

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 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.

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

According to TreasuryDirect.gov, the gross public debt was \$20,474,850,038,554.50 on 2017/11/6. <http://www.treasurydirect.gov/NP/debt/current> According to the Census Bureau's population clock at 1:50 on 2017/11/8, <http://www.census.gov/popclock/>, the population was about 326,233,858 people. That means the debt is \$62,761.27 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 1 penny for 5 out of every 6 minutes (without earning interest) from the start of the solar system, you would not have enough to pay the debt. According to the Bureau of Economic Analysis, the GDP is \$19.5 trillion. This means the debt-to-GDP ratio is 1.05. Therefore, the government owes 105% of the entire GDP. The GDP data was gotten from <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.

- 1) (25 points) We discussed three different debts, net public debt, gross public debt, and Paul O'Neill's debt. What is the difference between the three? Which do you feel is going to cause the government's budget the most problems in the future? Explain your logic.
- 2) (15 points) Those who say the debt is a big problem, will often say (referring to the calculations above Question #1), "The debt per person is \$67, 761.27. That means my grandchildren will have to pay that much when we pay off the debt. They cannot afford to pay that much." What are two problems with that argument? Explain your logic.
- 3) (10 points) According to <http://ticdata.treasury.gov/Publish/mfh.txt>, just over \$4 trillion of the debt was owned to foreigners as of August of 2017. Why is that a problem?
- 4) (15 points) When we discussed the reasons why fiscal policy may not work, we discussed *crowding out*. What is that? Why is that also a long-run problem of the debt? Explain your logic.
- 5) (15 points each) For each of the following ways to reduce the budget deficit, explain why it is either difficult to do, or it will not achieve much. Answer each part in a different paragraph.
 - A) Cut spending.
 - B) Tax the rich
- 6) (5 points) President Trump has proposed a tax cut for the middle class. What will that do to the deficit and debt? Briefly explain your logic.