

## 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) (15 points each) For each of the parts below, explain what that term means and how it could cause fiscal policy to have either a smaller effect or an undesirable effect.

A) Ricardian Equivalence.

B) Laffer curve.

2) (20 points each) For each of the following arguments, determine if it is a valid argument or not. If it is valid explain the argument. If it is not valid, explain why it is not valid. If it is partially valid, explain how it is accurate and how it could be wrong at the same time.

A) The debt will be a burden on future generations.

B) Crowding out.

3) (15 points) On page 353, the book argues that the deficit and debt are actually smaller than reported. However, former Treasury Secretary Paul O'Neill stated in a speech at Bethany College last year that the actual debt is probably about 3 - 4 times the reported amount. Why is his number more accurate? What is he including that the book is not?

4) (15 points) When is it good for the government to run a deficit? Explain why it is good at those times.