Wilf Csaplar Jr.   Economics 162   Homework #4   **Due Friday 9/30**

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 10 points. 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.

Due to the inauguration of President Tamara Rodenberg on Friday October 7th, the 10:10 class is canceled. Therefore, I am also canceling my 9:05 class. This requires reworking the syllabus. The revised syllabus can be found on my webpage, http://www.WCsaplarJr.info.

1) Answer each part in separate paragraphs.
1A) (10 points) What is the problem facing Social Security? What are the two long-term causes of the problem?
1B) (15 points) One proposal to reduce the problem is to raise the Social Security tax. How would that reduce the problem? Would you use that as part of your solution to save Social Security? Explain your logic.
1C) (15 points) One proposal to reduce the problem is to increase the return on the lock box. How would that be done? How would that reduce the problem? Would you use that as part of your solution to save Social Security? Explain your logic.

2) (20 points) Suppose the tax brackets are given to the right. If a person earns $100,000.00, then what are that person's marginal tax rate, total taxes paid, and average tax rate? Show all work. If there is no work, then state how you reached your conclusion.

Bracket	Rate
$0 - $30,000	15%
$30,000 - $80,000	20%
$80,000 - $120,000	25%
>$120,000	30%

3) (20 points) What is the economic reason that increasing a tax rate could result in less tax revenue? Give a mathematical example which helps you to prove your point.

4) (20 points) Draw the supply and demand for hats with a steep supply and a flat demand curve. Illustrate the effects of a new tax on hats. Explain why the curve moved as drawn. Who pays most of the tax? Explain how you reached that conclusion.