Wilf Csaplar Jr. Economics 162 Homework #4 **Due Thursday 2/14**

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) (20 points) Use the table to the right to determine the marginal tax rate, total taxes paid, and average tax rate for a person earning $50,000. Show all work. If there is no work then state what you did.

Tax Bracket	Tax Rate
$0-10,000	10%
$10,000-$30,000	20%
$30,000-$70,000	30%
$70,000-$100,000	40%
>$100,000	50%

2) (20 points) Draw the supply and demand for hats where the demand is fairly flat and the supply is fairly steep. Illustrate the effects of a tax on hats. Explain why the curve(s) moved as drawn. According to your graph, who pays most of the tax? How can you see that on the graph?

3) (15 points) What is the general reason why increasing a tax could cause the government to get less tax revenue? Make sure your explanation applies to all taxes. Use a specific numerical example to prove your point.

4) Answer each part in separate paragraphs. Note that I am assuming we want to save Social Security and the method of saving it will involve several policies, not just one.
A) (5 points) What is the long-term problem facing Social Security? What are the two trends which mean the problem will get worse for at least a decade?
B) (20 points) One proposal to solve the problem is to *increase the Social Security tax for all workers*. How would that reduce the problem? Would you do that as part of your proposal? Explain your logic.
C) (20 points) One proposal to solve the problem is to *means test benefits*. How would that reduce the problem? Would you do that as part of your proposal? Explain your logic.