

The last one!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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.

This whole homework assignment is about the national debt and deficit. Therefore, I figured I would start with some important statistics. According to the national debt clock on Brillig.com (http://www.brillig.com/debt_clock/), on the day you hand in this assignment, the national debt will be \$14.98 trillion. If you got a penny every 1 minute and 40 seconds from the start of the solar system or a penny every five minutes from the big bang, you could not pay off the government debt. (The dates of the start of the solar system and the big bang were gotten from NASA at http://map.gsfc.nasa.gov/universe/uni_age.html.) Also according to Brillig.com, the federal government is borrowing \$3.98 billion per day. That is just over \$46,000 per second.

- 1) (15 points) I have been saying since 2002 (when George W. Bush turned a federal government surplus into a major deficit) that the government deficit is a major problem. Explain why government deficits are a long-term problem for the economy.
- 2) (20 points) Why would the argument, “the debt is bad because our grand-children will have to pay it off,” be a bad answer to question #1? Explain two reasons.
- 3) (20 points) Is *crowding out* a big problem with our current economy? How can you tell? Why do you think this is the case?
- 4) (15 points) Why is the deficit so hard to cut? Explain why both general ways of cutting the deficit are so hard to do.
- 5) (20 points) If you were to try to balance the budget, how would you do it? Explain two methods of cutting the deficit, how they will cut the deficit, and explain why you chose them.
- 6) (10 points) Explain what is meant by the “twin deficits” and how they got those names.