

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (25 points each) For BOTH of the solutions below, state how that would reduce the problem with social security. If you were in the government, would you use that solution? Explain your logic.

A) Increase the tax rate used to pay social security.

B) Raise the age necessary to start withdrawing social security benefits.

2) (15 points) The book says that increasing a tax rate could cause tax revenue to decline. How could this occur?

3) (15 points) Why isn't full employment 0% unemployment?

4) (20 points) Explain at least two problems with using the unemployment rate as a measure of how much more could be produced.