Wilf Csaplar Jr.   Economics 202   Homework #9   **Due Friday 11/11 by 11:00 AM**

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) As you can see by reading the information below, the USA's government debt is huge and getting bigger because of the large deficit. What has to be done to correct this problem of the deficit? There are two general ways to cut the deficit. Explain why both are difficult to do.

According to the Treasury Department the gross public debt was $31,211,733,641,874.00 on 2022/11/2. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny According to the Census Bureau's population clock at 10:23 on 2022/11/3, the population was about 333,269,325 people http://www.census.gov/popclock/. That means the debt is $93,653.18 per person. According to NASA, the solar system is 4,500,000,000 years old. https://solarsystem.nasa.gov/solar-system/our-solar-system/in-depth/ Therefore, if you earned 1 penny every 46 seconds (without earning interest) from the start of the solar system, you would not quite have enough to pay the debt. According to the Bureau of Economic Analysis, the GDP for the 12 months which ended September 30th, is estimated to be $25.66 trillion. This means the debt-to-GDP ratio is 1.216. Therefore, the government owes 121.6% of the entire GDP. https://www.bea.gov/news/2022/gross-domestic-product-third-quarter-2022-advance-estimate

2) (25 points) The unemployment rate at the end of September was 3.5%.   The government deficit for the fiscal year which ended September 30th was $1.4 trillion. Is the full-employment deficit $1.4 trillion, more that $1.4 trillion, or less than $1.4 trillion? Explain your logic. Which of those deficits will affect crowding out? Explain your logic. Which of those deficits will tell us if the government is doing smart fiscal policy? Explain your logic. https://www.bls.gov/news.release/pdf/empsit.pdf   https://www.cbo.gov/publication/58493

3) (20 points each) Answer each part in separate paragraphs. For each part, tell me why a large government debt can hurt our country in the manner described. Then tell me if net government public debt, gross public debt, or Paul O'Neill's debt will have that effect. Explain your logic.
A) Limits what Congress and the President can do for fiscal policy.
B) Crowding out

4) (15 points) What is wrong with the argument, "The large debt is bad, because when we pay it back, our grandchildren will have to pay a lot of taxes."?