

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 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) (10 points) According to http://www.brillig.com/debt_clock/, the government debt is about \$14.3 trillion. According to <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm> the GDP was \$14.8 trillion in 2010. According to a Congressman I heard on the radio, the government deficit is on track to be \$1.6 trillion. What is the difference between deficit and debt? What do those two numbers mean?
- 2) (15 points each) For each of these “problems” with the deficit and debt, explain the problem. Then tell me how strong or weak the argument is. If it is weak, then explain why it is weak.
 - A) The debt is a burden on future generations.
 - B) Crowding out.
 - C) We owe foreigners
- 3) (25 points) The book argues the actual government debt is smaller than the number cited in Question #1. What is their argument? Paul O’Neill says the debt is much larger than the number cited in #1. What is his argument? Which do you feel is more accurate? Explain your logic.
- 4) (20 points) Explain why the government deficit and the trade deficit are called the “twin deficits.”