An Example

• 1,000 people earn $150,000
• 9,000 people earn $10,000
• The top 10% earns 15 times as much as the lower 90%
• Government costs $10,000,000 to run

• Impose the entire tax burden on the top 1,000.

\[
\frac{10,000,000}{1,000} = $10,000
\]

• Their earnings drop to $140,000 and the ratio is 14:1.

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• Tax the top 1,000 $100,000 each, & give everyone $9,000.

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Gov’t Spending</td>
<td>$100,000</td>
</tr>
<tr>
<td>Net Saving</td>
<td>$90,000,000</td>
</tr>
</tbody>
</table>

• The top 10% now earns $150,000 - $100,000 + $9,000 = $59,000
• The bottom 90% now earns $10,000 + $9,000 = $19,000

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The income ratio is $\geq 3:1$  
(Actually 59:19)

The Lorenz Curve

The Gini Coefficient

\( \gamma \) is normalized to lie between zero and one.

\( \gamma = 0 \) means uniform income distribution;  
\( \gamma = 1 \) means one guy has it all.

The Gini Coefficient over Time

Lots of studies of how \( \gamma \) has changed over time and how US tax system impacts it.

Few Answers.
End