

The last one!

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. 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 do double-sided printing or print on the back of scrap paper, I will give you one additional point.

If you are leaving early for break, turn this in before you leave.

- 1) (20 points) As I showed in class that our deficit and debt are quite large. There are cases where that is not a problem. Give two examples of why that may not be a problem.
- 2) (15 points) As of 21:25 on 2007/11/08, the national debt is \$9,085,961,492,598.09 and the population is 303,481,257 people. This makes the debt per person is \$29,939.12. (All statistics are from http://www.brillig.com/debt_clock/.) According to NASA, The age of the universe is 13,700,000,000 years old. (http://map.gsfc.nasa.gov/m_uni/uni_101age.html) Using those statistics, society would need \$663.21 every year from the beginning of time until now to pay the debt if you assume no interest. That is \$1.82/day, 7.56¢/hour, or 0.13¢/minute. So if the USA got a penny every 7.93 minutes, you would fall just short of paying it off. What do you feel to be the greatest problem caused by the debt?
- 3) (30 points) Suppose you were elected President this year. (I know you are too young, but play along.) What two actions would you take to cut the deficit? Explain why you would take those two actions and how they would reduce the deficit.
- 4) (15 points) Suppose the government spending is \$1000 and the formula for net tax revenue is: $-100 + 0.3Y$. If GDP is \$4000, then how much is the government deficit or surplus? If the full-employment level of GDP is \$4400, then what is the full employment budget deficit or surplus? Show all work and briefly explain your logic.
- 5) (5 points) Why does Paul O'Neill feel that the government debt is far greater than what the government says it owes?
- 6) (15 points) How could the government's deficit cause the trade deficit?