

Place your name on the back of this sheet of paper and nowhere else. 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 use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (15 points each) For each of the *economic reasons for government* listed below. Explain why it is an economic reason for a government. Note, that these may also be moral reasons for government, but I only want the economic reason.

A) Income redistribution

B) Legal system

2) (20 points) Use the table to the right to calculate the person's marginal income tax rate, total taxes paid, and average income tax rate. Show all calculations and if there is no calculation, state how you reached the conclusion.

Income	Bracket
\$0 - \$20K	10%
\$20K - \$50K	20%
\$50K - \$90K	30%
\$90K - \$140K	40%
> \$140K	50%

3) (25 points) State the problem facing Social Security. How would increasing the retirement age help to reduce the problem? Would you use it? Explain your logic.

4) (25 points) State the problem facing Social Security. How would increasing the payroll tax rate help to reduce the problem? Would you use it? Explain your logic.