

# Tolerance for Income Inequality in Rural China

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**Paper Abstract:** This paper analyzes tolerance for widening income inequality in rural China. China has large income inequality, and some villages face risk of social unrest. We estimate how rural residents have tolerances for widening income inequality within village. Tunnel effect which Hirschman and Rothschild argue applies to our empirical analysis, we focus on own income increase, neighborhoods' income increase, and expectation for own income increase. The statistical analysis is based on rural household data in Sichuan, China from 2005 to 2006. The empirical results are as follows; (1) rural residents who envy neighborhoods' increased consumption expenditure do not tolerate for widening income inequality within village, (2) rural residents who expect for own income increase in the near future tolerate the inequality, (3) rural residents who have a lot of wealth or stock tolerate the inequality.