

Group Exercise #3

Name:

1) Using the following information:

	<u>Income Share</u>
Bottom Quintile	3.4
2 nd Quintile	8.7
3 rd Quintile	14.7
4 th Quintile	23.2
Top Quintile	50.0

- a) Graph the Lorenz Curve. Label points on the graph clearly.
 - b) Calculate the corresponding Gini Coefficient.
- 2) Consider the Income Shares listed above in question #1. Suppose these statistics applied to a country with 1,000 households and with mean household income of \$20,000. What is mean household income of the bottom quintile?
- 3) The income inequality statistics published by the US Census Bureau are based on annual income:
- a) Would the statistics show more or less inequality if they were calculated using income averaged over a 5-year period? Why?
 - b) Wealth is the value of your total stock of assets (house, savings, investments, etc) minus your debt. Would the statistics show more or less inequality if they were calculated using wealth? Why?