Wilf Csaplar Jr.   Economics 260   Homework #4   Due 10/01

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you do double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (30 points) Use the following table to draw the Lorenz Curve and estimate the Gini Coefficient. Show all work and briefly explain how you got the values for your entries and how you estimated the Gini Coefficient.

	1st quintile	2nd quintile	3rd quintile	4th quintile	9th decile
% of income	5%	10%	15%	25%	25%

2) (15 points) Why is too large of a Gini Coefficient bad for the economy? Give an economic reason, not a moral reason.

3) (15 points) Why is it important to not only know the percentage of people below the poverty line, but also the size of the poverty gap?

4) (15 points) Explain why economic growth may not reduce poverty.

5) (15 points) Why do you think China was so successful at reducing the number of poor people from 1981 to 2001?

6) (10 points) I personally think that the $1/day or $2/day lines should be dependent upon whether the people live in urban or rural areas. Why do you think I feel this way?