

On an Apparently Innocuous Difference in Two Versions of Gini's Coefficient of Inequality A Symposium

Rajiv Sethi
Columbia University, Santa Fe Institute

Debraj Ray
New York University

Samuel Bowles
Santa Fe Institute, CORE Econ

Wendy Carlin
University College London, CEPR, CORE Econ, Santa Fe Institute

The Gini coefficient is a leading measure of inequality and is widely employed in the social sciences as a summary statistic for income or wealth distributions. In this symposium we combine three contributions – presenting a conversation, really – about the foundations of the Gini coefficient. The differences, expressed within the boundaries of the congenial esteem that we have for one another, are centred around an appropriate formula for the Gini.

To the immediate query as to why we simply do not use Gini's own formula and conclude the matter with that, there are two responses. Firstly, Gini himself proposed no fewer than thirteen versions of his measure, rendering that approach inconclusive. Less flippantly, this discussion is not so much about the choice of a specific formula. Rather, it is about what we are trying to capture when measuring inequality and what the appropriate role of a particular philosophical axiom, one that is often involved in inequality measurement – the population principle, is in this context.

It should be noted that this conversation has already been anticipated, in part, by scholars who have pondered these and related issues far more deeply. Notable among them are John Creedy, Anthony Shorrocks, and S. Subramanian (see, for instance, Subramanian 2010). For the presentation of our ideas here, we extend our special thanks to Julia Schwenkenberg and S. Subramanian for their useful comments.

Keywords: inequality measurement, Corrado Gini, Gini coefficient, experienced inequality, social interactions, inequality aversion, social network, Lorenz consistency, Lorenz curve, population replication invariance, normative intuitions

JEL Classifications: C81, D31, D63, L14, I31