7. Representing and interpreting inequality.

**7.1** Consider the following alternative distributions of the same total income:

|  |  |  |  |
| --- | --- | --- | --- |
| **Individuals** | **Distribution A** | **Distribution B** | **Distribution C** |
| 1 | 240 | 836 | 0 |
| 2 | 780 | 836 | 0 |
| 3 | 849 | 836 | 0 |
| 4 | 1007 | 836 | 0 |
| 5 | 1304 | 836 | 4180 |
| Total | 4180 | 4180 | 4180 |

**a)** Represent on the same graph the Lorenz curves that correspond to the three distributions.

**b)** Without making any calculations, indicate the Gini coefficients of Distributions B and C.

**c)** Indicate the Lorenz dominance relationships between Distributions A, B and C and discuss them in light of the Gini coefficients computed in (b) above.

**7.2** Discuss the following statement and correct it if necessary: “If economy A has a lower Gini coefficient than economy B, we may conclude that the Lorenz curve of economy A dominates the Lorenz curve of economy B”.

**7.3** Guided discussion of the paper by François Bourguignon (2018), “The globalisation of inequality”.