



TEACHER GUIDE

GAPMINDER®

The four Income Levels

In this exercise students will learn that, rather than just being either rich or poor, the world's population is actually better understood when it is divided into four Income Levels. Knowledge of the four Income Levels is vital for helping students understand issues such as poverty, the global economy, public health and sustainable development.

Step 1 (5 min)

Explain the four Income Levels to the students and ask them to look at which pictures (from the handout) most resemble their lives.



Step 2 (20 min)

Students work in groups to learn about how many people live on each of the Income Levels and where their country currently is.



Step 3 (20 min)

Students discuss what they have learned about the four Income Levels.



Ages: Young to adult learners

Requirements: Printed handouts so there is one per group of 5 students; 7 small props (e.g. Lego pieces) per group

Preparation time: 20 minutes

Exercise duration: Around 45 minutes (depending on the number of groups)

Subjects: Geography, sustainability, economics, culture



About

The Four Income Levels

People often classify the world as being divided in two, simply between rich and poor, “developed” and “developing”, or “the West” and the rest. Those terms are outdated and unhelpful. The four Income Levels framework is a much more accurate way of showing how the world is divided. It shows that the majority of people are neither rich or poor, but actually live in the middle.

Goal of the exercise

Teach students about the four Income Levels and help them understand issues such as poverty, the global economy, public health and sustainable development.

Students will learn that:

- The world's population can be divided into four Income Levels.
- Most people in the world are neither rich or poor. The majority are in the middle.
- It's a common misconception that the world is divided into rich and poor.

Preparation

- Read the Background Information section at the end of this Teacher Guide.
- Watch this video of Hans Rosling explaining how many are rich and how many are poor: www.gapminder.org/answers/how-many-are-rich-and-how-many-are-poor
- Have enough small props (e.g. Lego blocks) so that groups of around five students can each be given seven. Each prop will represent one billion people.
- Print copies of the Handout.

Exercise

Step 1: Explain the four Income Levels to the students and ask them to look at which pictures (from the handout) most resemble their lives.

- A. Ask the students to sit in groups of five and give each at least one copy of the handout.
- B. Where do I live? Ask the students to look at the pictures and talk among themselves about which pictures most closely resemble their own lives. Don't confirm yet what level they live on.
- C. Tell the students that the world can be divided into four groups depending on how much money people earn every day.
 - Level 1 is \$0-2, Level 2 is \$2-8, Level 3 is \$8-32, Level 4 is more than \$32 per day.

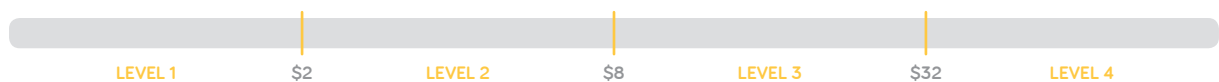
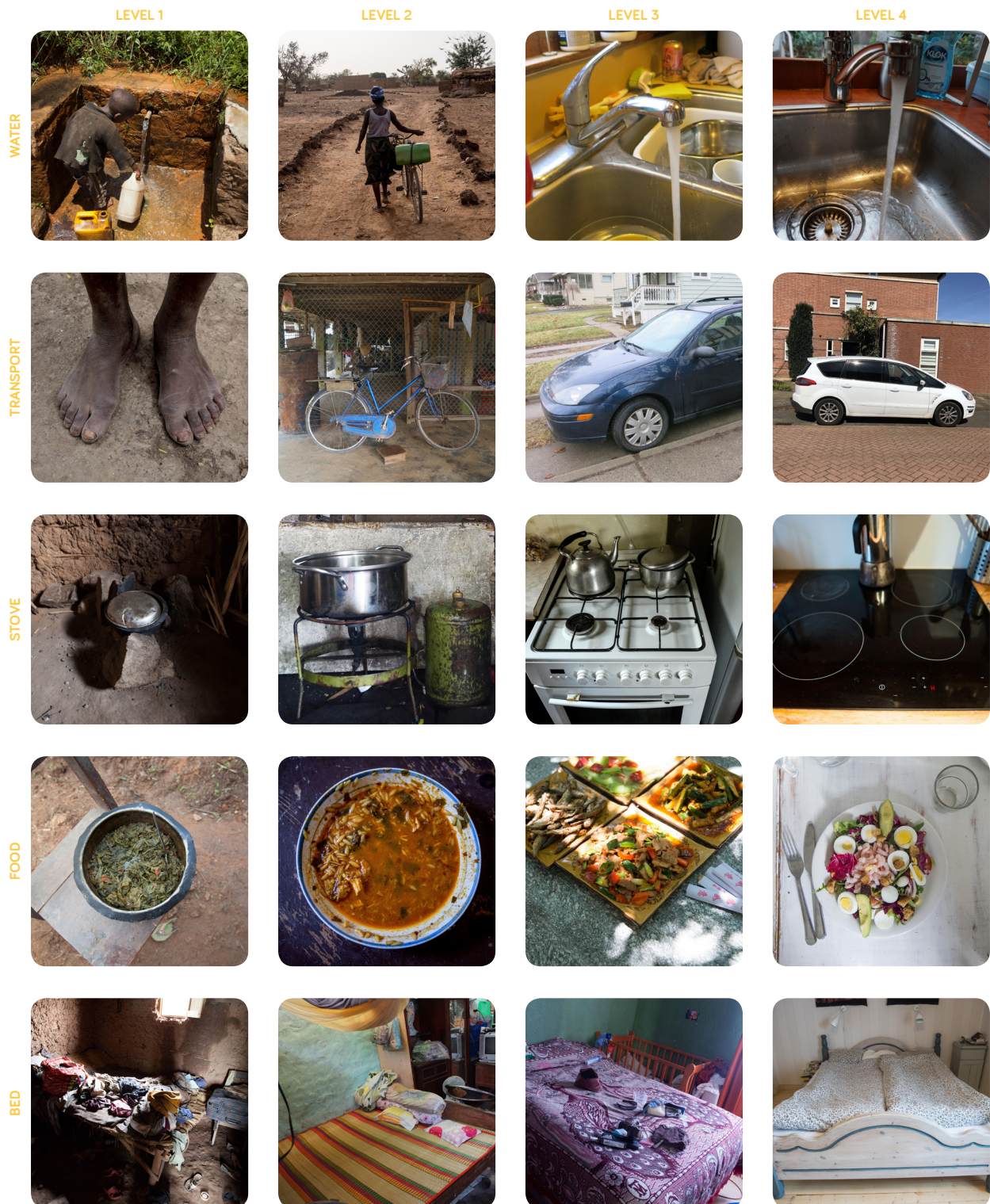
Step 2: Students work in groups to learn about how many people live on each of the Income Levels and where their country currently is.

- A. Give each group seven props and ask them to place them on the bar at the bottom of the hand-out according to how many people they think live on each Level. Tell them one prop represents one billion people.
- B. Present the correct answer. Tell them that one billion live on Level 1, three billion live on Level 2, two billion live on Level 3 and one billion live on Level 4. Tell them the pin-code which can help them remember it more easily is 1-3-2-1.
- C. How about our country? Take a poll. Ask the students if they think the country they live in is on Level 1 and count the number of hands that go up and repeat for Levels 2, 3 and 4. Ask them why they think they live on the level they chose.
- D. Inform the students about which level their country is on. If you have access to Gapminder's tools (www.gapminder.org/tools) now is a good opportunity to highlight your country on our bubble charts so the students can see it in a global context. Also explain that there can be people on different levels within a country. For example, India is a country on income Level 2 but has people on Levels 1, 2, 3 and 4 living there.

Step 3: Students discuss what they have learned about the four Income Levels.

- A. Explain that people often think the world is divided in two – rich and poor. Not only between people but between countries too. Common expressions such as the “developing world” the “third world” and “industrialized countries” are outdated and unhelpful for understanding the small differences between countries and how the world has been improving in many ways. Tell them that when Gapminder asked 12,000 people in 14 countries where the majority of people lived, only 26% guessed correctly that most people are living in middle-income countries. This is a common misconception about the division of the world.
- B. Let the students reflect on why so many of us don't know that five billion people are living in the middle and are neither rich nor poor. Ask them: what are the dangers of having an incorrect worldview?
- C. Emphasize that the class now has a simple framework to help them understand the world in a more nuanced way.

Life on the four Income Levels



Sources: Gapminder and Dollar Street

Background Information

How many people in the world live on each Income Level?

- Level 1: 1 billion
- Level 2: 3 billion
- Level 3: 2 billion
- Level 4: 1 billion

All numbers are rounded for simplicity.

What are the income thresholds Gapminder uses to divide the income scale into four levels (expressed as dollars per day)?

The lines between levels are: \$2, \$8 and \$32. To get from one level to the next the previous number needs be multiplied by 4.

How does Gapminder's threshold for income Level 1 compare to the World Bank's figure they use to categorize a person as being in extreme poverty?

The World bank sets the threshold at \$1.92. Gapminder's is \$2 so they are nearly identical. The World Bank's number is overly precise. In reality, we don't have an exact figure. To say it is round \$2 is accurate enough and easier to remember.

Which exchange rate does Gapminder use to convert all currencies into US Dollars when comparing incomes?

The local incomes are converted based on the price levels in the countries, using the so called Purchasing Power Parity exchange rate. These price comparisons are not perfect. The price differences only express the difference between countries, while the huge price differences within countries are not reflected. The price comparisons are based on prices in 2011. It means they are outdated, but that's the latest consistent comparison which most international organizations such as the World Bank and the International Monetary Fund (IMF) use. When new price estimates are ready within the next couple of years, and get integrated into Gapminder tools, we expect countries to suddenly start showing up in slightly different positions.

For more detailed notes, please visit this page on Gapminder's website:

www.gapminder.org/data/documentation/gd001

Why is the concept of Income Levels more useful than a divided world when it comes to comparing countries today and in the past?

Simply, the world is not divided. Development has been gradual and will continue to be so, which is why the Income Levels are an effective measure of progress.

When comparing countries today, it gives us a simple framework to compare countries that are similar in economic and social development. It also lets us study the history of the richest countries as they developed over the levels, and compare them with countries that are currently where those rich countries were in the past.

The levels have a consistent value and so countries move over the levels as they develop, making it easier to recognize change and use for comparison.

Instead of “developing countries”, what should we call them?

The four levels: Level 1, 2, 3 and 4. All countries are developing in some way, which is why the term is so useless. And the world is not divided in two anymore, so the term lacks nuance and is an inaccurate portrayal of how the world has changed in the last 50 years.

Why is it often misleading to compare people across the world simply using poor versus rich?

Most people live in middle income countries. If you only use the two categories poor and rich, you miss most people. It also confuses “relative poverty” and “extreme poverty”. As long as the terms are undefined, they will create rough categories of two kinds of people. But ideas of “people who are poor” in a rich country, depicts a material living standard that is often more like “the rich” in most countries of the world.

Within the richest countries, the word “poor” refers to the relatively poor in that country, who have a lower material standard of living compared to their wealthier neighbors.

When comparing “the poor” of a “rich country” with “the rich” of a “poor country”, the similarities are striking.

Additional material

- You can explore the four Income Levels and how countries have developed over time using Gapminder’s tools: www.gapminder.org/tools

We also have videos on our website which can help aid your understanding of the world:

- Videos of our talks, interviews and TV documentaries: www.gapminder.org/videos
- Hans Rosling’s short video explainers: www.gapminder.org/answers



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