan; zero otherwise[*]	0.376	0.486
Income group 1	= 1 If equivalence-scaled household income is between 4,000 and 6,000 Yuan; zero otherwise[*]	0.188	0.392
Income group 1	= 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 minorities	= 1 If a respondent belongs to another minority 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 vs Phoenix saying	Agreement with saying about Chicken vs 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 (10,000 Yuan)	1.785	2.696
Size of the village	Village population/100	15.71	9.569

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

We capture whether the household is relatively poor or rich by relating household income to the average income in the village. There is a rather large variation in average income across villages. Household income is the sum of farming income and income from all other labor activities. We also include a number of household characteristics in the regressions (gender, ethnic belonging, education, being a party member, and house value), and two attitude variables measuring to what extent respondents agree with the two old 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 include village size as an explanatory variable, in order to test whether individuals are 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 5. Interval regression estimates of the degree of positionality

Description	Below average income in alternative A		Above average income in both alternatives	
	Coefficient	P-value	Coefficient	P-value
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
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 minorities	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 vs 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 the 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 do find that respondents from the relatively poor households are more concerned with relative standing than respondents from high-income households. The major difference is actually between the high-income respondents and the remaining respondents. Thus, poor people care more, and thus suffer even more from their poor relative positions in society. There are two large ethnic minority groups in this region: Miao and Dong.[7] Respondents from these two groups are less concerned with relative standing than the Han respondents, which is consistent with our intuition, although the difference between the groups is not always significant. Culturally, Han Chinese are more

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[7] In this particular region, these groups are not minorities in terms of population.

competitive and concerned with position than the ethnic minority groups.[8] We do not find that being a party member has a strong influence on preferences for relative standing. Carlsson (2007b) found that the Vietnamese households where at least one person is a member of the People' Committee are more status concerned. We find that the higher the value of the house, the more the subject cares about relative standing, while this effect is not significant in the first part of the experiment. This implies that a person who lives in a nicer house is more concerned with relative standing. The house constitutes a large share of the household wealth, in particular 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 for 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 do not find that a person who agrees with the old saying "It is better to be the head of a chicken than the tail of a phoenix" is more concerned with relative standing. But interestingly, we do find weak evidence that a person who agrees with the old saying "The gun always shoots the fastest bird" tends 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. Another interesting finding is that respondents who live in larger villages are less concerned with relative standing. 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) stresses that the choice of reference groups is very important. In our case it could be that people are more likely to make an upward comparison when a community is small. It could also be that a respondent has a strong sense of being poor if there are 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 will not be as strong. In the latter case, he/she can more easily justify himself/herself being poor.

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[8] For example, for a long time in China's history the imperial examination system played a very important role in people's life, and this had particular influence on the Han ethnic majority. 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.

4. Discussion

In this paper we have 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 indicate that on average, Chinese rural farmers are also highly concerned about their relative standing, although the farmers in our sample are 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 political system, traditional values, history, and customs may somehow all play important roles as well. This may partly explain why Chinese poor farmers are highly concerned about relative standing. In our case, we may speculate that strong concern for relative standing could stem from the traditional values in society, which may well have survived into present-day China since they fit very well into the current values in China. 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 points to some factors that may influence the degree of positionality. The Han ethnic majority is more concerned with relative standing compared to the Miao and Dong ethnic minorities. We tend to believe this result because culturally, Han Chinese are more competitive and value social status more.

We found that a person who agrees with the old saying "The gun always shoots the fastest bird" tends 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."[9] The belief that a person should not be different from others decreases 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 party member does not significantly influence an individual's preference for positional concern, although it

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[9] The Doctrine of the Mean is part of the Confucian scriptures. Here it would imply that the right action to take would be a mean between the extremes of too good and too bad.

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 a reform and an opening-up policy began, and now China has even moved towards a market-oriented economy. During a short period of less than 30 years, China has experienced rapid development. However, income inequality has increased rapidly at the same time, and China is currently the country with the highest urban-rural income gap in the world. The highly unequal distribution has caused widespread discontent and social protest. Knight and Song (2006) argue 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 inequality. This could also be the reason why we do not find a low degree of positionality, as found with Vietnamese farmers (Carlsson et al., 2007b). The highly unequal development could have intensified the desire for a better relative standing in a society. The strong concern for relative standing has important welfare implications. The increased inequality and increasing incomes among the relatively rich people imply a negative externality on others. People in the rural areas who do not benefit from the increased incomes are thus very disgruntled with the increased wealth of others.[10] 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.

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[10] 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 become 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 1

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 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 3600 Yuan per month
                 The average income in society is 4000 Yuan per month

Alternative B: Your grandchild's income is 3150 Yuan per month
                 The average income in the society is 2200 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