

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.

1) (25 points) George Shultz said that the increased deficit and debt in the 1960s led to high inflation and high interest rates in the 1970s. Use an appropriate graph to show how the deficits will cause inflation in the future. The webpage below limits the number of times you can read free articles. If you run into a problem reading the page, go to another webbrowser or another computer. <https://www.marketwatch.com/story/americas-excessive-government-spending-must-stop-11614099270>

2) (10 points) The same article mentioned in #1, says that national security is also a threat caused by the debt. Explain how that can occur.

3) (20 points) There are two basic ways to cut the deficit. What are they? For both of them, explain why that is hard to do.

4) (15 points each) Answer each part in separate paragraphs. For each of the problems. Explain why it is a problem caused by the debt. Do you think it is currently a big problem? Explain your logic.

A) Crowding out

B) Paying off the debt will hurt future generations.

5) (15 points) Explain how a large government deficit this year can help increase GDP this year, but hurt GDP in the future.