Of total world income, 42 per cent goes to those who make up the richest 10 per cent of the world’s population, while just 1 per cent goes to those who make up the poorest 10 per cent.

Income inequality among countries in the world rose sharply between the 1980s and the mid-1990s, before levelling off and then falling after 2000.

Countries with very high inequality are clustered in South America and southern Africa. Countries with low inequality are mostly in Europe. Canada and the U.S. have medium income inequality.

The increase in income inequality has been more rapid in Canada than in the U.S. since the mid-1990s.

Is world income inequality increasing?

At the 2011 World Economic Forum in Davos, income inequality and corruption were singled out as the two most serious challenges facing the world. Zhu Min, a special adviser at the International Monetary Fund, told delegates that “the increase in inequality is the most serious challenge for the world. . . . I don’t think the world is paying enough attention.”

And in a recent keynote address to an OECD policy forum on income inequality, Richard Freeman, professor of economics at Harvard University, noted that “the triumph of globalization and market capitalism has improved living standards for billions while concentrating billions among the few. It has lowered inequality worldwide but raised inequality within most countries.”

Is Freeman correct? Is income becoming more concentrated among a relatively small group of people? And if so, what are the consequences for the standard of living of the many, today and in the years ahead?
Current headlines certainly seem to support Freeman’s remarks. Forbes magazine’s 2011 list of billionaires—the Forbes Rich List—revealed that the world’s 1,210 billionaires set a record for combined wealth of $4.5 trillion. While the U.S. has more billionaires on the list than any other country, middle- and low-income countries have their share as well.

Freeman’s forum remarks also make an important distinction between income gaps among countries, such as the income gap between Canada and China, and the income gap among individuals within a single country. In other words, are you examining whether the gap is increasing between rich and poor countries or whether the gap has increased between rich and poor people within one country? It is entirely possible that the income inequality within one country, like China for example, may be increasing while at the same time the gap between the average income in China and the average income in richer countries is shrinking. Freeman’s comments suggest that inequality worldwide has decreased, but inequality within each country has increased.

How do we define a “rich” country? How do we define a “poor” country?

The World Bank divides 215 countries into four categories based on income levels. The table gives a snapshot of these categories and some basic characteristics of countries within each category.4

<table>
<thead>
<tr>
<th>Income categories</th>
<th>Income classification criteria: gross national income per capita in 2009 (US$)*</th>
<th>Number of countries</th>
<th>Country examples</th>
<th>Total population</th>
<th>Average income in 2010 (constant PPP 2005 international $)</th>
<th>Secondary school enrollment rate, 2010**</th>
<th>Life expectancy at birth (years, 2009)</th>
<th>Infant mortality rate (per 1,000 live births, 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income countries (rich countries)</td>
<td>Higher than $12,276</td>
<td>70</td>
<td>Canada, Poland, U.S.</td>
<td>1.1 billion</td>
<td>$33,232</td>
<td>100%</td>
<td>79.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Upper-middle-income countries</td>
<td>$3,976 to $12,275</td>
<td>54</td>
<td>Brazil, China, Russia</td>
<td>2.5 billion</td>
<td>$8,731</td>
<td>90%</td>
<td>71.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Lower-middle-income countries</td>
<td>$1,006 to $3,975</td>
<td>56</td>
<td>Guatemala, India, Nigeria</td>
<td>2.5 billion</td>
<td>$3,287</td>
<td>64%</td>
<td>64.8</td>
<td>51.7</td>
</tr>
<tr>
<td>Low-income countries (poor countries)</td>
<td>$1,005 or less</td>
<td>35</td>
<td>Bangladesh, Cambodia, Kenya</td>
<td>817 million</td>
<td>$1,099</td>
<td>39%</td>
<td>57.5</td>
<td>76.5</td>
</tr>
</tbody>
</table>

*The World Bank calculates gross national income using the Atlas conversion factor, which reduces the impact of exchange rate fluctuations when comparing national incomes across different countries.

**Ratio of enrolment in secondary school (regardless of age) to the population of the age group that corresponds to that level of education.

Source: World Bank, World Development Indicators; The Conference Board of Canada.

How do we measure world income inequality?

The Conference Board has analyzed world income inequality using three methods.

**Method 1: Calculate the income gap between rich and poor countries**

This method calculates the average income of high-income countries (as defined above) and compares it with the average income of low-income countries. The difference between the two is called the “income gap” and is tracked over time.

**Method 2: Calculate the overall world income inequality using the Gini index measure**

The Gini index is the most commonly used measure of income inequality. Named after the Italian statistician Corrado Gini, the Gini index calculates the extent to which the distribution of income deviates from a perfectly equal distribution. It ranges from 0 to 1. A Gini index of 0 represents exact equality (that is, everybody has the same
amount of income); a Gini index of 1 represents total inequality (that is, one person has all the income and the rest of the society has none). An intuitive way of understanding the Gini index is that the number corresponds to the share of total income that would need to be redistributed in order to achieve exact income equality. So, for example, a world Gini index of 0.55 means that 55 per cent of the world’s income would need to be redistributed in order to have exact income equality.

**Method 3: Calculate the income inequality of each country and compare them**

As noted earlier, it is entirely possible that the income inequality within a country may be increasing at the same time as the gap between the average income of that country and the average income in richer countries is shrinking. For this reason, we need to also look at what is happening to income inequality within each country.

**Method 1: Is there an income gap between rich and poor countries? Has the gap increased?**

The answer to the first question is an unequivocal “yes.” Income per capita among high-income countries has always been higher than income per capita in countries from other income groupings. Over time, however, mainly as a result of the rise in incomes in China and India, the two middle-income groupings of countries began to get richer more quickly. This can be seen in the graph below, where the red and green lines begin to trend upwards in the 2000s.

China, recently re-classified by the World Bank as an upper-middle-income country, is the reason for per capita incomes in this grouping rising by an average of 5.9 per cent per year between 2000 and 2010. India, a lower-middle-income country, is the main reason for per capita incomes rising by an average of 5.1 per cent per year in that decade. By contrast, average per capita incomes grew by 3.7 per cent per year in low-income countries between 2000 and 2010, and by only 0.5 per cent per year in high-income countries.

The answer to the second question—whether the gap has been growing—is both yes and no. It grew in the 1980s, the 1990s, and the first part of the 2000s, but declined slightly between 2007 and 2010. For example, the gap between average per capita incomes in high-income countries and low-income countries increased from $18,500 in 1980 to $32,900 in 2007, before falling slightly to $32,100 in 2010. High-income countries are also significantly richer than middle-income countries. In 2010, the average income per person in a high-income country was $29,950 more than the average income of a person in a lower-middle-income country and $24,500 more than the average income of a person in an upper-middle-income country.
To further understand the global distribution of income, we lined up all 128 countries—from the poorest in terms of income per capita (Zimbabwe) to the richest (Qatar)—and then split them into 10 groups (deciles) of equal populations. The total population of those 128 countries is 6.4 billion, so each of the 10 groupings has 640 million people. For example, in the decile grouping with the lowest incomes per capita, there are 24 countries whose annual income per capita range from $185 (Zimbabwe) to Kenya ($1,370). By multiplying each country’s income per capita by its population we calculate the total income for that grouping. This poorest grouping accounts for $632 billion, or 1 per cent of total annual world income.

We follow this methodology for each of the 10 groupings. In the grouping with the highest incomes per capita (which also accounts for 640 million people), there are 16 countries, with income per capita ranging from $29,688 (Japan) to $63,151 (Qatar). Canada and the United States are in this grouping. This richest group accounts for $25.9 trillion, or 42 per cent of world income.

This exercise reveals that 42 per cent of total world income goes to those who make up the richest 10 per cent of the world’s population, while just 1 per cent goes to those who make up the poorest 10 per cent. Global income distribution is therefore very highly skewed toward the 16 richest countries that make up the top decile.

Method 2: Has world income inequality increased? If so, why?

We calculate two world Gini indexes—the first does not adjust for country population size, while the second does.

Inequality among countries without adjusting for country population size

In the first calculation—that is, the Gini index without adjusting for country population size—we take all countries in the world, line them up based on average income per capita from richest to poorest, and calculate the income inequality among them. The important thing to note in this calculation is that each country, regardless of the size of its population, counts for one observation or data point. So, for example, China, with a population of 1.3 billion people, counts for the same weight as Canada, with a population of 33.7 million people. This is then a measure of inequality among countries in the world, not inequality among all people in the world. It is an important distinction. This measure tells us whether countries are converging or diverging in terms of their average income levels. In general, if the Gini index rises, it means that richer countries are doing better than poorer countries.

The chart shows inequality among countries (without adjusting for population size). The 1961 to 1989 results were calculated by Branko Milanovic and published in his book Worlds Apart: Measuring International and Global Inequality. The 1990 to 2010 results were calculated by The Conference Board of Canada using World Bank data for
172 countries for which data on per capita income were available. These 172 countries account for 98 per cent of world gross domestic product and 97 per cent of world population. The Conference Board data were adjusted to account for differences in country coverage and data between Milanovic’s study and that of the Conference Board.

Between 1960 and 1982, income inequality among countries was almost unchanged, as shown by the Gini index in the chart.

Between 1982 and 1994, however, the Gini index rose sharply, signalling growing income inequality among countries. According to calculations by Milanovic, this was due to three factors: the declining relative incomes of Latin American countries in the 1980s, declining relative income in the transition countries of Eastern Europe and the former Soviet Union in the later 1980s and early 1990s, and the disastrous performance of many countries in Africa.

The post-2000 decline in income inequality was due to much stronger economic growth in the same three groups: Latin America, Eastern Europe and former Soviet countries, and African countries.

Even with the post-2000 fall in income inequality, however, the Gini index in 2010 remained higher than it was in the 1970s and most of the 1980s. The explanations for why income inequality is higher today than in the early 1980s tend to fall into two broad categories: market forces and institutional forces.

Market forces, particularly skill-biased technical change (SBTC) and increased globalization, are creating a rising demand for highly skilled labour. Edward Lazear, chairman of the U.S. President’s Council of Economic Advisors, explained this in a 2006 speech: “In our technologically advanced society, skill has higher value than it does in a less technologically advanced society.” As developed countries import more low-skilled-intensive goods and export more skills-intensive goods, jobs in low-skilled industries are lost in those developed countries.

However, not all researchers agree that market forces are at the root of all or even most of the rising inequality. For instance, in a paper published in the Journal of Labor Economics, David Card and John DiNardo argue that “contrary to the impression conveyed by most of the recent literature, the SBTC hypothesis falls short as a unicausal explanation.” An alternative explanation, put forward by economist Paul Krugman and others, is that the increase in inequality can be attributed to institutional forces, like declines in unionization rates, stagnating minimum wage rates, deregulation, and national policies that favour the wealthy.

Branko Milanovic argues that even if market forces are partly to blame for rising income inequality, the idea that governments should not intervene in the market should be rejected. The question of global income inequality cannot, he states, “be taken out of the social arena by evoking ‘the market.’ The market economy is a social construct, created, or rather discovered, to serve people, and thus raising questions about the way it functions is fully legitimate in every democratic society.”
Inequality among countries adjusting for country population size

In the next calculation, the world Gini index is recalculated by weighting countries by their population size. This means that countries with large populations have a larger impact on the Gini index than do countries with smaller populations. The population-weighted Gini index was calculated by Branko Milanovic and published in his book *Worlds Apart: Measuring International and Global Inequality*. The chart below compares the population-weighted Gini index (red line) with the unweighted Gini index shown in the previous chart (black line).

This weighted world Gini index declines almost consistently from 1962 onward. This is mainly due to the phenomenal economic growth in China and India relative to richer countries. Because China and India together account for over one-third of the world’s population, these two countries have a very strong impact on the population-weighted Gini results. But if China and India are removed from the calculation, the population-weighted Gini index trends upward after 1982 (as does the unweighted Gini index), meaning that overall income inequality is increasing in the rest of the world.

Method 3: Are there large gaps between rich and poor people within each country? Are these gaps increasing?

The extent of income inequality differs by country. The Gini indexes range from a low of 0.24 in Slovenia to a high of 0.74 in Namibia. Canada ranks 32nd with a Gini index of 0.32. The U.S. ranks 62nd with a Gini index of 0.38.

To better understand how these within-country Gini indexes differ around the world, we have sorted the data by income groupings and by geography. The table below reveals that there are both more equal and less equal countries within each income category. For example, 17 of the 32 high-income countries have low inequality, 14 have medium inequality, and one (Qatar) has high inequality.
In keeping with economist Simon Kuznets’ hypothesis that as countries become more developed, they first experience more inequality and then progressively less inequality, high-income countries are more likely to have lower income inequality. The income groupings most likely to have high inequality are middle-income countries—in other words, countries moving up the economic development ladder.

You can see how income inequality differs by geographic region by using the following map. Data are available for 129 countries. Countries for which data are not available are shaded grey.

Click on one of the four options at the top of the map:

- “Low inequality” to select those countries where the Gini index is between 0.200 and 0.299
- “Medium inequality” to select those countries where the Gini index is between 0.300 and 0.399
- “High inequality” to select those countries where the Gini index is between 0.500 and 0.499
- “Very high inequality” to select those countries where the Gini index is above 0.500

Countries with very high inequality are clustered in South America and southern Africa. Countries with low inequality are mostly in Europe. Both Canada and the U.S. have medium income inequality.

### Distribution of Levels of Income Inequality by Country Income Level

<table>
<thead>
<tr>
<th>Income Level</th>
<th>High-Income Countries</th>
<th>Upper-Middle-Income Countries</th>
<th>Lower-Middle-Income Countries</th>
<th>Low-Income Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>Share (per cent)</td>
<td>#</td>
<td>Share (per cent)</td>
</tr>
<tr>
<td>Low inequality (Gini 0.200–0.299)</td>
<td>17</td>
<td>53</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Medium inequality (Gini 0.300–0.399)</td>
<td>14</td>
<td>44</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>High inequality (Gini 0.400–0.499)</td>
<td>1</td>
<td>3</td>
<td>16</td>
<td>46</td>
</tr>
<tr>
<td>Very high inequality (Gini above 0.500)</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Level</th>
<th>#</th>
<th>Share (per cent)</th>
<th>#</th>
<th>Share (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income countries</td>
<td>3</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-income countries</td>
<td>35</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower-middle-income countries</td>
<td>34</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-income countries</td>
<td>29</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank, World Development Indicators; The Conference Board of Canada.
You can see how income inequality has changed in the 108 countries for which data are available by using the following map. Click on one of the three options at the top of the map:

- “Decrease” to select those countries where income inequality has decreased
- “No change” to select those countries where income inequality has been stable
- “Increase” to select those countries where income inequality has increased

Seventy-one per cent of the world’s people live in countries where income inequality has been increasing—including large-population countries like China, India, Russia, and the United States. Canada also falls into this group. Twenty-two per cent of the world’s people live in countries where inequality is declining, including Brazil and Mexico. Seven per cent live in countries where inequality has been stable, including Bangladesh and Japan.

Income inequality has increased in five countries with already very high income inequality—Colombia, Honduras, Rwanda, South Africa, and Thailand. The gap between rich and poor has also widened in some countries with traditionally low inequality—Austria, Czech Republic, Denmark, Finland, France, Germany, Luxembourg, Netherlands, and Sweden. Nine countries with very high inequality, however, have reduced income inequality—Bolivia, Brazil, Chile, Guatemala, Lesotho, Nicaragua, Panama, Paraguay, and Swaziland.

Use the bubble diagram below to further explore how the Gini index varies by country, income groupings, and geography over time. The bubble diagram also allows you to compare the Gini index movement over time with the movement of four other variables: income per capita, income share of the richest 10 per cent of the population, income share of the poorest 10 per cent of the population, and the ratio of the income share of the richest 10 per cent to that of the poorest 10 per cent. Follow these steps:

- Under “Color,” choose either “Income groupings” or “Geography.” That way, each colour will represent a specific income grouping or geographic area. (When you scroll over each different coloured bubble, the country name will pop up.)
- Under “Size,” choose “Population” as the variable to determine the size of the bubble. That way, you will be able to see at a glance how bigger countries are doing compared with smaller ones.
- Choose “Gini” as the variable to track on the horizontal axis.
- Choose one of the four variables other than “Gini” and “Population” as the variable to track on the vertical axis.
- If you want to see a trail for a particular country, click in the “Trails” box, and then click in the box of the country (or countries) you want to trail. Each country will be represented by a trail of bubbles in its unique colour.
- Finally, click on the play button in the bottom left to begin the show.
What is happening to income inequality in Canada and its peer countries?

In a global context, Canada is among an elite peer group. Of the 16 countries that the Conference Board has designated as Canada’s peer countries, 11 are considered to have low income inequality. No peer country is considered a high-inequality country, although the U.S., with a Gini coefficient of 0.3782 in 2008, is close to the 0.4 threshold that would make it a high inequality country. Canada is a medium income-inequality country.

The gap between rich and poor has widened in most peer countries. Between the mid-1990s and the late 2000s, 10 peer countries, including Canada, experienced rising income inequality. Only two countries had stable inequality, and
five countries saw income inequality decline.

The rise in income inequality was largest in countries that have traditionally had low inequality—Sweden, Finland, and Denmark. Canada had the fourth largest increase in income inequality. This means that even though income inequality is higher in the U.S. than in Canada, inequality in Canada has been increasing at a faster pace.

![Income Inequality, Mid-1990s and Late 2000s](image)

**Why has income inequality increased in the United States?**

The U.S. currently has the worst record on income inequality among the 17 peer countries that we compare in the *How Canada Performs* report cards. This inequality, as measured by the Gini index, has been increasing since 1982. This increase, according to most researchers, has been due, at least in part, to a dramatic increase in the incomes of the rich. Harvard economist Richard Freeman notes that, over the last two decades, about 80 per cent of American families experienced income stagnation, while incomes of the very wealthy have soared. An income database developed by Facundo Alvaredo, Tony Atkinson, Thomas Piketty, and Emmanuel Saez—well-known researchers in the field of global inequality—reveals that the share of total U.S. income received by the richest 1 per cent of income earners more than doubled between 1970 and 2008.

Andrew Samwick, economics professor at Dartmouth College, divides the period from 1929 to today into four distinct eras based on income inequality:

- **The Great Compression: 1929–1947**
  This was the birth of the middle class in the United States. Real wages for manufacturing production workers rose by 67 per cent, while real income of the richest 1 per cent fell by 17 per cent. This resulted in the gap between rich and poor narrowing (compressing).

- **The Postwar Boom: 1947–1973**
  This was an era in which growth was widely shared—real wages for manufacturing production workers rose 81 per cent, and the income of the richest 1 per cent of the population increased by 38 per cent.

- **Stagflation: 1973–1980**
  This was a period in which all groups lost ground. Real wages for manufacturing production workers fell by 3 per cent, and the income of the richest 1 per cent fell by 4 per cent.

- **The New Gilded Age: 1980–2007**
Incomes in the richest group soared, while they stagnated in the other groups. Between 1980 and 2007, the income of the richest 1 per cent rose 197 per cent, although the income share of the richest 1 per cent is still slightly below its peak in 1928.

These four eras can be tracked in the chart showing the income share of the richest 1 per cent of Americans.

What will happen in the fifth stage—from 2008 onward—is still not clear. Emmanuel Saez reports that from 2007 to 2008, average real income per family decreased by nearly 10 per cent—the largest single decline since the Great Depression.18 Average income for the richest 1 per cent of the American population fell even more—by nearly 20 per cent, because of the decline in capital gains due to the stock-market crash. Saez believes that recent data—such as income surveys and profit data—suggest that the recent financial crisis is "unlikely to have a very large impact on top income shares and will certainly not undo much of the dramatic increase in top income shares that has taken place since the 1970s."19 He also argues that, based on a study of history, "falls in income concentration due to economic downturns are temporary unless drastic regulation and tax policy changes are implemented and prevent income concentration from bouncing back."20

Why is income inequality rising in China?

China has made huge economic progress. In 1990, income per capita in the richest country in the world (for which data are available) was 46 times that of China. In 2010, income per capita in the richest country was only 10 times that of China. Indeed, China is no longer considered a lower-middle-income country; the World Bank recently reclassified it into the upper-middle-income category.

Despite this remarkable success, income inequality is rising within China. This is not altogether surprising. In the 1950s, economist Simon Kuznets argued that, as a society develops from an agricultural society into an industrialized one, inequality within that society grows. Average earnings of industrial workers increase relative to those of farm workers. As development continues, inequality among industrial workers also increases. As a society moves into the more advanced stage, the government begins to help redistribute the wealth—through the tax and transfer system as well as through funding universal education—which leads to a decline in inequality. Kuznets described this progression of inequality as an upside-down U curve—starting low in an agrarian society, rising as industrialization occurs, and finally falling as the society becomes more advanced.

Kuznets’ hypothesis does not hold for all countries and has been criticized for ignoring other factors—such as the openness of the economy to trade, the willingness of government to intervene in the market, and the efficiency of the country’s financial sector—that also explain income inequality. While simplistic, however, Kuznets’ reasoning does appear to hold for China.
Moving as it has into large-scale industrialization, China is experiencing rising inequality; it is on the upward slope of Kuznets’ inverted-U curve. A new study by Jiandong Chen, Wenxuan Hou, and Dai Dai reveals that the key factor of income inequality comes from income disparity between urban industrial inhabitants and rural traditional workers. The ratio of urban to rural per capita income increased from 1.8 in 1983 to 3.3 in 2007. The researchers hypothesize that increased urbanization will make the national Gini index and the Gini index between urban and rural areas rise first and then decline.

Has there been income inequality throughout history?

The best description of the history of inequality comes from Branko Milanovic in his new book The Haves and the Have-Nots. He notes that there always has been inequality—the Romans, for example, were richer than the Goths that defeated them—but that the differences were smaller than they are now. It was the industrial revolution that spurred what Milanovic calls the "Big Bang" of income inequality:

At first countries’ incomes were all bunched together, but with the Industrial Revolution the differences exploded, and the countries have “flown” further apart from each other. . . . [it] pushed some countries forward onto the path to higher incomes while others stayed at the point where they had been for millennia. . . . Global inequality has been rising, first quickly, then more slowly, but nearly uninterrupted since the Industrial Revolution.

Is your income level determined by where you live?

About 60 per cent of your likely income is determined at birth by what country you live in, according to estimates by Milanovic. Another 20 per cent is determined by the income class of your parents.

So luck has a lot to do with your income level. If you are lucky enough to be born in a rich country, your income level—even if you are in a low-income group within your country—is likely higher than that of most people in the world.

For example, the 20 per cent of Canadians in the lowest income group had an average income in 2008 of $14,500. Converting this to U.S. dollars at purchasing power parity results in a per capita income of about $12,000. This income figure is higher than that of the average person in 120 countries in the world—accounting for 75 per cent of the world’s population. In other words, as a group, low-income Canadians are richer than 75 per cent of the world.

Footnotes


4 World Bank, World Development Indicators.

5 This simple but intuitive explanation was used in a study by the Institute for Competitiveness and Prosperity, Prosperity, Inequality, and Poverty (Toronto: Institute for Competitiveness and Prosperity, 2007), 18.

6 World Bank, World Development Indicators. These figures are all in “real dollars”—which means that the dollar values in each year are adjusted for inflation—using the purchasing power parity (PPP) conversion method.

8 World Bank, *World Development Indicators*.

9 The Conference Board calculations include 172 countries, covering 94 per cent of world population and 98 per cent of world total GDP. The pre-1990 calculations by Milanovic cover between 129 and 138 countries. Milanovic and the Conference Board have both calculated the Gini index for the year 1990. We first calculated the ratio of Milanovic's 1990 Gini index of 0.509 to the Conference Board's 1990 Gini index of 0.5643, and then adjusted the Conference Board data from 1961 to 1989 by this ratio—a factor of 0.902.


16 The description and data related to the four eras of income inequality are taken from: Andrew Samwick, "Paul Krugman on Inequality," Blog, August 18, 2006 (accessed April 8, 2011).

17 Data in the chart are from *The World Top Incomes Database*.


19 Ibid., 2.

20 Ibid., 2.

21 Jiandong Chen, Wenxuan Hou, and Dai Dai, "The Trend of the Gini Coefficient of China." Sent to the Conference Board by the authors. Until recently, it was difficult to find good data on income inequality within China. But this study estimated new Chinese Gini coefficients for the period 1978 to 2006, and decomposed the coefficients between rural and urban inhabitants. The Chen-Hou-Dai Gini coefficients for China have been used in this Conference Board analysis.


24 Ibid., 100, 95, 160.

25 Ibid., 121.