

Do NOT write your name anywhere. (Canvas will tell me who turned in the assignment.) All answers must be typed, except for mathematics and graphs. Take pictures of your written answers and use your own software or to create a single PDF size A4 or 8.5" x 11". At the top of my webpage, I list several online sources which will convert pictures to pdfs, merge pdfs, and resize them. However, Apple phones may require using CamScanner before using the online sources. Failure to follow these directions will cost you 10 points.

According to the Treasury Department the gross public debt was \$28,073,739,716,650.42 on 2021/4/2. <https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny>

According to the Census Bureau's population clock at 11:53 on 2021/4/6,

<http://www.census.gov/popclock/>, the population was about 330,187,747 people. That means the debt is \$85,023.57 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 50 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 December 31<sup>st</sup>, is estimated to be \$20.94 trillion. This means the debt-to-GDP ratio is 1.341. Therefore, the government owes 134.1% of the entire GDP. The GDP data was gotten from <https://www.bea.gov/news/2021/gross-domestic-product-third-estimate-gdp-industry-and-corporate-profits-4th-quarter-and>

1) (15 points each) As you can see from the statistics above, the federal government's debt is too large. For each of the following arguments, explain the argument. Then determine if you think it is a strong or weak argument. Explain your logic. Answer each part in separate paragraphs.

A) When we pay it off, it will hurt the citizens.

B) As of 2021/1/31, foreign governments and citizens own about 25% of our gross public debt.

<https://ticdata.treasury.gov/Publish/mfh.txt>

2) (25 points) What is meant by crowding out? Is that problem most likely to be caused by net public debt, gross public debt, or the debt Paul O'Neill talked about? Explain your logic.

3) (15 points) One of the problems caused by the debt is that it makes budgeting in the future hard to do for the federal government. Is that problem most likely to be caused by net public debt, gross public debt, or the debt Paul O'Neill talked about? Explain your logic.

4) (15 points) For each of these ways of cutting the budget deficit, explain why it is unlikely to have much of an impact. Answer each part in separate paragraphs.

A) Increase taxes on the rich

B) Cut government spending