

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) (15 points) Explain Ricardian Equivalence. Sometimes it holds and other times it does not. Do you feel it does or does not usually hold? Explain your logic.

2) (20 points) Even though the Japanese own more of our government debt than the Chinese, I feel that the debt to the Japanese is a minor problem and the debt to the Chinese is a big problem. Explain why the debt to the Chinese is a big problem. Explain why that logic does not hold with the Japanese, and what the problem is with the Japanese owning our debt.

https://www.congress.gov/crs-product/RS22331#_Toc198900181

3) (15 points) According to CNN's webpage, Rep. Andy Harris of Maryland said. "Sadly this debt will be paid by our children and grandchildren." Is that a valid argument? Explain your logic.

<https://www.cnn.com/2022/02/02/politics/national-debt-what-matters/index.html>

4A) (10 points) President Trump wants to use tariff revenue to offset tax cuts and possibly eliminate the income tax. According to the header on the first figure of the [first article](#) below. What is the most revenue tariffs can bring in? According to the [second article](#), how much was the government deficit in fiscal year 2025?

<https://www.piie.com/blogs/realtime-economics/2024/can-trump-replace-income-taxes-tariffs>

<https://fiscaldata.treasury.gov/americas-finance-guide/national-deficit/>

4B) (20 points) Look at Figure #2 in the [first article](#). Explain why the poor are affected more by the tariffs but less by the income tax.

5) (20 points) In general, what are the two things which need to happen to decrease the government deficit? Make general statements like, "increase spending" rather than specific statements like "increase spending on buying Teslas for government officials." For both of them, explain why they are hard to do.

According to the Treasury Department the gross public debt was \$38,108,930,250,279.00 on 2025/11/2.

<https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny> According to the Census Bureau's population clock at 8:23 on 2025/11/2, the population of the USA was about 342,764,307.

people <http://www.census.gov/popclock/>. That means the debt is \$111,181.15 per person. According to NASA, the solar system is 4,600,000,000 years old. <https://solarsystem.nasa.gov/solar-system/our-solar-system/in-depth/> Therefore, if you earned 1 penny every 38 seconds (without earning interest) from the start of the solar system, you would have almost exactly the amount the debt.

According to the Bureau of Economic Analysis, the GDP for the 12 months which ended June 30th, is estimated to be \$30.5 trillion. This means the debt-to-GDP ratio is 1.25. Therefore, the government owes 125% of the entire GDP.

<https://apps.bea.gov/iTable/?reqid=19&step=2&isuri=1&categories=survey#eyJhcHBpZCI6MTksInN0ZXBzIjpbMSwyLDNdLCJkYXRhIjpbWyJjYXRlZ29yaWVzIiwU3VydmV5IiIsWyJOSVBBX1RhYmxlX0xpc3QiLCIiIi1dfQ==> Of interest, the GDP was supposed to be updated 10/30, but was not because of the shutdown. If you want to see something interesting, look at the same data I gave last semester.

<http://www.wcsaplarjr.info/s25/202HW9.pdf> It has changed a lot since then.