



## **The Construction of Complete Panels of Real per capita Income for Chinese Provinces**

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The Penn effect reveals that there is a positive correlation between the price level and per capita GDP in country level. As it is known, China's rapid development has been accompanied by wide gaps between different regions, which imply that there may be substantial subnational price differentials within it. Consequently, adjusting spatial price differentials is essential for measuring real income across provinces in China. In this paper, we calculate spatial price indexes across provinces in benchmark years by the Engel-curve approach. Based upon benchmark data, the new Chinese complete panels of real per capita income for 17 provinces from 1990 to 2007 have been built by the extrapolation method proposed in the Penn World Table 8.0. All the data used in this paper are mainly from household survey datasets (CHIPS) and China Price Statistical Yearbooks. Moreover, the adjusted price level series are applied to analyze the trend of real income inequality across provinces in China.

**Keywords:** spatial price indexes; Engel-curve approach; real per capita income.