

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.

If you are a Senior taking *comps*, then you will take Exam #4 on or before Friday 4/24. Please arrange a time with me after class.

According to The Treasury, <http://www.treasurydirect.gov/NP/debt/current>, on 2015/4/14, the total federal public debt was \$18,152,013,569,439.51. According to the Census Bureau's population clock at 10:30 on 2015/4/16 <http://www.census.gov/popclock/>, the population was about 320,701,136 people. That is \$56,601.03 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 3/4 of a cent every minute (without earning interest) from the start of the solar system, you would not have enough to pay the debt.

1) (20 points each) Answer each part in separate paragraphs. For each part, explain why people say it is a problem with the debt. Then determine if this is a strong argument or a weak argument and explain your logic.

A) "When we pay off the debt, it will hurt our economy."

B) "It will hurt my grandchildren."

2) (25 points) Explain the difference between the *gross public debt*, *net public debt*, and the debt Paul O'Neill talked about. Which is most likely to cause problems for fiscal policy in the future? Explain your logic.

3) (20 points) To decrease the deficit and eventually the debt, we need to do one of two general approaches. What are they? Which of those methods could include increasing taxes on the rich? Explain your logic. Would you increase the rich as part of your method to decrease the deficit? Explain your logic.

4) (15 points) Explain how the government's budget deficit could cause a trade deficit. (This is the twin deficits.)