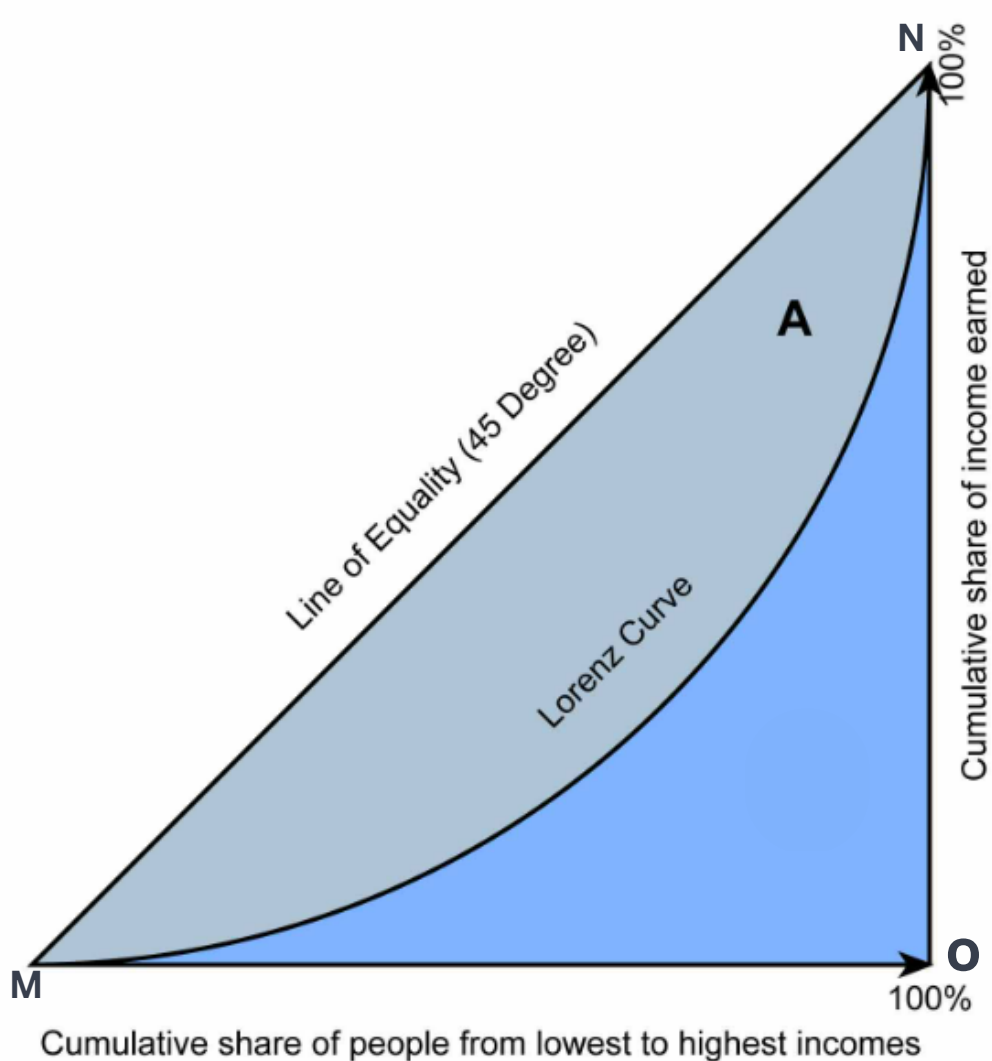


LORENZ CURVE

A curve that measures the relationship between the percentage of income earned and the percentage of people who earned that particular percentage of income.



- Perfect equality is represented by straight 45 degree curve
- Curve placed below the line of perfect equality represents the Lorenz curve
- The closer is the Lorenz curve to the perfect equality line, the less is the level of income inequality and vice versa.
- 'A' Indicates the shaded area.
- From the graph, Gini Coefficient=shaded area A/ area of MNO.
- If A=0, it means the Lorenz curve is actually the line of equality, and then it indicates perfect equality with Gini Coefficient=0