

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) (10 points) According to the article below, when is the Social Security Fund projected to run out of money? What will happen to those receiving Social Security at that time?

<https://www.aarp.org/retirement/social-security/info-2020/10-myths-explained.html>

2) (20 points) Draw a supply/demand diagram for corn such that the demand curve is relatively flat and the supply curve is relatively steep. Illustrate a tax on corn. Explain why the curve(s) moved as drawn. Show the two areas which represent how much the consumer pays and how much the producer pays. State how you found them. Which is bigger?

3) (10 points) In Question #2, we said that the firms pay some of the tax. Who is really paying when we say the firm pays?

4) (20 points) Draw the Laffer Curve and explain why it takes its shape. Make sure to mention all assumptions you are making.

5) Answer each part in separate paragraphs.

A) (10 points) What are the two long-term trends which will cause Social Security to run out of money? Explain how they will have that effect.

B) (15 points) One proposal to save Social Security, is to raise the retirement age. How would that reduce the problem? If you were the President, would you include that as part of a package to save Social Security? Explain your logic.

C) (15 points) One proposal to save Social Security, is to eliminate the cap on taxable income. How would that reduce the problem? If you were the President, would you include that as part of a package to save Social Security? Explain your logic.