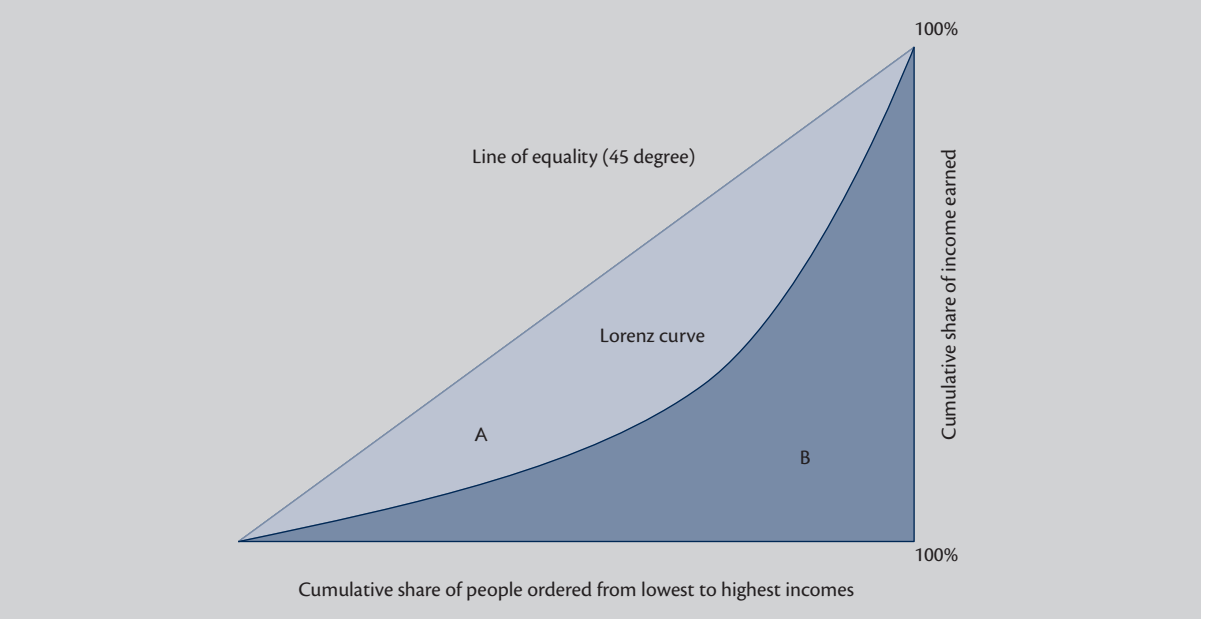
Figure 4.1 The Lorenz curve



It is important to realise that different indexes exhibit different properties and the choice of which index to use should be made in light of the objectives associated with measuring inequality.

A Gini coefficient of zero means that income is perfectly equally distributed as the Lorenz curve coincides with the line of equality. Alternatively, a Gini coefficient of one means that income is perfectly unequally distributed: that is, one person has all the income.

Table 4.3 shows the Gini coefficients for all the nations that belong to the Organisation for Economic Co-operation and Development (OECD), for which comparable data is available for the years 2004 and 2012. The data are based on disposable income after taxes and transfers. The Gini coefficients mostly range between the values of 0.25 to 0.50. There is considerable diversity among these nations with respect to income inequality. Sweden had the least inequality in 2004, while Mexico had the highest inequality in both years. The USA has the highest inequality of the rich developed nations, while the Scandinavian countries tend to enjoy the lowest inequality. Note also that inequality increased in many nations between 2004 and 2012, while it declined in other nations (indicated by the + and – signs).

Table 4.3 Gini coefficients for several OECD nations, 2004 and 2012

Country	2004	2012	Change
Australia	0.315	0.324	+
Austria	0.269	0.276	+
Belgium	0.287	0.262	–
Czech Republic	0.269	0.252	–
Estonia	0.346	0.326	–
Finland	0.267	0.261	–
France	0.283	0.306	+
Germany	0.285	0.289	+
Greece	0.336	0.340	+
Iceland	0.262	0.252	–