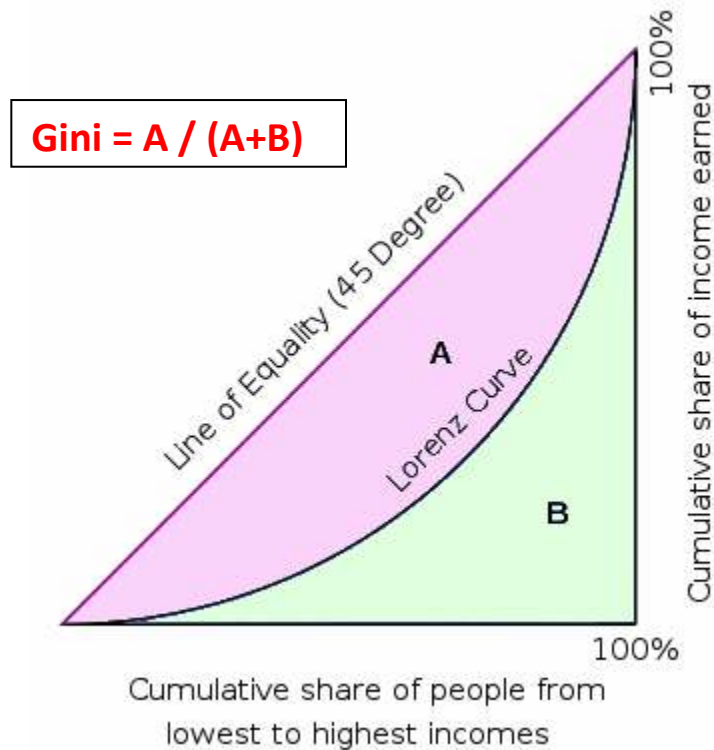


Summary of the Gini Coefficient

The Gini coefficient is a statistical measure of inequality, derived from a function called the Lorenz curve (which plots cumulative income against cumulative population). A Gini score of 0 implies perfect equality (in which every individual receives the same income). A score of 1 implies perfect inequality (in which one individual receives all of the income).



To draw the Lorenz curve, arrange the whole population, from poorest to richest, along the horizontal (X) axis. Then calculate the cumulative income represented as you move along that axis (from poorest to richest), and plot that on the vertical (Y) axis. If income was distributed perfectly equally, the Lorenz curve would be a 45° line: since each proportion of the population receives the same proportion of income. In practice, the Lorenz curve slopes upward at less than 45°, because poor people have less than their proportional share of income. Then, when high-income earners are included, it slopes up quickly (because they receive more than a proportionate share). The Lorenz curve is thus a convex curve nested under the 45° line. The gap between the curve and the 45° line (area A) is larger in countries that are very unequal. The Gini coefficient equals area A divided by the whole area under the 45° line (area A plus B). It is larger in more unequal countries. It equals under perfect equality, and 1 when the richest person in society receives all the income.