Wilf Csaplar Jr.   Economics 260   Homework #4   **Due Monday 9/30**

Place your name on the back of this sheet of paper and nowhere else. 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 use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Draw two Lorenz Curves which have different shapes but the same Gini Coefficient. Explain how you know they have the same Gini Coefficient. In which country would the middle class be better off? Explain your logic.

2) (15 points) What are two problems with using $1.25 per day as a definition of absolute poverty? Explain your logic.

3) (10 points) Suppose that a country has a poverty line of $2/day, the mean consumption of those in poverty is $1.50/day, and there are 5,000,000 people in poverty. Calculate the poverty gap and show all work.

4) (15 points) Why do we need both the poverty gap and the head count? What do they each indicate?

5) (10 points) What is *immiserizing growth*? Explain how it can happen.

6) (10 points) Explain why growth is generally good for the poor.

7) (20 points) If a country is trying to do *pro-poor growth*, then what two actions do you think they should do? Explain how those actions will help the country.