

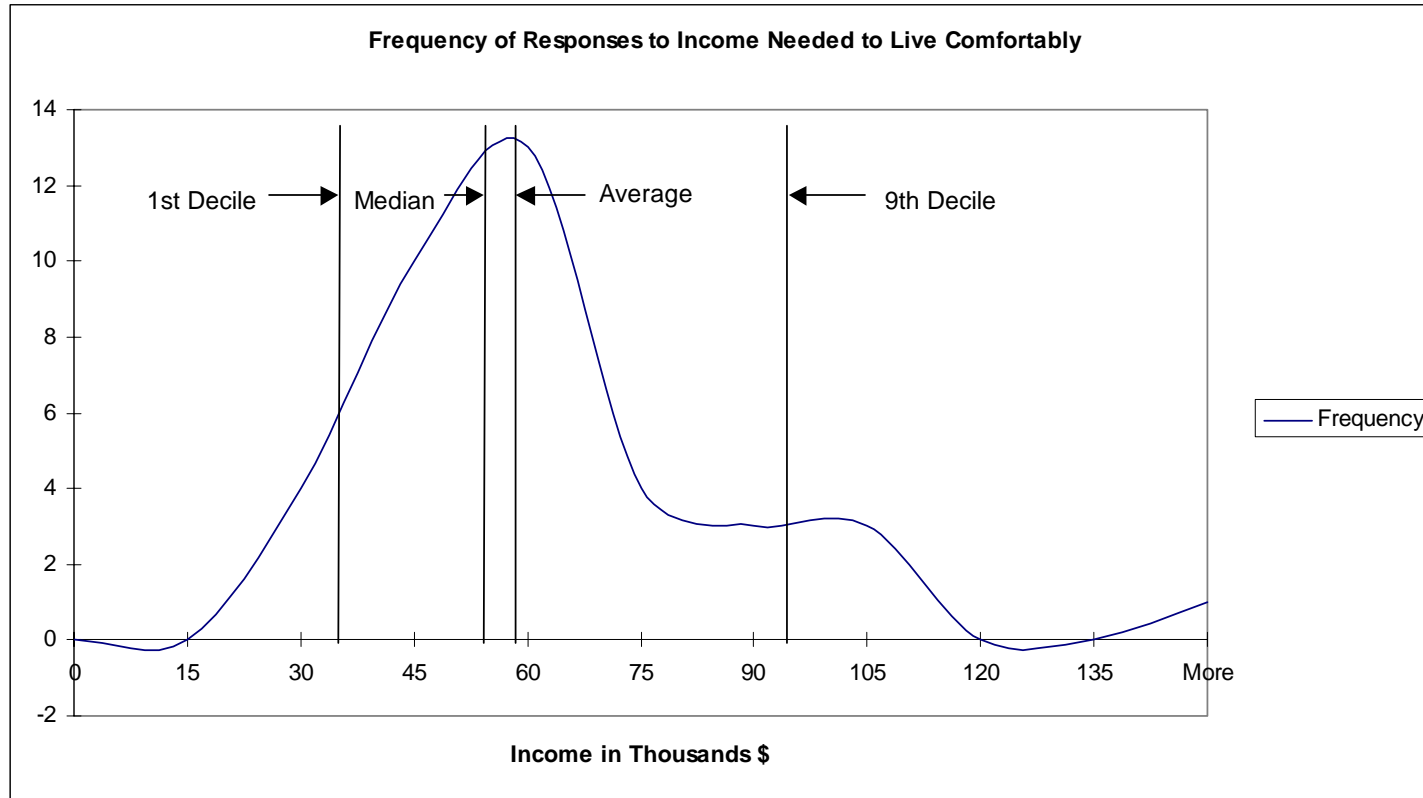
Lecture Outline: Inequality
Readings: EPD Ch. 2

- I. Is inequality the same as poverty?
- II. Who cares about inequality?
 - A. Costs of Inequality
 - B. Benefits of Inequality
 - C. Efficiency vs. Equity
- III. Issues in Measuring Inequality
 - A. Income vs Wealth
 - B. Unit of observation
 - C. 'Within' vs 'Between' comparisons
 - D. Statistical measures
 - Between group averages
 - Income shares
 - Lorenz curve
 - Gini coefficient
 - E. Some examples
- IV. Earnings Mobility – Do people stay in the same place in the earnings distribution?

References for following tables and figures:

1. Example of a distribution: Data from student responses Spring 2003.
2. Table 4. Quartiles and Selected Deciles. BLS news release.
<http://www.bls.gov/news.release/wkyeng.t04.htm>
3. Table HINC-05. Percent Distribution of Households, by Selected Characteristics Within Income Quintile and Top 5 Percent in 2003. Horizontal Percents. BLS Data from:
http://ferret.bls.census.gov/macro/032004/hhinc/new05_000.htm
4. Gini Coefficient by Gender: 1967-2005 (Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements
<http://www.census.gov/hhes/www/income/histinc/ie2.html>)
5. Gini Coefficient by Race/Ethnicity: 1967-2005 (Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements
<http://www.census.gov/hhes/www/income/histinc/h04.html>)
6. Table IE-1. Selected Measures of Household Income Dispersion: Selected years from 1970 to 2005. From US Census Bureau website:
http://www.census.gov/hhes/www/income/histinc/p60no231_tablea3.pdf

Example of a distribution.



Definitions:

Average: Sum of all earnings levels divided by the number of earnings levels given.

Median: When all the earnings levels are sorted according to size, the median amount is where 50% of the levels are below and 50% are above.

1st Decile: The 1st decile is when 10% of earnings levels are below and 90% are above.

9th Decile: The 9th decile is when 90% of earnings levels are below and 10% are above.

Standard deviation: A measure of the dispersion (the 'wideness') of the distribution. Larger numbers indicate a more disperse/wider distribution, that is it is more unequal.

Examples: Average: \$59,105; Median: \$55,000; 1st Decile: \$34,200; 9th Decile: \$93,000; st dev: \$25,619 (from Spring 2003).

Table 4. Quartiles and selected deciles of usual weekly earnings of full-time wage and salary workers by selected characteristics, second quarter 2007 averages, not seasonally adjusted

Characteristic	Number of workers (in thousands)	Upper limit of:				
		First decile	First quartile	Second quartile	Third quartile (median)	Ninth decile
SEX, RACE, AND HISPANIC OR LATINO ETHNICITY						
Total, 16 years and over.....	106,879	\$328	\$463	\$690	\$1,067	\$1,605
Men.....	60,507	355	502	763	1,182	1,840
Women.....	46,372	309	416	607	913	1,337
White.....	86,393	333	477	713	1,099	1,656
Men.....	50,162	361	514	783	1,213	1,882
Women.....	36,232	313	425	620	936	1,364
Black or African American.....	13,048	305	402	562	807	1,173
Men.....	6,190	328	422	597	880	1,247
Women.....	6,858	293	385	521	756	1,108
Asian.....	5,025	351	511	827	1,329	1,885
Men.....	2,766	406	598	942	1,533	2,029
Women.....	2,258	314	446	709	1,119	1,591
Hispanic or Latino ethnicity.....	15,943	289	361	503	750	1,117
Men.....	10,249	297	379	523	793	1,187
Women.....	5,694	274	333	470	665	964

NOTE: Ten percent of all full-time wage and salary workers earn less than the upper limit of the first decile; 25 percent earn less than the upper limit of the first quartile; 50 percent earn less than the upper limit of the second quartile, or median; 75 percent earn less than the upper limit of the third quartile; and 90 percent earn less than the upper limit of the ninth decile. Estimates for the above race groups (white, black, or African American, and Asian) do not sum to totals because data are not presented for all races. In addition, persons whose ethnicity is identical as Hispanic or Latino may be of any race and, therefore, are classified by ethnicity as well as by race. Beginning in January 2007, data reflected revised population controls used in the household survey.

Table HINC-05. Percent Distribution of Households, by Selected Characteristics Within Income Quintile and Top 5 Percent in 2003. Horizontal Percents.

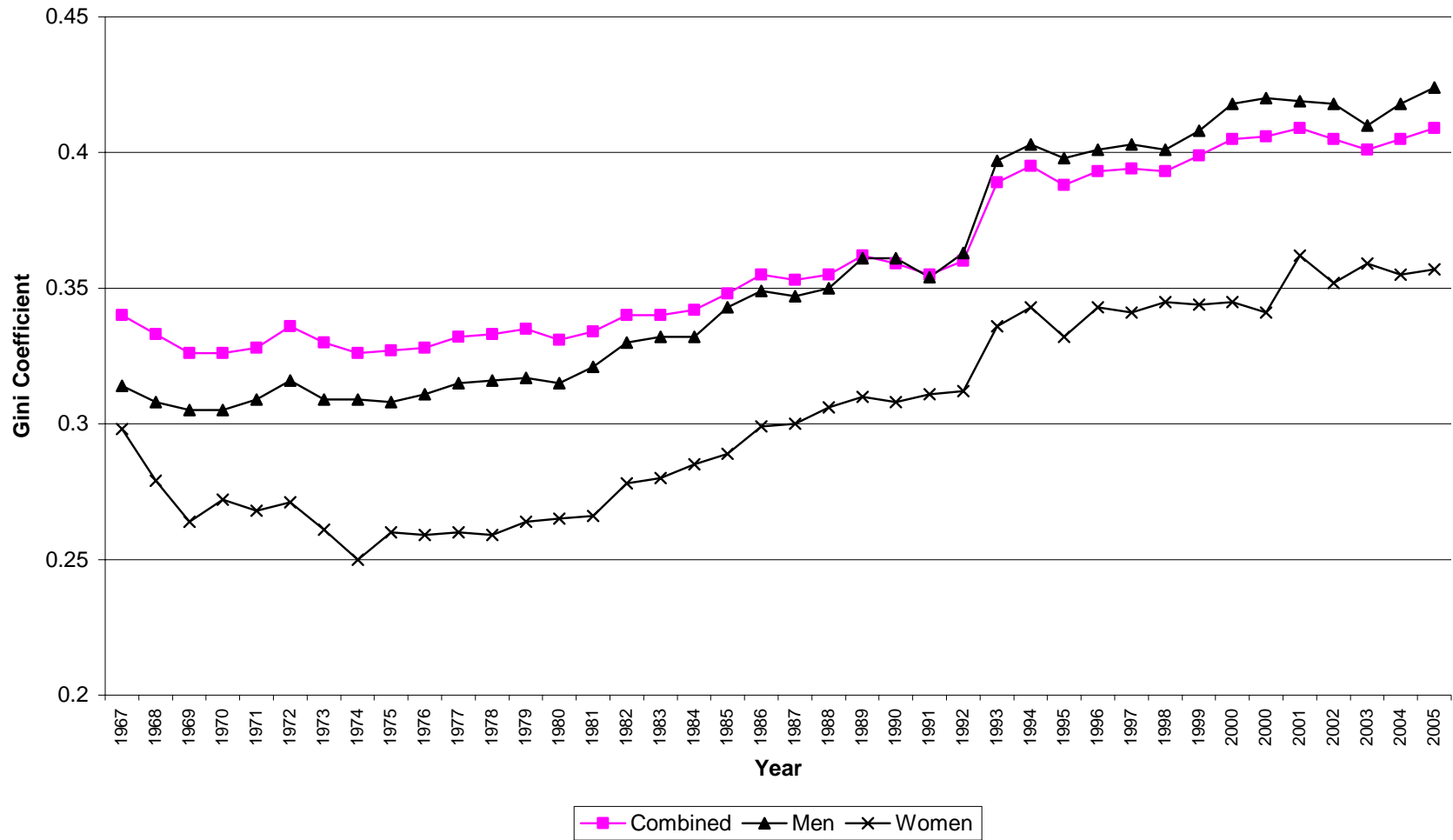
	Quintile					Top 5 % From \$154,120
	Lowest 0 to \$17,983	Second to \$33,999	Middle to \$54,439	Fourth To \$86,859	Highest From \$86,860	
Type of residence						
Inside metropolitan area	18.8	19.1	19.6	20.6	22.0	5.7
Inside central cities	24.5	21.7	19.9	17.8	16.0	4.3
One million or more	24.4	20.5	19.5	18.0	17.6	5.1
Under one million	24.8	23.8	20.7	17.4	13.3	3.0
Outside central cities	15.4	17.5	19.3	22.2	25.5	6.5
One million or more	14.5	16.1	18.8	22.5	28.1	7.6
Under one million	17.5	20.5	20.5	21.5	20.0	4.1
Outside metropolitan area	25.0	23.9	21.9	17.7	11.6	2.1
Region						
Northeast	20.3	17.8	18.1	20.4	23.5	6.4
Midwest	18.7	19.8	20.8	21.3	19.4	4.1
South	21.8	21.8	20.7	18.5	17.2	4.3
West	18.1	19.1	19.6	20.8	22.4	5.9
Race and Hispanic origin of household						
White	17.3	18.8	20.0	21.3	22.6	5.8
Black	32.4	23.6	19.4	14.8	9.8	1.6
Asian	19.0	12.3	17.8	21.9	29.0	8.0
Hispanic (any race)	24.2	27.2	21.5	16.3	10.8	2.3
Age of householder						
Under 65 years	15.4	18.0	20.9	22.5	23.1	5.7
15 to 24 years	32.9	29.3	20.6	11.7	5.5	0.5
25 to 34 years	15.8	20.6	24.3	23.3	16.0	3.1
35 to 44 years	12.1	16.3	21.3	24.8	25.6	6.2
45 to 54 years	11.9	14.5	19.2	24.0	30.4	7.9
55 to 64 years	17.6	17.8	19.2	20.7	24.7	7.2
65 years and over	37.7	27.7	16.4	10.2	8.0	2.1
Work experience of householder						
Worked	9.8	17.8	22.1	24.7	25.6	6.5
Worked at full-time jobs	7.2	17.2	22.7	25.9	27.0	6.8
50 weeks or more	4.8	16.2	22.9	27.0	29.1	7.3
27 to 49 weeks	14.9	21.2	23.9	21.7	18.2	4.2
26 weeks or less	29.1	24.3	17.9	16.7	11.9	3.0
Worked at part-time jobs	24.7	21.3	18.6	18.1	17.4	4.6
50 weeks or more	20.3	21.7	19.4	19.5	19.1	5.4
27 to 49 weeks	24.3	19.0	19.2	19.4	18.1	4.4
26 weeks or less	34.8	22.4	16.2	13.9	12.7	3.2
Did not work	43.1	25.0	15.3	9.3	7.4	1.7

[Source: U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement. Numbers in thousands. Households as of March of the following year. A.O.I.C. stands for alone or in combination]

From: <http://>

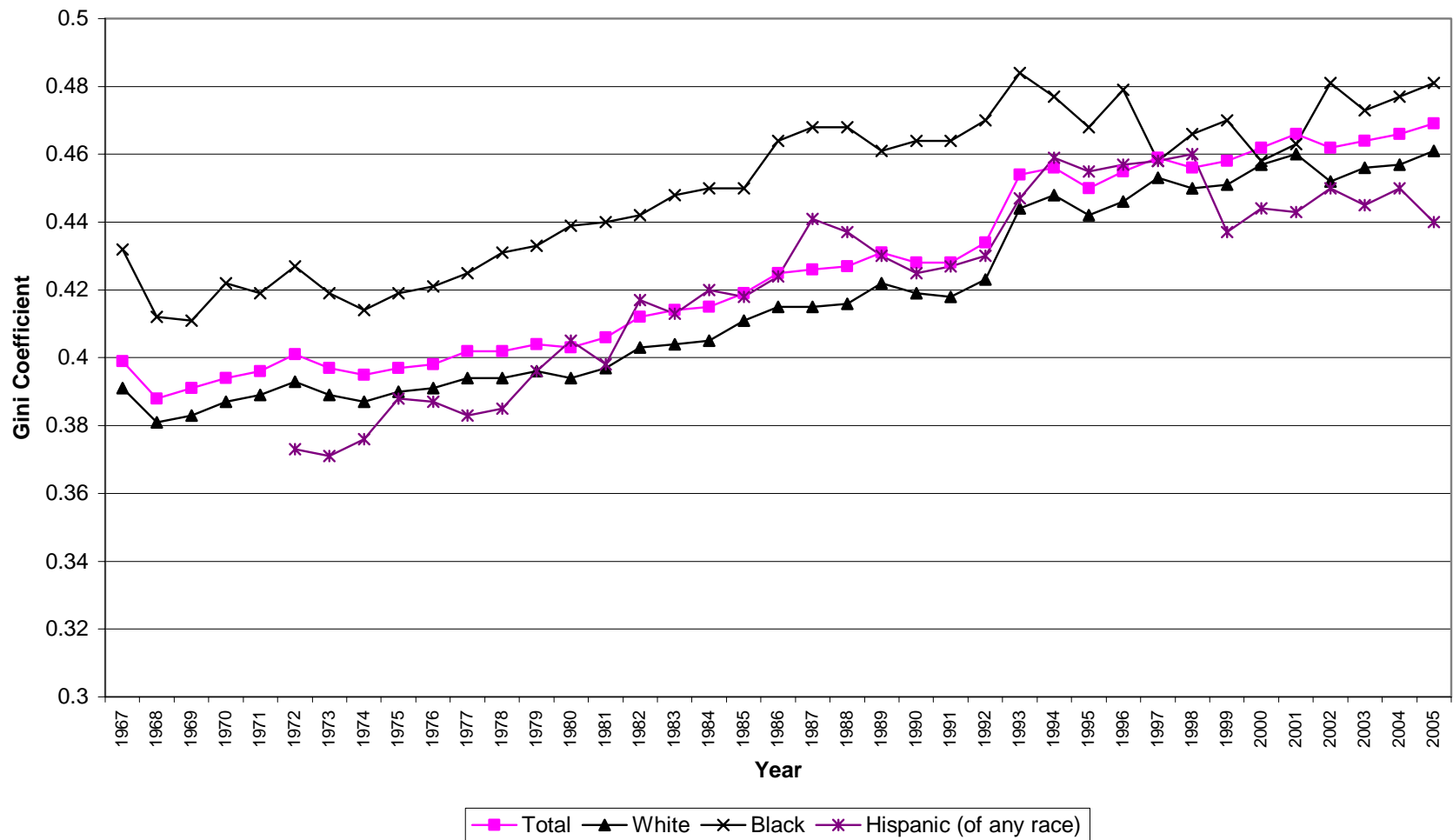
Gini Coefficients by Gender

(Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements
<http://www.census.gov/hhes/www/income/histinc/ie2.html>)



Gini Coefficient by Race/Ethnicity

(Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements
<http://www.census.gov/hhes/www/income/histinc/h04.html>)



From US Census Bureau: website: http://www.census.gov/hhes/www/income/histinc/p60no231_tablea3.pdf

Table A-3. Selected Measures of Household Income Dispersion: Selected Years from 1970 to 2005

Measures of Income Dispersion	2005	2000	1990	1980	1970
1. Household Income at Selected Percentiles ^a					
20th percentile upper limit	19,178	20,314	18,104	16,780	16,057
50th (median)	46,328	47,569	43,366	39,739	38,026
80th percentile upper limit	91,705	92,688	79,953	70,637	63,830
95th percentile lower limit	166,000	164,617	137,223	113,677	100,898
2. Household Income Ratios of Selected Percentiles					
95th/20th	8.66	8.10	7.58	6.77	6.28
95th/50th	3.61	3.46	3.17	2.86	2.67
80th/50th	1.99	1.95	1.85	1.78	1.69
80th/20th	4.78	4.56	4.42	4.21	3.98
20th/50th	0.42	0.43	0.42	0.42	0.42
3. Gini coefficient	0.469	0.462	0.428	0.403	0.394

All dollar figures are in 2005 prices.