Master of Liberal Arts 60643
Economic Controversies
Homework Assignment #5 and 6 (2018)
DUE: March 6

INSTRUCTIONS: This one counts as two homeworks because you do two Harvey Tests. Those who warn against the detrimental effects of federal government budget deficits argue, among other things, that as they get larger, they cause an increase in interest rates and inflation. Compare the budget balances below and see if interest rates (Fed Funds) and inflation (CPI) get larger when the budget balance falls.

	Budget Balance	Fed Funds	CPI
1980	-56.6	13.36	13.5
1981	-56.8	16.38	10.4
1982	-135.3	12.26	6.2
1983	-176.2	9.09	3.2
1984	-171.5	10.23	4.4
1985	-178.6	8.10	3.5
1986	-194.6	6.81	1.9
1987	-149.4	6.66	3.6
1988	-138.4	7.57	4.1
1989	-134.0	9.22	4.8
1990	-176.5	8.10	5.4
1991	-218.4	5.69	4.2
1992	-302.5	3.52	3.04
1993	-280.2	3.02	2.97
1994	-220.4	4.20	2.6
1995	-206.2	5.84	2.8
1996	-148.2	5.30	2.9
1997	-60.1	5.46	2.3
1998	33.6	5.35	1.5
1999	98.8	4.97	2.2
2000	185.2	6.24	3.4
2001	40.5	3.89	2.8
2002	-252.8	1.67	1.6
2003	-376.4	1.13	2.3
2004	-379.5	1.35	2.7
2005	-283.0	3.21	3.4
2006	-203.8	4.96	3.2
2007	-245.2	5.02	2.9
2008	-613.5	1.93	3.8
2009	-1229.4	0.16	-0.3
2010	-1308.1	0.18	1.6
2011	-1237.4	0.10	3.1

Budget Balance is Net Federal Government Saving in billions of dollars. Positive is a surplus of tax revenue over government spending, while negative is a deficit.
Fed Funds is the Federal Funds interest rate.
CPI is inflation calculated from the Consumer Price Index.
All data from *www.economagic.com*.