

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) Explain how Ricardian Equivalence could prevent macroeconomic stabilization efforts from working.
- 2) (20 points) What are the lags involving fiscal policy? Explain what they are and how they might cause counter-cyclical fiscal policy from working.
- 3) (20 points) What are the automatic stabilizers? Explain why they are called that.
- 4) (25 points) Explain why crowding out should be a major problem for our economy. Why isn't it a major problem at the current time?
- 5) (10 points) What is wrong with the statement, "The federal debt is a problem because when we pay it back, it will involve a big tax burden on the citizens of the country."
- 6) (10 points) Paul O'Neill, the former Secretary of the Treasury, says the actual US debt is bigger than what the Treasury says it is. Why does he say that?