

\* *Teacher's version P.44-50 (2.2: The Lorenz Curve - Activity 1)*

### Assignment 1

Suppose the total incomes of both countries A and B are \$5000.  
 In Country A, all households earn equal income.  
 In Country B, the richest households (20%) earn all the income.

- a. Fill in the following table to show
  - I. the percentages of total income earned by different income groups, and
  - II. the cumulative percentages of total income earned by different income groups.
  
- b. Sketch the Lorenz Curves of these countries and label the axes clearly.

Income Group	Country A		Country B	
	Percentage of total income earned (%)	Cumulative percentage of total income earned (%)	Percentage of total income earned (%)	Cumulative percentage of total income earned (%)
Lowest 20%				
Second 20%				
Third 20%				
Fourth 20%				
Highest 20%				

### Conclusion:

In general, the Lorenz Curve of a country lies under \_\_\_\_\_.

When the income distribution is more even, the Lorenz Curve will be \_\_\_\_\_ to the line of \_\_\_\_\_. When the income distribution is more unequal, the Lorenz Curve will be \_\_\_\_\_ the line of \_\_\_\_\_.