

Lorenz Curves and Gini Coefficient Answers

Directions: In a group of 2-4, discuss and answer the following questions on Lorenz Curves and Gini Coefficients. You will need internet access in order to answer Question 5.

1. Draw a model of a Lorenz Curve representing a nation with a very small degree of income inequality, like Norway.

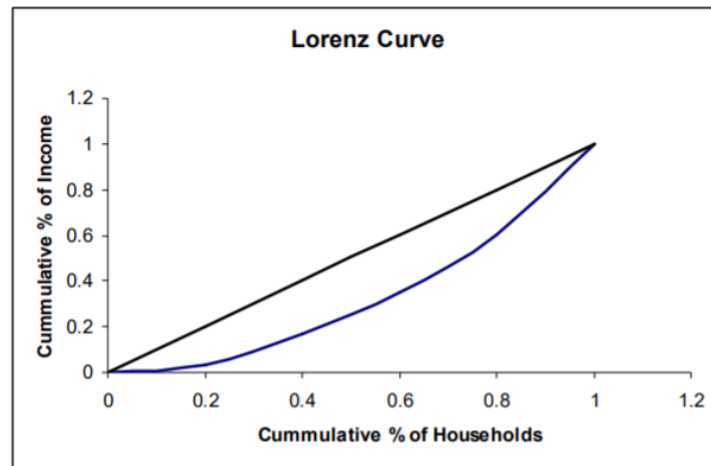
Graph should show a Lorenz Curve very close to the line of income equality.

2. Draw a model of a Lorenz Curve representing a nation with a high degree of income inequality, like South Africa.

Graph should show a Lorenz Curve very far from the line of income equality.

3. Draw a Lorenz Curve for the Country of Beta, with these 10 citizens and their corresponding incomes. (Hint – there will now be 2 individuals in each quintile)

Zak	\$2000
Erika	\$10,000
Bill	\$1,500
Juan	\$15,000
Harry	\$16,000
Jose	\$9,000
Emily	\$30,000
Kai	\$12,000
Robert	\$8,000
Kathleen	\$20,000



4. If a nation's Gini coefficient is 25.0, what does that say about income inequality in this nation?

This nation has a very low degree of income inequality.

5. Using the CIA World Factbook (<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>) rank the countries listed below in order of their Gini Coefficients, then explain: What do countries with high Gini coefficients seem to have in common? What do countries with low Gini Coefficients seem to have in common? Are there any countries on the list that don't seem to fit?

Countries: *Germany, Portugal, Hong Kong, United States, Russia, Haiti, Japan, Italy, Australia, Sweden, Mexico, Uganda, China*

Countries with a colonial heritage like Haiti and Hong Kong often have high degrees of income inequality. Countries with a longer democratic tradition like Australia and Sweden often have lower degrees of income inequality. However, this is not always the case.