

Income Inequality and Subjective Well-being in Urban China: Changes in the 2000s

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Paper Abstract:

Despite its enormous success in GDP growth, last three decades witnessed an increasing level of income inequality in China. However, previous studies observed a positive effect of general income inequality (as measured by county/city-level Gini coefficients) on subjective well-being in both rural and urban China. How does it come? And does the positive effect of inequality still exist later?

This study uses two cross-sectional datasets from a national survey program, and finds that compared with 2002, general income inequality turns to have a negative impact on the subjective well-being of urban Chinese in 2007, which is robust to alternative model and other inequality measures. This contrast indicates that urban Chinese have lowered their tolerance for income inequality during the 2000s, and suggests that the “tunnel effect” is no longer prevalent. By analyzing happiness indicator, this study provides evidence of the changing attitudes to inequality in the post-reform China. Whether a nation’s subjective well-being is positively affected by inequality is highly related with the fact that whether an economy can still provide hope of getting better off for all.