

Endnotes

1. These included Professors Lee Rainwater and Martin Rein (United States); Prof. Dr. Richard Hauser (Germany); Prof. Robert Erikson (Sweden); Dr. Stein Ringen (Norway); Dr. Michael O'Higgins (United Kingdom); and Ms. Lea Achdut (Israel).
2. For more on this topic, please see Atkinson, Rainwater, and Smeeding (1995), and Smeeding (2000).
3. For example, the work of Prof. Dr. Richard Hauser, Sonderforschungs Bereich III, at the University of Frankfurt-Main for Germany; and Javier Ruiz-Castillo at Juan Carlos University, Madrid, for Spain.
4. See Wagner, Burkhauser, and Behringer (1993) for an important exception: the German-United States Panel Data Comparability Project.
5. For more on absolute income differences, see Rainwater and Smeeding (1999) and Gottschalk and Smeeding (2000).
6. The figures for Germany include West Germany only; the Eastern lander data are not included here. For more on Eastern Germany as well, see Frick, Büchel, Krause, and Wagner (1997).
7. Of course, were Japan to join LIS we could make these calculations more directly and identify how Japan is different and similar to other rich nations.
8. We hope to add Japan and other Eastern nations (e.g., Korea) soon.

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Table 1. Luxembourg Income Study

Country	National Sponsor(s)
Australia	Australian Bureau of Statistics Social Policy Research Center, U. of New South Wales
Austria	Ministry of Social Security and Generations
Belgium	National Office of Science and Technology
Canada	Statistics Canada; Social Sciences and Humanities Research Council
Denmark	Social Research Institute
Finland	Abo Akademi University
Germany	Zentrum für Umfragen, Methoden und Analysen (Center for Survey Research and Methodology)
Israel	National Insurance Institute
Italy	Banca d'Italia; Consiglio Nazionale della Ricerche/Istituto di Ricerche sulla Popolazione (National Research Council/Institute for Population Research)
Luxembourg	Center for Population, Poverty and Public Policy Studies/ International Networks for Studies in Technology, Environment, Alternatives, Development (CEPS/INSTEAD)
Netherlands	Ministry of Social Affairs and Employment
Norway	Institute for Social Research
Sweden	Swedish Institute for Social Research and Swedish Government
Switzerland	Swiss National Science Foundation
United Kingdom	Economic and Social Research Council (ESRC); HMS Office of National Statistics; HMS Department of Social Security; HMS Department of the Treasury
United States	U.S. National Science Foundation Ford Foundation MacArthur Foundation

Source: Luxembourg Income Study.

Table 2. LIS Database List: Country and Year ^a

Country ^b	Historical Databases		Wave I	Wave II	Wave III	Wave IV
Australia			AS81	AS85	AS89	AS94
Austria				OS87		OS95
Belgium				BE85	BE88/BE92	BE96
Canada	CN71	CN75	CN81	CN87	CN91	CN94/CN97
Czech Republic					CZ92	CZ96*
Denmark				DK87	DK92	DK95
Finland				FI87	FI91	FI95
France ^c			FR79/FR81	FR84A/FR84B	FR89	FR94
Germany ^d	GE73	GE78	GE81	GE83/GE84	GE89	GE94
Hungary					HU91	HU94
Ireland				IR87		IR95*
Israel			IS79	IS86	IS92	IS97
Italy				IT86	IT91	IT95
Luxembourg				LX85	LX91	LX94
Mexico					MX90*	MX94*
Netherlands			NL83	NL86/NL87	NL91	NL94
New Zealand			NZ81*	NZ86*	NZ90*	NZ94*/NZ98*
Norway			NW79	NW86	NW91	NW95
Poland				PL86	PL92	PL95
ROC-Taiwan			RC81	RC86	RC91	RC95
Russia					RL92	RL95
Slovak Republic					SV92	SV96*
Spain			SP80		SP90	SP95*
Sweden	SW67	SW75	SW81	SW87	SW92	SW95
Switzerland			CH82		CH92	
United Kingdom	UK69	UK74	UK79	UK86	UK91	UK95
United States	US69	US74	US79	US86	US91	US94/97
(U.S. State File) ^e						(US1995/67)

^aYear given is reference year, not necessarily the year that the data were collected. Codes within the cells are the LIS database country/year abbreviations.

^bWe are also in negotiation with Greece (1995), Korea (1993), South Africa (1993), Portugal (1990, 1995) and Japan (1993).

^cFrance has an income survey (1979, 1984) and a budget survey (1984, 1989, 1994).

^dGermany has three different databases: an income and expenditure survey (1973, 1978, 1983); a transfer income survey (1981); and three cross-sections from the Socio-Economic Panel Study (GSOEP) (1984, 1989, 1994).

^eU.S. State file is a merged set of three annual CPS databases which provides the capability of comparisons within the United States.

*Anticipated that this will be available during 2001.

Source: Luxembourg Income Study.

Table 3. Types of Survey Data and Quality

3A. Data Types		
Row	Income Concept	
1.	Income or Living Standard Survey ^a	Netherlands, Australia, Canada, Israel Republic of China, Spain, New Zealand, Mexico, Czech Republic, Slovak Republic; Poland, Hungary, Ireland, Italy, Switzerland; United Kingdom ^e , Germany ^e
	Combination of survey and administrative records	Denmark, Finland, Sweden
2.	Income Tax Records ^b	France ^e , Norway
3.	Panel study from scientific group	Belgium, Germany ^e , Luxembourg, Russia, Switzerland
4.	Labor Force Survey Supplement ^c	United States, Austria
5.	Expenditure Survey ^d	United Kingdom ^{a, e} , Germany ^e , France ^e

^aSurvey primarily aimed at necessary living standards or income. Secondary aims may include other items such as wealth, expenditure, earnings, home ownership, finances, etc. All but Italy came from government statistical office.

^bSurvey basis is from income tax records. Additional imputations are made for non-taxed income sources and related issues. In Finland, additional information is obtained from interviews.

^cPrimary survey objective is labor force participation, employment, unemployment, etc., special supplement provides income data.

^dPrimary purpose of survey is expenditure data, but monthly/weekly income information is also gathered.

^eThe United Kingdom, France and Germany have both income data from expenditure surveys and from income surveys. Germany and the United Kingdom also have privately and publicly financed data sources available from "scientific" sources. Only for Germany does LIS use all three sources.

Source: Luxembourg Income Study.

Table 3. Continued

3B. Differential Income Data Quality: A Conceptual Breakdown			
Row	Income Concept	Difference	
1.	"True Income"	Black Economy ^a	
2.	Administrative Record Income	Tax Evasion and Avoidance ^b	Sweden, Finland, Denmark
3.	Tax Reported Income	Reporting Error ^c	Norway, France
4.	Edited Survey Income ^d	Item Non-response ^e	Australia, United States, United Kingdom, Germany, Luxembourg, Canada, Belgium, Italy, Ireland, Israel, Republic of China, Spain, New Zealand, Mexico, Czech Republic, Slovak Republic, Poland, Hungary, Russia, Austria
5.	Reported Survey Income		Netherlands, Switzerland, Germany

^a*Black economy* consists of net income from illegal activities.

^b*Tax evasion* refers to legal sources of income which are not reported to income tax authorities, while *tax avoidance* refers to use of legal means of reducing tax liabilities.

^c*Reporting error* refers to the difference between the amount of income reported on a survey and the amount actually received.

^d*Edited survey income* refers to survey income that has been adjusted for item non-response.

^e*Item non-response* refers to the failure of a respondent to report the amount of income received from a specific income source.

Source: Luxembourg Income Study.

Table 4. LIS Income, Income Aggregates and Demographic Variables*

A. Income Variables	
Gross wages and salaries	Other social insurance
Mandatory employer contribution	Means-tested cash benefits
Nonmandatory employer contribution	All near cash benefits
Farm self-employment income	Food benefits
Self employment income	Housing benefits
In-kind earnings	Medical benefits
Mandatory contribution for self-employment	Heating benefits
Cash property income	Education benefits
Noncash property income	Private pensions
Market value: residence (homeowners)	Public sector pensions
Income taxes	Alimony or child support
Property or wealth taxes	Other regular private income
Mandatory employee contribution	Other cash income
Other direct taxes	Realized lump sum income
Indirect taxes	Gross wage/salary head
Sick pay	Net wage/salary head
Accident pay	Hourly wage rate head
Disability pay	Gross wage/salary spouse
Social retirement benefits	Net wage/salary spouse
Child or family allowances	Hourly wage/salary spouse
Unemployment Compensation	Alternate Non-cash income
Maternity allowances	Near cash housing benefits
Military/vet/war benefits	Near cash except housing
B. LIS Income Aggregates (combined from variables above)	
Total self employment income	Total social insurance transfer
Total earnings	Total social transfers
Total factor income	Total private transfers
Total occupational pensions	Total transfer income
Total market income	Total gross income
Total means-tested income	Total mandatory payroll taxes
Total social insurance	Net disposable income
C. Demographic Variables	
Married couple indicator	Marital status head
Age of head	Marital status spouse
Age of spouse	Tenure (owned/rented housing)
Sex of head	Disability status head
Number of persons in household	Disability status spouse
Family (unit) structure	Number of children under age 18
Number of earners in household	Age of the youngest child
Geographic location indicator	Number of persons aged 65 to 74
Ethnicity/Nationality of head	Number of persons aged 75 or more
Ethnicity/Nationality of spouse	Labor force status head
Education level of head	Labor force status spouse
Education level of spouse	Weeks worked full time head
Occupational training of head	Weeks worked full time spouse
Occupational training of spouse	Weeks worked part time head
Occupation of head	Weeks worked part time spouse
Occupation of spouse	Weeks unemployed head
Industry of head	Weeks unemployed spouse
Industry of spouse	Hours worked per week head
Type (status) of worker head	Hours worked per week spouse
Type (status) of worker spouse	

Source: Luxembourg Income Study

Table 5. LIS/LES Pledge of Confidentiality and Data Security

5A. Basic Pledge for All Nations

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Source: Luxembourg Income Study

5b. United Kingdom Special Pledge

**LIS/LES Undertaking of Conditions of Use
of the U.K.'s FES and LFS Data (1986, 1991, 1994, ...)
and Explanatory Documentation Supplied by the Luxembourg Income Study**

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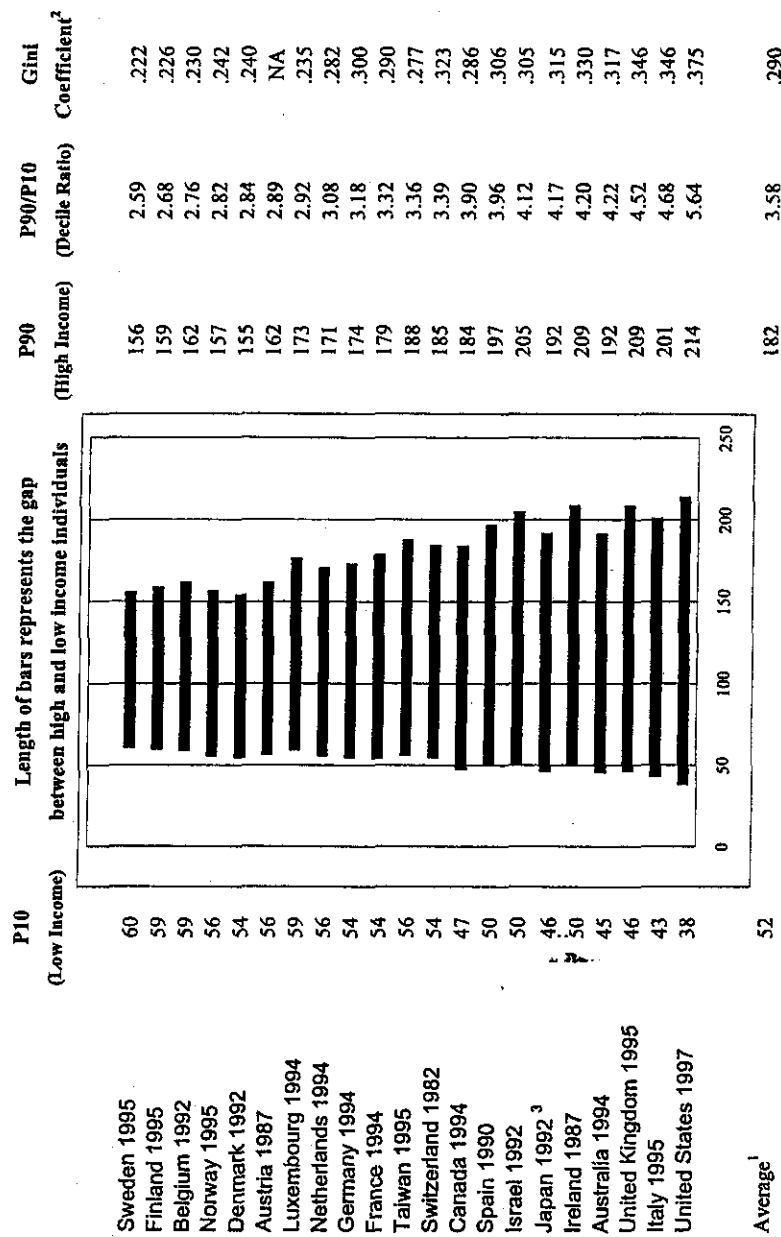
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This form has been drafted on the request of the U.K.'s Office for National Statistics and the ESRC Data Archive. After you have received an acknowledgement that this pledge, together with the LIS/LES Project Information Form and LIS/LES Pledge of Confidentiality and Data Security, have been processed by the LIS Office in Luxembourg, you will be allowed to submit jobs using the UK data stored in the LIS/LES Database.

Source: Luxembourg Income Study

Figure 1. Decile Ratios and Gini Coefficient for Adjusted Disposable Income
(numbers given are percent of median in each nation and Gini coefficient)



Source: Author's calculations from Luxembourg Income Study.

¹Simple average.

²Gini coefficients are based on incomes which are bottom coded at 1 percent of disposable income and top coded at 10 times the median disposable income.

³Japanese gini coefficient as calculated in Smeeding (1997) from 1993 Japanese Survey of Income Redistribution.



LUXEMBOURG

**INCOME
STUDY**

A Division of CEPS/INSTEAD

**The Gap Between Rich and Poor:
A Cross-national Perspective for Why
Inequality Matters and What Policy Can Do
to Alleviate It**

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The Gap Between Rich and Poor: A Cross-national Perspective for Why Inequality Matters and What Policy Can Do to Alleviate It

- I. What Can We Learn from Cross-national Research?

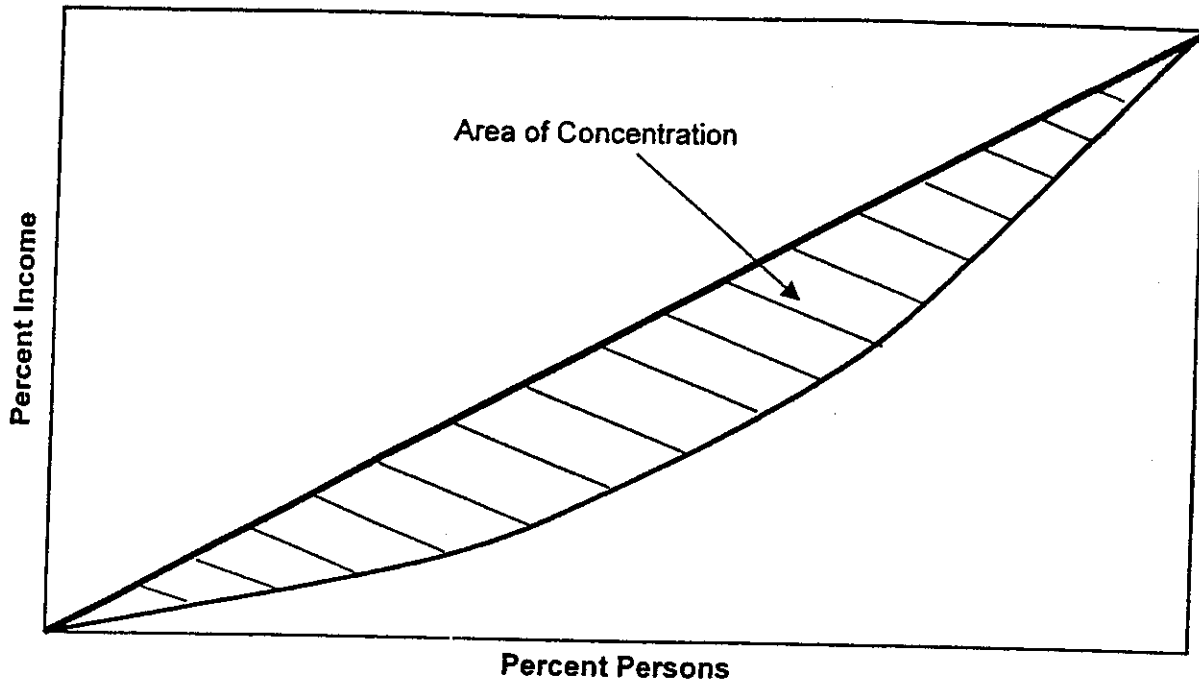
- II. Why Do We Care about Increased Economic Inequality?
[Two Measurement Tools]

- III. Where Do Nations Stand?
 - A. Level: Inequality in 18 plus Nations, Families with Children, and Relative and Absolute Differences

 - B. Trend: Changes Since 1979

 - C. Japan and the United States

B. Lorenz Curve and Gini Coefficient

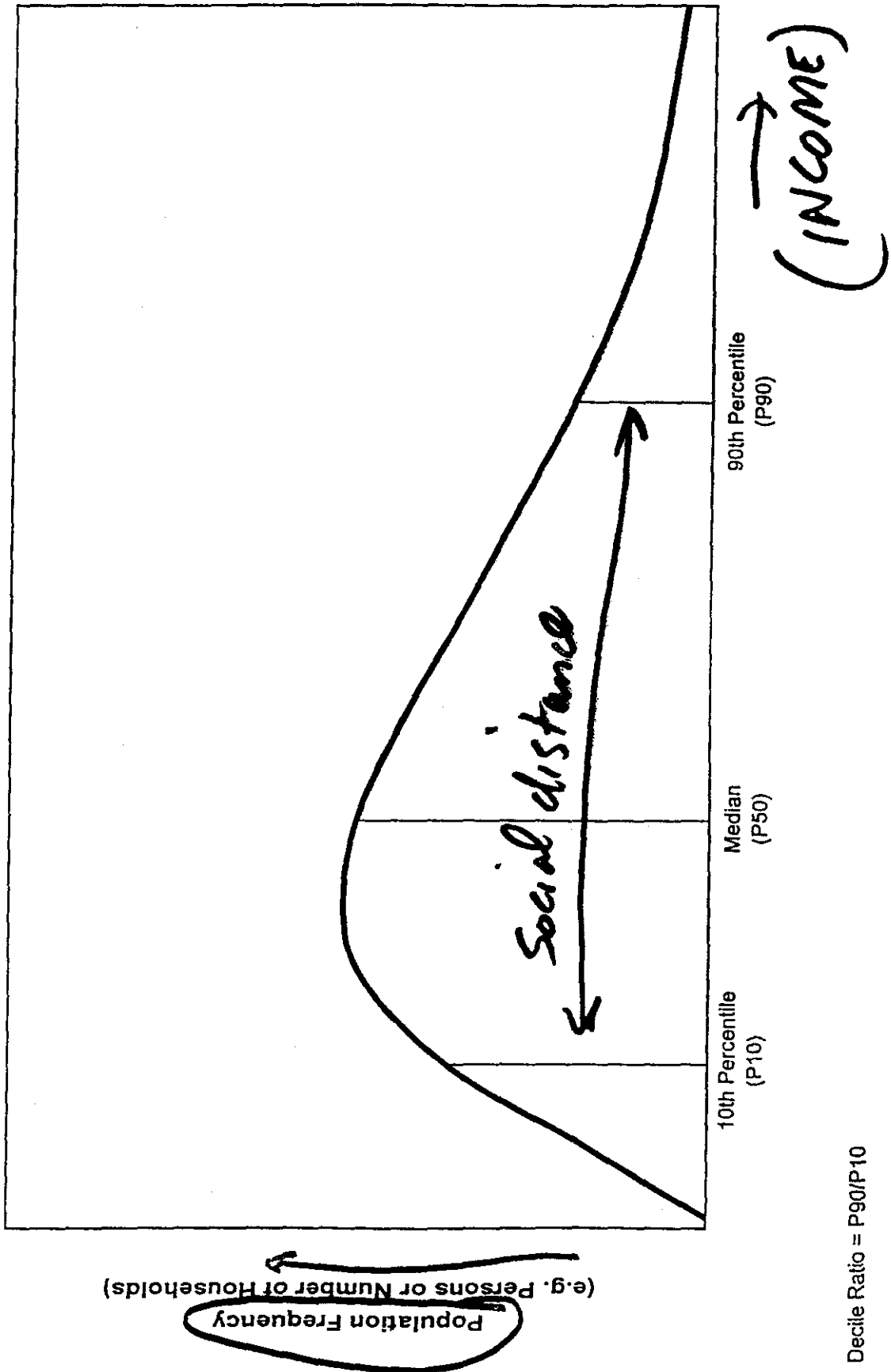


Gini = $\frac{\text{Area of Concentration}}{\text{triangle}}$

"Smile"

Range 0 = perfect ~~equation~~ equality
 1 = perfect ~~inequality~~ inequality

Measurement Tools



Decile Ratio = $P90/P10$