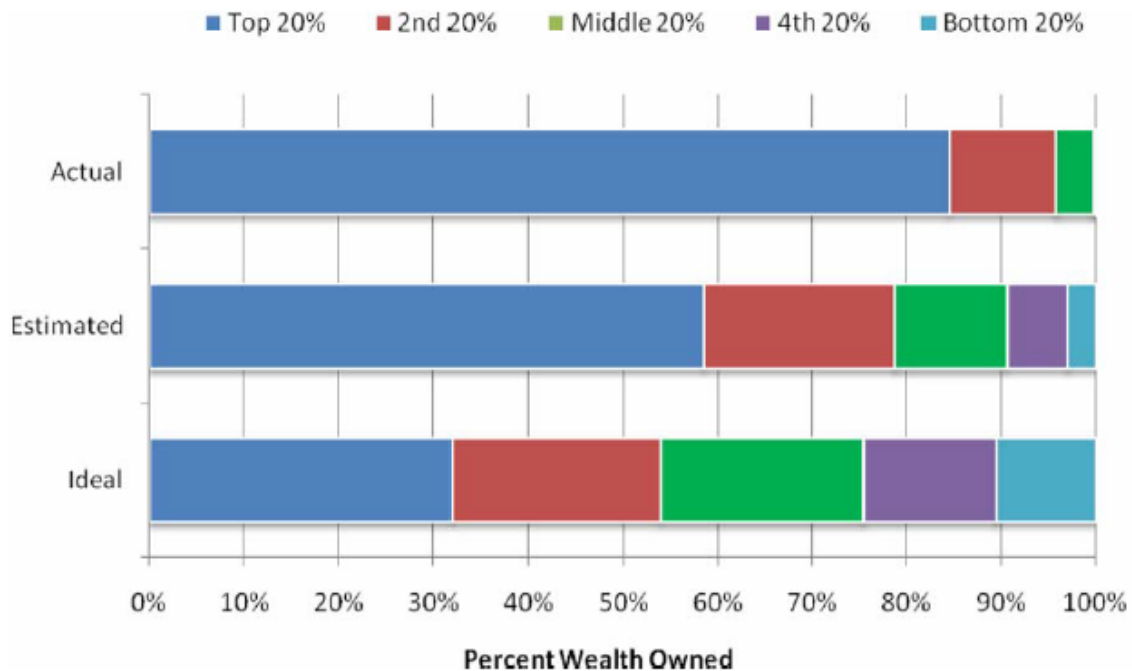Quiz 2

1) The figure below is from Norton and Ariely (2011) that we thoroughly discussed in the class. Calculate the actual, estimated, and ideal wealth distributions Gini coefficients assuming that the US economy consists of 5 representative people: Rich, Upper Middle Class, Middle Class, Lower Middle Class, Poor.

Fig. 2. The actual United States wealth distribution plotted against the estimated and ideal distributions across all respondents. Because of their small percentage share of total wealth, both the "4th 20%" value (0.2%) and the "Bottom 20%" value (0.1%) are not visible in the "Actual" distribution.

■ Top 20% ■ 2nd 20% ■ Middle 20% ■ 4th 20% ■ Bottom 20%

2) In the class, we visited several online databases where you can find income distribution data. Find the wealth Gini for Turkey (not income Gini). And compare your answer to your answer above. Is wealth inequality similar to or different than the inequality in the US?

3) Find the labor share of income (or the labor elasticity of output) assuming that the production technology is

$$F(K,L) = \left(K^{\frac{1}{2}} + L^{\frac{1}{2}}\right)^2.$$