

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.

According to The Treasury, <http://www.treasurydirect.gov/NP/debt/current>, on 2016/4/13, the total federal public debt was \$19,226,226,489,207.20. According to the Census Bureau's population clock at 2:19 on 2016/4/13 <http://www.census.gov/popclock/>, the population was about 323,349,600 people. That is \$59,459.56 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 8/10 of a cent every minute (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 1.058. Therefore, the government owes 105.8% of the entire GDP.

1) (20 points each) The data above should give you reason to think about how big the debt is. I personally feel that the debt is a big issue and will be a bigger issue in the near future. For each of the following reasons why some people think the debt is a problem, explain the argument. Then determine whether that is a strong or weak argument. Explain your logic. Answer each part in separate paragraphs.

A) Paying off the debt will hurt the country.

B) Crowding out.

2) (15 points each) According to National Priorities Project, the current government deficit is about 2.5% of GDP. <https://www.nationalpriorities.org/campaigns/us-federal-debt-why/> Therefore, the government is borrowing far too much. For each of the following ways to reduce the deficit, explain how it would reduce the deficit. Explain why it won't work very well. Answer each part in a separate paragraph.

A) Cut spending. (The conservative Republican solution.)

B) Tax the rich. (The liberal Democrat solution.)

3) (15 points) Explain why we should worry more about the *full employment deficit* than the actual government deficit.

4) (15 points) Money needs to be a good medium of exchange. Does M1 or M2 do a better job of that? Explain your logic.