Wilf Csaplar Jr.   Economics 202   Homework #4   **Due Friday 9/18 by 10:00 AM**

Do NOT write your name anywhere. (Canvas will tell me who turned in the assignment.) All answers must be typed, except for mathematics and graphs. Take pictures of your written answers and use your own software or https://pdfcandy.com/ to create a single PDF size A4. (pdfcandy.com will convert many file types to PDF, resize PDF, merge PDF and many other things for free.   However, Apple phones may require using CamScanner before using pdfcandy.com.) Failure to follow these directions will cost you 10 points.

1) (15 points) Use the table to the right to determine the marginal tax rate, total taxes paid, and average tax rate for a person earning $200,000. Show all work. If there is no work, state how you got the answer. (Don't you wish that was your income?)

Tax Bracket	Tax Rate
$0 - $30,000	20%
$30,000 - $50,000	25%
$50,000 - $100,000	30%
$100,000 - $250,000	40%
> $250,000	50%

2) (15 points) Explain why in general, increasing the tax rate could cause a decrease in tax revenue. Make sure your explanation applies to any tax. Give a numerical example of an excise tax where increasing the tax rate caused the tax revenue to decrease.

3) (20 points) Draw a supply/demand diagram for apples. Draw it so the demand curve is relatively flat and the supply curve is relatively steep. Draw a tax on apples. Explain why the curve(s) moved as drawn. As drawn, who pays most of the tax? Explain how you reached your conclusion.

4) Answer each part in separate paragraphs.
A) (10 points) What is the long-term problem facing Social Security? What long-term trends mean the problem will be getting worse for quite a while more?
B) (20 points) One way to reduce the problem is to increase the Social Security tax. How would that reduce the problem? If you were President of the USA, would you use this as part of your plan to save Social Security? Explain your logic.
C) (20 points) One way to reduce the problem is to means test the benefits. How would that reduce the problem? If you were President of the USA, would you use this as part of your plan to save Social Security? Explain your logic.