



The Gini Index



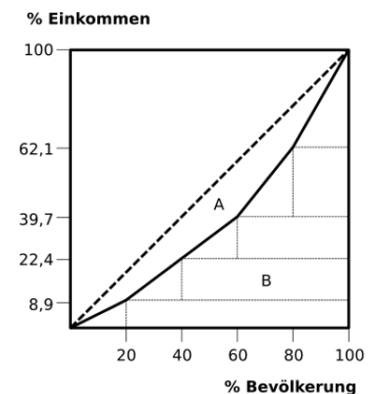
The Gini index, also known as the Gini coefficient, is a measure of income inequality within a population. It was developed in 1912 by the Italian statistician Corrado Gini. The index ranges from 0 to 1, with 0 representing perfect equality (everyone has the same income) and 1 representing perfect inequality (one person has all the income and everyone else has none).

This measure is crucial to understanding the economic health and social structure of a society, as high levels of inequality can indicate underlying problems such as lack of access to education, healthcare and economic opportunities for certain groups.

Calculation

To calculate the Gini index, you need to list all incomes from lowest to highest. Then, plot the cumulative share of income against the cumulative share of the population to create the Lorenz curve¹. The Gini index measures the area between this Lorenz curve and a diagonal line that represents perfect equality (where everyone has the same income).

Beispiel: Gini-Koeffizient



Advantages

The Gini index has several advantages. It provides a single, easy-to-understand figure that summarises the degree of income inequality within a population. Unlike other measures of development that may focus solely on economic growth or GDP, the Gini index specifically highlights income inequality. Economic growth does not necessarily mean more prosperity for all if the money remains in the hands of the rich. By highlighting income inequality, policy makers can use the Gini index to take specific measures, such as progressive taxation, social welfare programs, and education initiatives, to promote fair development.

Another advantage of the Gini index is, that it can be applied to different types of data, not just income. It can be used to measure inequality in wealth, consumption, or other economic variables. It also allows for historical comparisons within a country. By tracking changes in the Gini index over time, it is possible to assess the impact of economic policies and social programs on income inequality. Is the gap between rich and poor widening or is it closing?

Finally, the Gini index is widely recognized and used by international organizations, such as the World Bank and the United Nations. This widespread acceptance makes it a standard measure for global studies on income inequality and development.

Limitations

Although the Gini index is a useful tool for measuring income inequality, it has several limitations. First, it does not allow us to draw conclusions about the structure of an unequal distribution. For example, it does not tell us whether an income distribution is particularly unequal at the bottom or at the top.

Moreover, it measures relative inequality without providing information on actual income levels or living standards. This means that two countries with the same Gini index could have very different average incomes.

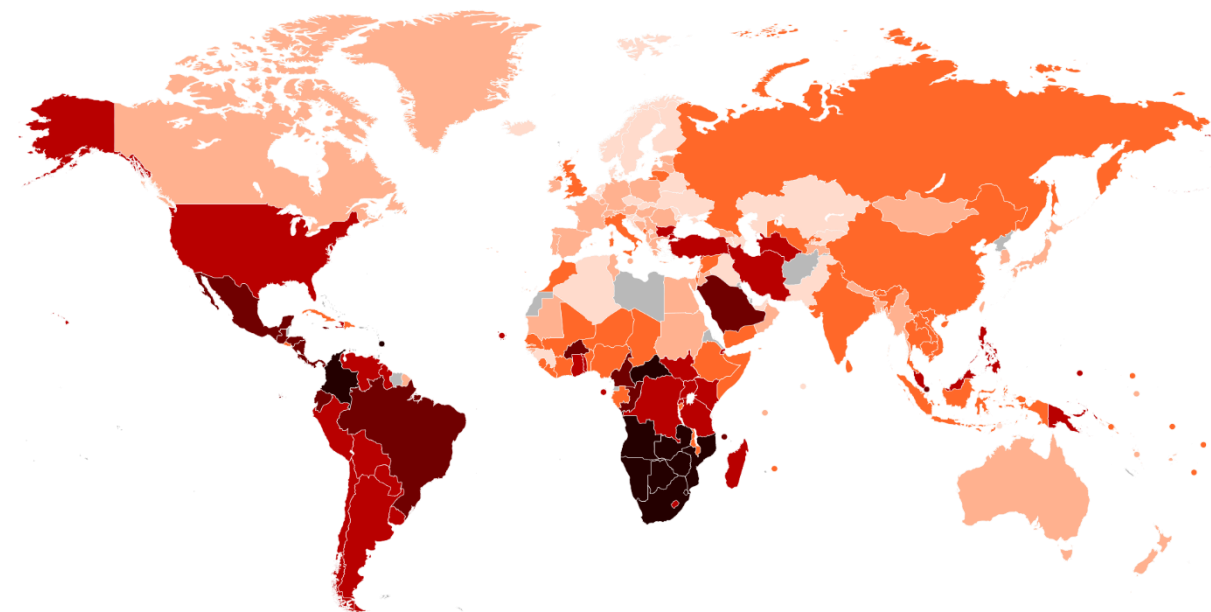
¹ Quelle Darstellung Lorenzkurve: [Datei: Berechnung des Gini-Indexes.svg](#) – Wikipedia by Lutz Hartmann



The Gini index also ignores demographic factors such as age, gender or household size, which can affect income distribution. For example, a country with a younger population may have a different income distribution to a country with an older population.

Furthermore, it only shows disparities at a national level and ignores disparities within a country. In addition, the Gini index focuses only on income and does not take into account other dimensions of well-being, such as access to education, health care and social services. It also ignores non-monetary forms of inequality, such as social and political inequality.

Map of countries by GINI coefficient (1990 to 2020)



Based on World Bank data ranging from 1992 to 2020. ■ Above 50 ■ Between 45 and 50 ■ Between 40 and 45 ■ Between 35 and 40 ■ Between 30 and 35 ■ Below 30 ■ No data

[Map of countries by GINI coefficient \(1990 to 2020\) - Gini coefficient - Wikipedia](#)



Fact Sheet

Gini Index

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