

NOTES AND MEMORANDA

A COMPARISON OF LEVELS OF CONSUMPTION OF URBAN HOUSEHOLDS IN JAPAN AND IN MAINLAND CHINA— A SUMMARY¹

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The object of this paper is to compare the consumption level of urban households in Japan and in Mainland China during the mid-1950's. Generally speaking, data on consumption are scarce in the socialist countries, including Mainland China. Some pertinent information can be found in some papers in *Hsin-hua pan-yueh-k'an* (*Statistical Studies*) in 1957 (written in Chinese) using the results of family budget surveys during the mid-1950's. In these papers, we can find tables on the composition of consumption expenditures by major groups and on the *per capita* consumption in quantities for some commodities.² We can also get figures on consumer prices by commodities from the price lists in Chinese local newspapers during the mid-1950's. Reports on consumer prices by Japanese travellers are also useful as a supplement where information is lacking.³ As for data regarding the consumption level of Japanese urban households and consumer prices, we feel few restrictions for our purpose, because comprehensive surveys exist in these fields.⁴

There have been proposed many formulae for the comparison of standards of living, but let us adopt here the simplest. This would be the index of the Chinese standard of living compared with the Japanese standard, and is defined by

$$I(J) = \frac{\sum Q(C)P(J)}{\sum Q(J)P(J)} \quad (1)$$

with Japanese price weights, or

$$I(C) = \frac{\sum Q(C)P(C)}{\sum Q(J)P(C)} \quad (2)$$

with Chinese price weights, where Q is the quantities consumed, P is consumer prices and C and J in brackets show that the variables concern Chinese and Japanese households respectively.

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²Part of these data are used in Colin Clark, "Economic Growth in Communist China", *The China Quarterly*, March, 1965.

³As for Chinese price data, see Toshiyuki Mizoguchi, "Statistical Analysis of Price System in Mainland China", *Development Economics*, Vol. III, No. 3, 1965.

⁴Family budget data, entitled *Family Income and Expenditure Survey*, is published by the Statistical Bureau of Prime Minister's Office every year in Japan. Surveys on consumer prices have been published by the Statistical Bureau and the Bank of Japan.

Now let us begin our comparison using formula (1). The average levels of consumption in twenty-seven large Chinese cities and in Shanghai city are compared with those in all urban households in Japan. It should be noted in advance that the average income level in Shanghai seems to be much higher than in the other cities. Though the statistical materials used here are abundant compared with the official data in the other socialist countries, they are not enough to apply formula (1) directly. In order to make the most of the scarce Chinese data, three sorts of data are used. First, the detailed statistics on family budgets in Shanghai city in 1934 are used to estimate the quantities of commodities consumed when expenditures are not too large, and also to subdivide Chinese expenditures into more detailed groups. Second, Chinese consumer prices by commodities are used to examine whether our estimates of quantities are consistent with the composition of expenditures in Chinese prices. They are useful to calculate the real purchasing power of the two currencies by the detailed groups of expenditures, which is necessary to obtain approximate values of $Q(C)P(J)$'s for service expenditures. The third type of information consists of miscellaneous reports by Japanese travellers. Some adjustments are needed for the quality of services and for the support of higher education and medical services by the socialist system, and these reports are used for this purpose. When alternatives are possible, two extreme cases are calculated in each stage.

After the Chinese expenditures in Japanese prices are calculated, the comparison is done in terms of the classification adopted by the International Labour Office.⁵ Table 1 shows some interesting facts. First, food expenditures are higher in Mainland China than in Japan. Since the expenditures are not too low in 1956 in Japan even if we compare them with those in Japan in recent years, the level of food consumption in Mainland China is relatively high. However, the percentage of food expenditures devoted to cereal consumption is very much higher than in Japan. This means the quality of food in Chinese households is not so good as in Japanese households. The differences in the level of clothing expenditures can be explained by the fact that Chinese clothing consumption is mainly composed of clothes for which Japanese prices are relatively low compared with prices of suits and of other clothing. The low level of Chinese residential expenditures can be partially explained by the smaller houses, but it is mainly due to the different level of expenditures on consumer durables. Since

TABLE 1
COMPARISON OF PER-CAPITA CONSUMPTION EXPENDITURES OF JAPANESE AND
CHINESE HOUSEHOLDS IN JAPANESE PRICES (YEN)

	Chinese Households				Japanese Urban Households (1956)
	27 Large Cities (1955)		Shanghai City (1956)		
	(U)	(L)	(U)	(L)	
Food	23,267	20,584	32,854	31,990	29,370
Clothing	3,026	3,026	3,563	3,563	7,999
Housing	1,359	1,359	2,182	2,182	7,500
Fuel and light	1,241	1,147	1,525	1,105	3,219
Miscellaneous	7,260	7,260	14,345	13,946	17,193
Total	36,153	33,376	54,469	52,786	65,281
Remittances	7,494	7,494	15,454	14,059	496

Note.—(U) means the upper estimates and (L) means the lower estimates.

⁵As for the classification, see International Labour Office, *Bulletin on Family Budget Surveys*, 1950–1960, 1961.

expenditures on consumer durables have increased remarkably since 1956 in Japan, this difference would be much larger if the comparisons were made for recent periods. There are also significant differences in the level of miscellaneous expenditures between the Chinese and the Japanese households. This tendency can be easily explained by income differences, because the elasticities of these expenditure groups are generally high. It is interesting that differences in consumption levels between Chinese households in twenty-seven large cities and Shanghai city are found mainly in food expenditures and miscellaneous expenditures. We find a large amount of expenditure for remittances in Chinese households. Since these amounts are calculated as residuals, a part of this can be explained as errors. But perhaps a more fundamental reason may be related to the Chinese custom of relatives supporting each other, because we can find a similar pattern in recent family budget surveys in Taiwan. When we exclude expenditures for remittances from the consumption expenditures, in accordance with the definition of the International Labour Office, the index I(J) is from 51 per cent to 56 per cent for the average households in twenty-seven large Chinese cities and from 81 per cent to 84 per cent in Shanghai city. The latter figures may be surprising for some economists. When we add expenditures for remittances, total expenditures in Chinese households in Shanghai city are higher than the average expenditures in Japanese urban households in 1956. The consumption level of Japanese households in 1956 was not too high; the level is only 63 per cent of real consumption expenditures in 1966. However, we cannot deny that the consumption level in Shanghai city was high in the mid-1950s among Asian countries. The average level in twenty-seven large Chinese cities is not too high, compared with the Japanese level. But it is very important to note that the level of food expenditures is relatively high, because there remain starvation problems in some Asian countries even in recent periods.

Now, let us proceed with our analysis of the application of the formula (2). Though we have detailed family budget data for Japan, the Chinese data on consumer prices are not sufficient to obtain a reliable index I(C). However, a very preliminary calculation shows that I(C) is 63 per cent in Shanghai city and is lower than I(J). This is not surprising because such differences between two sorts of indices are often found in international comparisons between the developed and the less developed countries.

Finally, the calculation of real exchange rates between the Japanese yen and Chinese yuan depending on consumer prices may be interesting. According to figures in Table 2, the rate with Japanese expenditure weights is nearly equal to the official exchange rates, but the rates with Chinese expenditure weights are higher than the official exchange rate.

TABLE 2
REAL EXCHANGE RATES FROM CHINESE YUAN TO JAPANESE YEN

Weights	
Chinese family expenditures in 27 large cities	from 236 to 252
Chinese family expenditures in Shanghai city	233 241
Japanese family expenditures in urban areas	151

The above findings indicate that the real consumption level in urban households in Mainland China is higher than we have expected. But it should be mentioned that the consumption level of urban households in China recently might not be so high as in Japan. Though the level of consumption in urban households is said to have increased from 1956 to 1959, it decreased sharply from 1960 to 1962. Therefore, we can imagine that the level of consumption in Chinese households would not be too much higher than the level in 1956. Nevertheless, we can safely say that the consumption level in Mainland China in the recent period would be higher than in other Asian countries excluding Israel, Japan, and perhaps one or two other countries.