Problem Set 4

1. Compare the degree of inequality in the distribution of consumption expenditure in rural and urban India using the following data. Draw the Lorenz curves and also compute the Lorenz ratio.

Decile group of population	Percentage share in total expenditure	
	Urban	Rural
0 - 10	2.72	3.29
10 - 20	4.17	4.79
20 - 30	5.27	5.87
30 - 40	6.36	6.90
40 - 50	7.51	7.98
50 - 60	8.82	9.19
60 - 70	10.44	10.63
70 - 80	12.59	12.50
80 - 90	15.97	15.37
90 - 100	26.14	23.48

2. The following table gives the percentage distribution of household disposable income and relative shares.

Annual Disposable Income	% of household	% Share in disposable income
-500	9.67	2.44
500 - 1000	34.36	16.86
1000 - 2000	38.78	33.87
2000 - 3000	8.45	13.18
3000 - 5000	5.18	12.98
5000 - 7000	1.64	6.32
7000 - 10000	1.07	5.72
10000-	0.85	8.63

Draw the Lorenz Curve and compute the Area of Concentration.