

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 break early, please turn in your assignment before you leave.

1) Answer each part in separate paragraphs.

A) (15 points) What is the problem facing Social Security? What are the two long-term problems which mean the problem will get worse for at least a decade?

B) (15 points) One of the proposed solutions to the problem is to remove the cap on taxable income. How would that reduce the problem? Should that be part of the solution? Explain your logic.

C) (15 points) One of the proposed solutions to the problem is to raise the retirement age. How would that reduce the problem? Should that be part of the solution? Explain your logic.

According to TreasuryDirect.gov, the gross public debt was \$21,682,375,718,173.30 on 2018/11/7. <http://www.treasurydirect.gov/NP/debt/current> According to the Census Bureau's population clock at 2:21 on 2018/11/7, <http://www.census.gov/popclock/>, the population was about 328,950,514 people. That means the debt is \$65,913.79 per person. According to NASA, the solar system is 4,500,000,000 years old, https://solarsystem.nasa.gov/solar-system/our-solar-system/in-depth/#formation_opt. Therefore, if you earned 1 penny for 10 out of every 11 minutes (without earning interest) from the start of the solar system, you would not have enough to pay the debt. According to the Bureau of Economic Analysis, the GDP is \$20.7 trillion. This means the debt-to-GDP ratio is 1.05. Therefore, the government owes 105% of the entire GDP. The GDP data was gotten from <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.

2) (15 points each) For each of the following arguments, state what the argument is. Then determine if the argument is a weak or strong argument. Explain your logic.

A) When we pay off the debt, it will require tax increases which will hurt our economy.

B) Crowding out will hurt our economy.

3) (25 points) Explain the difference between the net public debt, the gross public debt, and the debt Paul O'Neill talks about. Which one is going to cause problems for the budget in the future? Explain your logic. Which one is related to crowding out? Explain your logic.