

The Last One!

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (15 points each) For each of the following, determine if it is a valid problem with the national debt. If it is, then explain the problem. If it is not a valid problem, then explain the fault in the argument. If it is partially true and partially false, explain how it is valid and how it is false.

- A) The debt will have to be paid by our children and our grandchildren.
- B) Crowding out will occur.
- C) We owe a lot of money abroad.

2) (15 points) Last spring, I heard a student say to another student something like this, "Is the economy better than it was before Bush became President? Yes. Therefore, Bush has had good economic policies." What argument should I have given to this student?

3) (20 points) How would you fix the current deficit/debt problem faced by the US government? If you are making cuts, be specific as to what you will cut. If you are raising taxes, be specific as to which taxes. Explain why you chose those solutions.

4) (10 points each) For each event, determine what happens to M1 and M2. BREIFLY Explain your logic.

- A) You take \$20,000 out of a CD and put it into your checking account.
- B) You pay your tuition with a \$20,000 check.