

The last one!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (20 points) What is meant by *crowding out*? Why do I consider it to be the biggest problem with the deficit and debt? Why do we not see it occurring now with the US government's deficit and debt?
- 2) (15 points each) To what extent are the following arguments about the problems caused by the deficit and debt valid? I.e., are these arguments valid? Why or why not?
 - A) It is a burden to future generations.
 - B) We will have to pay it back in the future.
- 3) (20 points) Explain how the government deficit can cause a trade deficit.
- 4) (15 points) Explain why during bad times, the government should run a deficit. How can we tell if the current government deficit is too large?
- 5) (15 points) Explain why the German government deficit and debt are not as much of a problem for them even though their debt and deficit are quite large.