

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 10 points. 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.

If you are leaving for Thanksgiving break early, turn this assignment in before you leave.

According to TreasuryDirect.gov, the public debt was \$14,323,406,201,380.96 on 2016/11/10. <http://www.treasurydirect.gov/NP/debt/current> According to the Census Bureau's population clock at 11:28 on 2016/11/10 <http://www.census.gov/popclock/>, the population was about 324,895,403 people. That means the debt is \$60,961.90 per person. According to NASA, http://map.gsfc.nasa.gov/universe/uni_age.html, the solar system started 4,500,000,000 years ago. Therefore, if you earned 1 penny for 5 out of every 6 minutes (without earning interest) from the start of the solar system, you would not have enough to pay the debt. The debt-to-GDP ratio is 1.062. Therefore, the government owes 106.2% of the entire GDP. The GDP data was gotten from <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.

1) (20 points) According to many sources, President-Elect Trump plans to give all Americans a tax cut, with the biggest cut going to the middle class, cut corporate taxes, greatly improve the country's infrastructure, increase funding for the military, and save Social Security. How will this affect the government's budget? Is the complete package a good economic plan? Explain your logic. (Note, I am not asking about individual parts of the plan. I am asking about the plan as a whole.)

2) (15 points each) For each of the following, explain how that could be used to reduce the size of the budget. Would that have a big impact on the budget? Explain your logic. Answer each part in separate paragraphs.

A) Change taxes on the rich.

B) Change spending on things other than Social Security, Medicare, military, and interest on debt.

3) (20 points each) It is common to hear the following arguments as to why the large government debt is a problem. For each of the following, state the argument. Explain whether you think it is a strong or weak argument. Explain your logic. Answer each part in separate paragraphs.

A) Paying off the debt will hurt our economy.

B) We owe money to foreigners.

4) (10 points) Do you think that the debt Paul O'Neill discussed, the gross public debt, or the net public debt is more likely to cause crowding out? Explain your logic.