

The last one!

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) (25 points) Explain why Obama's budget is good for the short-run, but bad for the long-run.
- 2) (15 points) For the most part the argument, that the debt is a burden on the future generations because they will have to pay it, is false. Explain why it is false.
- 3) (15 points) Obama claims he will get rid of most of the government deficit by the time he leaves office. If you were in his position, how would you get rid of the deficit? Explain why you chose that method.
- 4) (10 points each) For each of the following, explain how the event affects M1 and M2. Explain your logic.
 - A) You take \$40 cash out of your savings account.
 - B) You transfer \$2000 from a CD which is maturing to a checking account.
 - C) You buy a \$200 textbook with a credit card.
- 5) (15 points) In general, what is meant by "moral hazard"? Explain how it applies to insurance.