Rethinking of Gini Inequality on Vietnam

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➢Simplicity on idea

➢Easiness of calculation

➢Usefulness for policy analysis

How can Living Standards be measured?

Person A

Person B

With $10 wage

With food, $15 market value

Income or Consumption?

How can Household be compared with ?

Family A: $100	Family B: $100
One adult, 20 years old	One adult, 20 years old
One young, 10 years old	Two young, 10 years old
One child, 3 years old	10 years old

Equivalence scale

Adult: Young: Child = 1.00: 0.455: 0.226

1.68 members   v.s.   1.91 members

Representative Household Consumption

$59.5(=100/1.68)   v.s. $52.3(=100/1.91)

Two types of errors

1) Fitting error   2) Sampling error

Regression model   NO Regression

Economic implication   Exact calculation

Two Gini indexes

from: **Grouped data**   and   **Individual data**

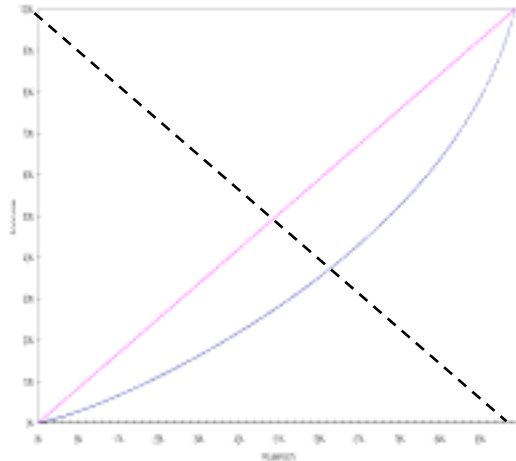# Lorenz curve of Vietnam

Household consumption expenditure in 1998

Economic implication
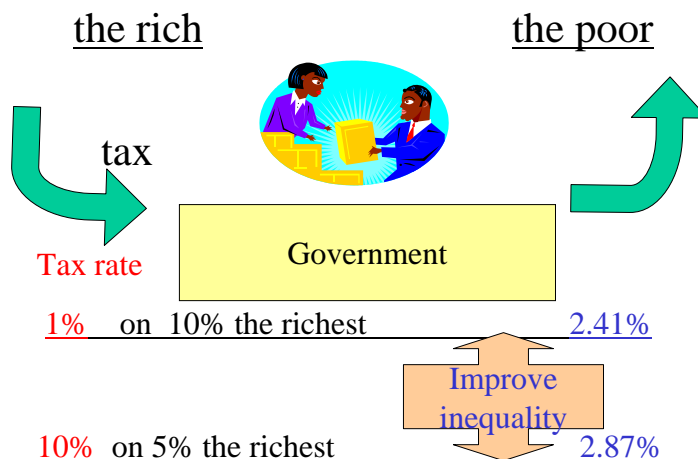
The rich skew inequality more than twice than the poor.

➢ The fitness of model is very good, R2 = 0.99

➢ Gini is *0.33672*

  From 24 grouped data.

Exact calculation

➢ Gini is *0.3322*

  From 5,938 household data.

What's the effect of redistribution policy?

the rich   the poor

tax

Government

Tax rate

1% on 10% the richest   2.41%

Improve inequality

10% on 5% the richest   2.87%

Which and to what extent?
- Urban and Rural development -

area	growth rate of consumption power		Gini Inequality		
	by area	nationwide	before	after	Improvement change %
Urban	100%				
		45.3%	0.33223	0.43824	−32.2%
Rural	0%				
Urban	80%				
		63.6%	0.33223	0.35635	−7.3%
Rural	50%				
Urban	50%				
		66.4%	0.33223	0.3042	8.4%
Rural	80%				
Urban	0%				
		54.7%	0.33223	0.23173	30.3%
Rural	100%				

Education is needed for whom?

area	growth rate of consumption by area	growth rate of consumption power by education level of household		nationwide	Gini Inequality Improvement change (1)%	Improvement change (2)% see Table VII
Urban	100%	Primary education NO completed	100%			
		Primary education completed	0%			
		Lower secondary education	0%	75%	−15.37%	14.60%
		Uppersecondary education	0%			
Rural	0%	University graduate	0%			
Urban	50%	Primary education NO completed	50%			
		Primary education completed	40%			
		Lower secondary education	30%	101%	10.98%	2.86%
		Uppersecondary education	20%			
Rural	80%	University graduate	10%			
Urban	50%	Primary education NO completed	10%			
		Primary education completed	20%			
		Lower secondary education	30%	92%	3.15%	−5.46%
		Uppersecondary education	40%			
Rural	80%	University graduate	50%			
Urban	0%	Primary education NO completed	0%			
		Primary education completed	0%			
		Lower secondary education	0%	62%	22.31%	−10.22%
		Uppersecondary education	0%			
Rural	100%	University graduate	100%			