

NOTES AND COMMUNICATIONS

THE GINI COEFFICIENT OF CONCENTRATION AND THE KUZNETS MEASURE OF INEQUALITY: A NOTE

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In a recent paper in this Review James L. McCabe [3] discussed the distribution of labor incomes in Zaire. He used two measures of inequality, the Gini coefficient and the Kuznets index. Unfortunately, his interpretation of these measures was mistaken.

McCabe writes (p. 73): "The Gini coefficient compares shares of income actually held by each percentile of recipients to the share of income that would be held under conditions of perfect equality." This is not exact. The Gini coefficient is a *weighted* mean of the differences between the two shares, the weights being the number of recipients between the mean income and the center of each percentile group (cf. [1] footnote 22). Hence, as is well known, the weights are heaviest at the two extremes of the distribution.

The Kuznets index (see e.g. [2] 19–20), on the other hand, is an unweighted mean of the differences between the actual and egalitarian shares, i.e., it is identical with the relative mean deviation (the mean deviation divided by the mean income, M , or by $2M$), a measure completely insensitive to transfers at the extremes of the distribution. This property would be clear to the author himself, had he used the measure's proper graphical representation (the maximum vertical distance between the Lorenz curve and the line of equality—or its double in Kuznets's case).

So, of course, the Gini coefficient is more sensitive than the Kuznets index to extreme riches or extreme poverty—not the other way round, as stated by McCabe (p. 74).

REFERENCES

- [1] Kondor, Y., "Value Judgements Implied by the Use of Various Measures of Income Inequality," *The Review of Income and Wealth*, this issue.
- [2] Kuznets, S., "Quantitative Aspects of the Economic Growth of Nations: VIII, Distribution of Income by Size," *Economic Development and Cultural Change*, 11 (January, 1963), Part II.
- [3] McCabe, J. L., "Distribution of Labor Incomes in Urban Zaire," *The Review of Income and Wealth*, 20 (1974), 71–87.