

\* *Teacher's version P.28-37 (2.1: The shares / percentages of total income earned by the highest-income group and the lowest-income group - Activity 2)*

### Assignment 3

The following table shows the percentages of total income earned by the lowest and the highest-income groups of some countries in a certain year. Study the table carefully and discuss the questions below.

**Percentages of total income earned by  
the lowest and highest-income groups (20%) in selected countries**

Unit: % of total income

| Country     | Lowest 20% of households | Highest 20% of households | Ranking of income inequality |
|-------------|--------------------------|---------------------------|------------------------------|
| Brazil      | 2.6                      | 62.1                      |                              |
| Canada      | 7.2                      | 39.9                      |                              |
| Germany     | 8.5                      | 36.9                      |                              |
| Indonesia   | 8.4                      | 43.3                      |                              |
| Hong Kong   | 3.2                      | 56.5                      |                              |
| New Zealand | 6.4                      | 43.8                      |                              |
| South Korea | 7.9                      | 37.5                      |                              |
| Russia      | 6.1                      | 46.6                      |                              |

Source: World Development Indicators 2006, World Bank.

([http://devdata.worldbank.org/wdi2006/contents/Table2\\_8.htm](http://devdata.worldbank.org/wdi2006/contents/Table2_8.htm))

#### Questions:

- a. Rank these countries in descending order of inequality according to the ratios of the percentages of total income earned by the lowest 20% to that of the highest 20% groups. *(Put your answers in the last column of the above table.)*
  
- b. The World Bank ranks these countries as follows:  
*Brazil, Hong Kong, Russia, New Zealand, Canada, South Korea, Germany*

Is there any discrepancy between your answer in (a) and that of the World Bank? What is the reason for the discrepancy?

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c. Can you think of any limitations of using the percentages of total income earned by the lowest and highest-income groups to indicate the income inequality?

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