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\*\*\*1NC FRONTLINE\*\*\*

1NC Economy Frontline [1/4]

1. The US Economy is dependent on the War in Afghanistan

Welsh ‘10

Ian Welsh, 7-3-10, editor, writer, and social media consultant; he was the Managing Editor of FireDogLake and the Agonist, both consistent political blogs reporting specifically on Economics, Foreign Policy, and the Middle East. His work has also appeared at Huffington Post, AlterNet, and Truthout, as well as the now defunct Blogging of the President (BOPNews). “War of Choice.” http://www.ianwelsh.net/actually-afghanistan-is-a-war-of-choice/

Michael Steele’s comments on Afghanistan remind me of my favorite definition of a gaffe: “saying the truth in the worst way possible.” To whit, Steele said that Afghanistan is a war of Obama’s choosing, and that everyone who’s occupied Afghanistan has come to grief over it.  Now one can quibble a bit over the details of who came to grief and who didn’t, but basically he’s right.  Afghanistan went badly for the Russians and the British, most recently.  There’s a reason Afghanistan is called the “graveyard of Empires” and if the US isn’t careful it’ll be the graveyard of the US empire. Likewise, yes, this is a war of choice for Obama.  He could have done his review, said “hey, there are almost no al-Q’aeda fighters in Afghanistan anymore, so we won, let’s go home.”  He could have said “fighting in Afghanistan is seriously destabilizing Pakistan, which is far more important than Afghanistan, so let’s go home.”  He could have said “yes, if we leave, some al-Q’aeda camps might spring up but we can always bomb them and anyway there are plenty of failed states where al-Q’aeda can set up camps and we can’t occupy all of them.” The point is that continuing in Afghanistan was a choice.  Obama could have chosen otherwise.  Not being in Afghanistan will not create an existential threat to the US. So yeah, Steele was right.  Of course, being the RNC chairman, Steele isn’t allowed to say things that make sense and contradict Republican warmongering. Now here’s a truth that Steele didn’t tell.  Obama has to stay in Afghanistan because war spending is one of the only reliable forms of stimulus he has.  The economy is in bad shape, and it needs that stimulus.  Since he can’t get a new large stimulus through Congress that means he MUST keep the Afghan war going if he doesn’t want an economic disaster, which would then lead to an electoral disaster. This is the sad truth of America: the only acceptable form of Keynesian spending is military Keynesianism. Instead of hiring tens of thousands of teachers, building a high speed rail network across the country, refitting every building to be energy efficient and doing a massive solar and wind build-out to reduce dependence on oil, well, the US would rather turn Afghans and Pakistanis into a fine red mist. That fine red mist is what’s keeping the American economy from going under entirely.  And so, even if it’s the wrong thing to do, even if it’s the graveyard of America’s Empire, the war will continue.

1. Military spending key to the reviving US economy

Borch ‘10

UAB Media, 6-17-10, “UAB Study Confirms Military Spending Helps States Survive Poor Economy.” Casey Borch, Ph.D., studies and teaches social psychology and medical and political sociology. He has co-authored studies that have been published in the Journal of Adolescence, Sociological Forum and Public Opinion Journal. He is an assistant professor in the UAB Department of Sociology.) http://main.uab.edu/Sites/MediaRelations/articles/78097/

States in which defense spending is high are better equipped to withstand the effects of an economic downturn than others, according to a new study led by University of Alabama at Birmingham (UAB) Assistant Professor of Sociology Casey Borch, Ph.D. The study, published this week in the June issue of the journal *Social Forces*, confirms that states with high levels of defense spending have lower poverty rates, less income inequality, lower unemployment and higher median family income. It also demonstrates that the U.S. economy is increasingly dependent on military spending. "Politicians always have assumed that military spending helps the economy, but there have been very few studies to prove that it's true. No studies have examined the effects of military spending on as many measures of economic well-being at the state level as our study," said Borch, who teaches in the UAB Department of Sociology and Social Work. For this study, Borch and his team examined data taken from 49 states during the post-Vietnam War era, from 1977 to 2004, to determine the role of military spending in a peacetime economy. The time span coincided with a 30-year decline in and dependence on manufacturing in the United States, Borch said. The researchers reviewed spending on defense contracts and military personnel and compared it to changes in economic indicators over time - poverty and unemployment rates, median family income and income disparities. The researchers also adjusted for variables such as the dominant political party in a state, strength of labor unions, number of Fortune 500 companies, gross state product (GSP) from manufacturing and proportion of military and non-military federal spending. The researchers found, for example, that an increase in a state's dependence on military spending, from 5 to 10 percent of its total GSP, increased employment about 1 percent - despite nationwide declines in manufacturing - and a $14,000 per household increase in median family income. In addition, the Gini Index, a measure of income distribution across a population, fell about 6 percent. Poverty rates fell about 2 percent. Data in the study showed that decreased military spending coincided with times of economic hardship in the states. For example, the 1990s were marked by slowdowns in military spending, and many state economies dependent on military spending suffered higher unemployment, slow economic growth and widening income inequality, Borch said. "For some cities and states, military spending is an incredibly important part of the local economy," said Borch. "For example, in places like Virginia, which has military bases and a shipbuilding center, there is an enormous amount of military spending, and Huntsville, Ala., is the third most dependent metropolitan statistical area in the country. Other states like Montana and Idaho enjoy less. Therefore, you have politicians and community leaders who work to get military spending funneled into their states because it helps the state economy." The United States ranks No. 1 in the world for military spending, said Borch. Russia ranks second, with a military budget about seven times smaller than the United States. "Former U.S. President Dwight Eisenhower warned us against what he called the military industrial complex - the takeover of the economic system by military contractors and the military in general," Borch said. "This study shouldn't be read as advocating for more military spending to ensure economic well-being of individuals. But it points to a stubborn reality of the modern United States - that the economic system that Eisenhower warned us about has become reality, and we have become increasingly dependent on military spending."

1NC Economy Frontline [2/4]

1. Reduction in military spending is bad—it emboldens Iran and kills alliances

Kagan ‘10

Robert Kagan, Senior Associate @ Carnegie Endowment for International Peace, “No time to cut defense spending”, Feb 3, 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/02/02/AR2009020202618.html>

Pentagon officials have leaked word that the Office of Management and Budget has ordered a 10 percent cut in defense spending for the coming fiscal year, giving Defense Secretary Robert Gates a substantially smaller budget than he requested. Here are five reasons President Obama should side with Gates over the green-eyeshade boys. It doesn't make fiscal sense to cut the defense budget when everyone is scrambling for measures to stimulate the economy. Already, under the current Pentagon budget, defense contractors will begin shutting down production lines in the next couple of years -- putting people out of work. Rather than cutting, the Obama administration ought to be increasing defense spending. As Harvard economist Martin Feldstein recently noted on this page, defense spending is exactly the kind of expenditure that can have an immediate impact on the economy. A reduction in defense spending this year would unnerve American allies and undercut efforts to gain greater cooperation. There is already a sense around the world, fed by irresponsible pundits here at home, that the United States is in terminal decline. Many fear that the economic crisis will cause the United States to pull back from overseas commitments. The announcement of a defense cutback would be taken by the world as evidence that the American retreat has begun. This would make it harder to press allies to do more. The Obama administration rightly plans to encourage European allies to increase defense capabilities so they can more equitably share the burden of global commitments. This will be a tough sell if the United States is cutting its own defense budget. In Afghanistan, there are already concerns that the United States may be "short of breath." In Pakistan, the military may be tempted to wait out what its members perceive as America's flagging commitment to the region. A reduction in defense funding would feed these perceptions and make it harder for Obama's newly appointed special envoy, Richard Holbrooke, to press for necessary changes in both countries. What worries allies cheers and emboldens potential adversaries. The Obama administration is right to reach out and begin direct talks with leaders in Tehran. But the already-slim chances of success will grow slimmer if Iranian leaders believe that the United States may soon begin pulling back from their part of the world. President Mahmoud Ahmadinejad's spokesman has already declared that the United States has lost its power -- just because President Obama said he is willing to talk. Imagine how that perception would be reinforced if Obama starts cutting funding for an already inadequately funded force. Similarly, the Obama administration is right to want to begin negotiations with Russia over missile defense and arms control. But it is a poor opening gambit to announce a cut in American defense spending before negotiations even begin. If Russian leaders believe that the United States is looking for a way out of weapons systems -- missile defense in particular -- they will negotiate accordingly. They might ask why they should make a deal at all. Cuts in the defense budget would have consequences in other areas of the budget, most notably foreign aid. Some Republicans have already begun to grumble about foreign aid and development spending. If the Obama administration begins by cutting defense, it will be much harder to persuade Republicans to support foreign aid. Finally, everyone knows the U.S. military is stretched thin. Some may hope that Obama can begin substantially drawing down U.S. force levels in Iraq this year. No doubt he can to some extent. But this is an especially critical year in Iraq. The most recent round of elections is only one of three: District elections are in June and all-important parliamentary elections are in December. The head of U.S. Central Command, Gen. David Petraeus, is unlikely to recommend a steep cut with so much at stake. Moreover, any reduction of U.S. forces in Iraq is going to be matched by an increase of forces in Afghanistan. The strain on U.S. ground forces, even with reductions in Iraq, won't begin to ease until the end of next year. And that assumes that the situation in Iraq stays quiet, that there is progress in Afghanistan, that Pakistan doesn't explode and that no other unforeseen events require American action. At a time when people talk of trillion-dollar stimulus packages, cutting 10 percent from the defense budget is a pittance, especially given the high price we will pay in America's global position. The United States spends about 4 percent of GDP on defense. In 1962, the figure was 9 percent. Some unreconstructed anti-Cold Warriors from the 1980s may see the Obama revolution as a return to the good old days of battling against Ronald Reagan's defense spending. But that's not the way Barack Obama ran for president. He didn't promise defense cuts. On the contrary, he called for additional forces for the Army and Marines. He insisted that the American military needs to remain the strongest and best-equipped in the world. In his inaugural address, President Obama reminded Americans that the nation is still at war. That being so, this is not the time to start weakening the armed forces.

1NC Economy Frontline [3/4]

1. U.S. not key to world economy – prefer our evidence, it’s in the context of recovery.

The Economist ‘09

The Economist, “Decoupling 2.0” May 21, 2009, http://www.economist.com/opinion/displaystory.cfm ?story\_id=13697292

REMEMBER the debate about decoupling? A year ago, many commentators—including this newspaper—argued that emerging economies had become more resilient to an American recession, thanks to their strong domestic markets and prudent macroeconomic policies. Naysayers claimed America’s weakness would fell the emerging world. Over the past six months the global slump seemed to prove the sceptics right. Emerging economies reeled and decoupling was ridiculed. Yet perhaps the idea was dismissed too soon. Even if America’s output remains weak, there are signs that some of the larger emerging economies could see a decent rebound. China is exhibit A of this new decoupling: its economy began to accelerate again in the first four months of this year. Fixed investment is growing at its fastest pace since 2006 and consumption is holding up well. Despite debate over the accuracy of China’s GDP figures (see article), most economists agree that output will grow faster than seemed plausible only a few months ago. Growth this year could be close to 8%. Such optimism has fuelled commodity prices which have, in turn, brightened the outlook for Brazil and other commodity exporters. That said, even the best performing countries will grow more slowly than they did between 2004 and 2007. Nor will the resilience be universal: eastern Europe’s indebted economies will suffer as global banks cut back, and emerging economies intertwined with America, such as Mexico, will continue to be hit hard. So will smaller, more trade-dependent countries. Decoupling 2.0 is a narrower phenomenon, confined to a few of the biggest, and least indebted, emerging economies. It is based on two under-appreciated facts: the biggest emerging economies are less dependent on American spending than commonly believed; and they have proven more able and willing to respond to economic weakness than many feared. Economies such as China or Brazil were walloped late last year not only, or even mainly, because American demand plunged. (Over half of China’s exports go to other emerging economies, and China recently overtook the United States as Brazil’s biggest export market.) They were hit hard by the near-collapse of global credit markets and the dramatic destocking by shell-shocked firms. In addition, many emerging countries had been aggressively tightening monetary policy to fight inflation just before these shocks hit. The result was that domestic demand slumped even as exports fell.

1. **Economy resilient – Obama administration prevents depression**

Jaffe ‘09

Matthew, ABCnews reporter for the Treasury Department and financial issues from Washington, D.C., “Back from the Abyss”: Obama Adviser Touts Economic Rescue”, June 17, <http://blogs.abcnews.com/politicalpunch/2009/07/back-from-the-abyss-obama-adviser-touts-economic-rescue.html>

The nation’s economy has been rescued from the brink of collapse, President Obama’s top economic adviser believes. In excerpts released by the White House, National Economic Council director Larry Summers touts the progress made by the administration in averting a financial meltdown. “We were at the brink of catastrophe at the beginning of the year, but we have walked some substantial distance back from the abyss,” Summers plans to say this morning at the Peterson Institute in Washington. “Substantial progress has been made in rescuing the economy from the risk of economic collapse that looked all too real six months ago.” When the administration entered office back in January, Summers recalls, “the economy was in free-fall at the start of the year with no apparent limit on how much worse things could get…fear was widespread and confidence was scarce.” But thanks to President Obama’s two-tiered approach of addressing the immediate crisis and building for long-term growth, Summers says, “the distance we have traveled these past six months is remarkable.” “First, the most immediate priority was to rescue the economy by restoring confidence and breaking the vicious cycle of economic contraction and financial failure,” outlines Summers. “Second, the recovery from this crisis would be built not on the flimsy foundation of asset bubbles but on the firm foundation of productive investment and long-term growth.” In recent weeks, the administration has sent their sweeping financial regulatory reform proposals down Pennsylvania Avenue to Congress. Going forward, Summers calls for an economy that is more export-oriented and more balanced in terms of income distribution. While acknowledging that the administration’s agenda is “ambitious”, Summers believes it will “lay a foundation for future prosperity and for the confidence on which the current recovery depends.”

1NC Economy Frontline [4/4]

1. Economic decline does not cause violence or war

Miller 2K

Morris, Interdisciplinary Science Reviews, “Poverty as a cause of wars?” Morris Miller is an economist, adjunct professor in the University of Ottawa’s Faculty of Administration, consultant on international development issues, former Executive Director and Senior Economist at the World Bank, attended McGill and Harvard Universities and the London School of Economics, majoring in economic policy. Has taught at McGill University, the University of Maryland, Carleton University and the World Bank's Economic Development Institute. http://www.management.uottawa.ca/miller/poverty.htm

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study undertaken by Minxin Pei and Ariel Adesnik of the Carnegie Endowment for International Peace, there would not appear to be any merit in this hypothesis. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that:19 Much of the conventional wisdom about the political impact of economic crises may be wrong ... The severity of economic crisis - as measured in terms of inflation and negative growth - bore no relationship to the collapse of regimes ... (or, in democratic states, rarely) to an outbreak of violence ... In the cases of dictatorships and semidemocracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence to abort another).

1. Economy high, no depression on the horizon

Waddell ‘10

David, 7-13, “Slow Growth, Not Double Dip, On Horizon,” David Waddell is regularly featured in the Wall Street Journal, USA Today and Forbes, as well as on Fox Business News and CNBC. He is the president and CEO of Memphis-based Waddell & Associates. He holds a BA in Economics from the University of the South and received his MBA degree with a concentration in finance and investments at the F.W. Olin School at Babson College.) http://www.memphisdailynews.com/editorial/Article.aspx?id=51272

Equity markets gathered their composure last week with the S&P 500 advancing over 5 percent. Markets have a habit of siding with the minority, and the statistic I found most reassuring heading into the week was that 24 percent of all retail investors surveyed by the American Association of Individual Investors were bullish. This is understandable as the most recent media brainwashing claims that we will “double dip” back into recession and that a slower economy means weaker market returns. Let’s investigate. There have been two legitimate double dips in the U.S. economy, both of which were government policy induced, occurring in 1937 and 1981. In the early 1980s, while emerging from a recession, Fed Chair Volker increased the Federal interest rate significantly to stifle inflation. While Volker won the inflation battle, he created yet another recession. In the wake of the Great Depression, policy makers also slipped the economy in reverse by prematurely reducing fiscal and monetary stimulus. The economics of the Great Depression were clumsy at best, as many of the theories that help guide monetary policy today hadn’t yet been theorized. Given the cumulative knowledge at the Fed today, it is unlikely monetary conditions will tighten until economic momentum has confirmed escape velocity. Furthermore, the federal government seems all too willing to spend money on the economy’s behalf. U.S. economic policy continues to pursue monetary and fiscal expansion, differing from the policy stances contributing to the last two double dips. Absent policy detractors, a double dip would require premature economic exhaustion.While economic indicators do confirm a slowdown in recent activity, they do not indicate a reversal. Recent releases measuring manufacturing and service activity exhibit slower growth, but growth nonetheless. Employment conditions may be anemic, but they are improving. With the global economy slated to grow 4.5 percent this year and 4.25 percent next year (as forecast by the International Monetary Fund) it would be difficult for the U.S., which represents 20 percent of global economic activity, not to benefit. In fact, the growth expectations for the U.S. have risen for 2010 and 2011 to 3.3 and 2.9 percent, respectively. So while growth may not be robust, and may taper somewhat, we should see 3 percent growth rate for the U.S. and 4 percent plus for the world over the next 18 months. Is this enough to power stock markets? After comparing annual GDP and stock market returns going back to 1930, I found if we concentrate on the “just fine” growth rates between 2 and 4 percent, the average annual market return has been 13.1 percent with only four of the 22 years posting negative returns. With GDP growth all but assured for 2010, it’s 2011 that remains in question. Based on history and the information available today, slow growth appears likely while a double dip appears unlikely. So while a 2-3 percent growth rate may not satisfy economists, it should satisfy investors.

\*\*\*2NC EXTENSIONS\*\*\*

2NC Defense Spending Good EXT

Defense Spending boosts the economy

Korb ‘09

Lawrence J., Laura Conley, Sean Duggan, Matthew Merighi, 2-2-09, “Military Spending can grow the Nation’s Economy.” Lawrence J. Korb is a Senior Fellow at the Center for American Progress. He is also a senior advisor to the Center for Defense Information and an adjunct professor at Georgetown University. Prior to joining the Center for American Progress he was a senior fellow and director of National Security Studies at the Council on Foreign Relations. From July 1998 to October 2002 he was council vice president, director of studies, and holder of the Maurice Greenberg Chair. He received his Ph.D. in political science from the State University of New York at Albany and has held full-time teaching positions at the University of Dayton, the Coast Guard Academy, and the Naval War College.) http://www.americanprogressaction.org/issues/2009/02/military\_spending\_memo.html

Introduction: Nearly 600,000 Americans lost their jobs last January, pushing unemployment to a 16-year high of 7.6 percent. This announcement is the latest indication of the dire state of the U.S. economy. Without a doubt, the nation’s mounting economic crisis will be one of the toughest tests the Obama administration will face in its first term. But times of great economic challenge also present the administration and the country with opportunities to spend on much-needed government projects that will enhance our national interests while stimulating the economy. The Department of Defense is an ideal government agency to play a role in economic recovery for several reasons: The defense budget is massive. The Pentagon accounts for a little more than half of U.S. discretionary spending, and the country spends more on defense than the rest of the world combined. In fiscal year 2009, the regular defense budget totaled $518 billion. When the costs for the wars in Iraq and Afghanistan are added, the budget rises to about $700 billion. The FY 2010 baseline defense budget is projected to reach about $587 billion. Importantly, every $1 billion spent on defense generates close to 10,000 jobs.1 Only about two-thirds of the defense budget is spent in the years for which it is authorized. Consequently, some spending can be accelerated without adding to the nation’s long-term debt or purchasing items that do not enhance our overall national security. For example, funds authorized for military construction, or MILCON, which includes base facilities and military housing, can be spent over five years. The wars in Iraq and Afghanistan have worn out equipment much more rapidly than anticipated. When the Pentagon purchases a piece of equipment, be it a truck or tank, it assumes that the equipment will last for a given number of years. However, the harsh environmental conditions in Iraq and Afghanistan, as well as combat damage, have destroyed large amounts of equipment much faster than anticipated. This equipment will have to be replaced or repaired, a process the military terms reset. According to Congressman John Murtha (D-PA), Chairman of the House Appropriations Subcommittee on Defense, resetting all of the equipment in need could total $100 billion. There is no reason that this reset cannot be done much more rapidly. Because of the demands on our ground forces, the Army and Marine Corps plan to add about 48,000 men and women to the active component between now and 2013. This build-up, like military construction spending, can also be accelerated without increasing the long-term debt that must eventually be accrued to pay for these necessary items. All of these reasons make strong cases for the DOD to aid economic recovery. Therefore, when policymakers consider how to jumpstart the economy, they should focus on the following three areas in the defense budget: Combat rising unemployment by increasing the size of the ground forces to projected levels as quickly as possible Accelerate the spending of funds already authorized for military construction and authorize an additional $25 billion in the FY 2010 budget for construction projects that will be needed in the next five years Accelerate Army and Marine Corps equipment reset These recommendations would cost $106 billion and would create approximately 1 million jobs.2 It is also important to note that while defense spending may not create as many jobs as other forms of government spending, over a quarter of the funds that are required to implement the above recommendations have already been authorized and the remaining funds will eventually be authorized. Increase personnel Several military, economic, and social factors make the current environment an ideal time to recruit ground forces in particular. First, the Army and Marine Corps have already been authorized to increase their ground forces to approximately 550,000 and over 200,000 active duty troops, respectively. Under current plans, the Army will recruit an additional 7,000 soldiers per year above its normal quota and the Marines will recruit 5,000, for a total of 12,000 per year between 2010 and 2013. Given the fact that this plan is already in place, the new administration should attempt to speed up the process. In 2010, the Army and Marines should attempt to add all 48,000 troops to their roles without lowering standards. This will increase military personnel expenditures by an estimated $5 billion in 2010 alone. Second, today’s overall unemployment rate is at a 16-year high. Unemployment is even higher for our nation’s youth, who are the prime recruiting pool for the armed forces. While the national unemployment average is 7.6 percent for adults ages 16 years and older, for young men and women ages 16 to 24 the rate is 17.7 percent, and among men and women ages 20 to 24 it is 12.1 percent.3 With private-sector employment shriveling, military service has become a more attractive option. But while increasing unemployment has created an opening for increasing enrollment, the military must still ensure that its recruits meet high education, aptitude, and moral standards. Recruitment and retention bonuses must also be maintained and in some cases increased. Currently the Army offers $20,000 to $50,000 signing bonuses—on top of education and health benefits—to new recruits depending on their professional skills and service specialty. These bonuses have been critical to attracting talented men and women, and they should be maintained. Moreover, these signing bonuses can have an immediate economic multiplier effect since a large portion is given to service members and their families upon enlistment. Unfortunately, the Army offers significantly lower retention bonuses than other services. According to a 2007 report by the Government Accountability Office, the Navy and Air Force pay about 10 times what the Army pays in retention-related incentives.4 If a Navy lieutenant commander (O-4), the equivalent of an Army major, were commissioned in 1997, he or she could have received $121,000 in retention bonuses during a 12-year career. An Army infantry officer over that same time span would not have received any retention pay.5 It is critical that Army retention bonuses be brought up to par with other services. This will help the Army retain its most talented and experienced commissioned and non-commissioned officers. And as a matter of equality, Army officers have been more stressed than their counterparts in the other services since 9/11, so their pay should reflect this level of commitment. Fully implementing this plan will add about $1 billion to the defense budget. Third, public attitudes toward service in the military have improved over the past year. According to a recent Rasmussen survey, 79 percent of Americans have a favorable opinion of the U.S. military. And according to The Christian Science Monitor, 11 percent of young people ages 16 to 21 say they will “definitely” or “probably” serve in the military within the next two years, which is up from 9 percent one year, which is up from 9 percent one year ago. The reduction in causalities from the Iraq war, the election of Barack Obama—who has pledged to withdraw troops from Iraq—and rising unemployment among today’s youth are key reasons enlistment is becoming more appealing to youth. This increased interest in enlistment means that the military can and should be more selective with recruits and reduce the number of criminal and education waivers to pre-Iraq war levels. Fourth, the military can enlarge its pool of potential recruits by dropping the outdated “don’t ask, don’t tell” policy that prohibits openly gay people from serving in the military, as well as ending the ban on women in combat. Fortunately, the new commander in chief has signaled his intent to repeal “don’t ask, don’t tell,” a move that is now supported by the overwhelming majority of the American people. Fifth, the recently passed 21st-century G.I. Bill will be a boon to military recruitment. The bill, the largest educational benefit for service members and their families since World War II, goes into effect on August 1, 2009. The Army Times notes that, “On average, the combination of payments adds up to more than $85,000 in college benefits over four years. Pentagon officials believe the option of sharing these benefits with family members could be the most significant across-the-board retention bonus ever offered to military members, and could radically transform the career force.”6 The bill not only will help to recruit a large number of talented troops to the force, but it also has the ancillary benefit of investing in the education of our nation’s youth. And finally, the new president has called on Americans to embrace national service, which should increase the number of those young men and women willing to consider volunteering for military service. Accelerate previously authorized funding for military construction and increase future funding in the short term The decision to grow the ground forces will necessitate the construction of additional barracks, headquarters, and other base facilities. Therefore, the Obama administration will face substantial military construction, or MILCON needs in the next four years. Additionally, President Barack Obama and Congress will need to continue to fund the 2005 Base Realignment and Closure process, or BRAC, and this too will require an increase in MILCON spending. In this troubled economy, construction workers have been hit especially hard. The industry lost 101,000 jobs in December 2008 alone, pushing unemployment among construction workers to 15.3 percent.7 Although seasonal fluctuation in this industry should be expected, this year’s numbers represent a significant rise over last December’s industry rate of 9.4 percent unemployment.8 Lawmakers have an opportunity to alleviate some of this burden by aggressively promoting and funding military construction jobs for these civilian workers. These jobs would be comparatively easy to create, as many construction workers can learn skills on the job and may not require specialized education and training.9

2NC Defense Spending Good EXT

Opportunities for investment in military construction Both the BRAC process and efforts to increase the size of the armed forces offer an opportunity to create additional MILCON jobs. For example, as a part of the 2005 BRAC process, Walter Reed Army Medical Facility will be moving from Washington, D.C. to share the current campus of the National Naval Medical Center in Bethesda, Maryland. Construction and renovation for relocating Walter Reed’s staff and operations to Bethesda and one other site in Virginia are estimated to cost $1 billion, and all relocation is scheduled to be complete by mid-September 2011.10 This project and other BRAC initiatives are already planned, so Congress should use this opportunity to fully fund all of these projects in FY 2010. Moreover, the Pentagon should spend the money as quickly as possible. Not only will this have an impact on jobs, but it will allow communities to begin putting the vacant land to productive use much more quickly. Increasing the size of the Army and Marines has created an additional need for increased MILCON spending. The GAO reported in September 2008 that due to efforts to grow the ground forces some bases are currently oversubscribed. These facilities would not be able to support all of the soldiers assigned to them if it were not for current overseas deployments.  The report notes that, “installation management officials are concerned that, in the event of a major reposturing of units out of Iraq and the concomitant return of Army units to their home stations, there will not be enough room to accommodate all of the equipment, unit headquarters staff, and soldiers stationed at an installation.”11 Under the Status of Forces Agreement signed by President George W. Bush and Iraqi Prime Minister Nouri al-Maliki, all U.S. forces must leave Iraq by the end of 2011, and President Obama has pledged to withdraw all combat units by April 2010. The military should prepare aggressively for this influx of troops by investing in the necessary military construction now. Given the downturn in housing construction, there exists plenty of excess capacity in the housing industry. MILCON funds should also be used to reduce the environmental footprint of military facilities. Not only will this create jobs in an important sector of the economy, it will also yield long-term energy savings. The Pentagon aims to have 25 percent of its electricity provided by renewable energy sources by 2025, yet Defense News reported in January of this year that “no additional money has been allocated for the effort.”12 Additionally, all new Army buildings are required to follow U.S. Green Building Council guidelines.13 Extra MILCON funding could be used to update old facilities as far as is practicably possible to meet these guidelines. Moreover, improved bases, offices, and living quarters will enhance the overall quality of life for our service members and their families. These improvements are a small gesture in light of the sacrifices we have asked of our troops over the past eight years, and they will need to be done eventually. Moreover, new and improved living quarters and other MILCON projects such as schools on bases will be a boon to recruitment and retention. There is no reason not to build them now. Funding sources An analysis of the FY 2009 Green Book, the Department of Defense’s compendium of national defense budget estimates, reveals that funding is already available for many military construction projects. From FY 2006 to FY 2009, the total budget authority for military construction projects, including money for the active services, reserves, and BRAC-mandated construction, outpaced outlays by about $24 billion. Because military construction funding may be spent for up to five years following authorization, unspent money from FY 2005 through the current fiscal year could be funneled to short-term or immediate construction projects as a mechanism to aid in economic recovery. Including the FY 2005 funding, this pot is in excess of $25 billion. In addition, Congress could also increase total MILCON funding by $25 billion over the projected level in FY 2010 as a short-term boost to aid economic recovery and pay for the needed but unfunded military construction projects at bases around the country. The DOD has already been receiving some funding above baseline levels through supplemental appropriations bills. For example, the DOD requested approximately $3.5 billion in MILCON funding in the second FY 2008 supplemental appropriation, and Congress enacted $4.2 billion.15 While an added $25 billion would bring the MILCON budget to $50 billion and would represent a significant increase over the sum of the baseline and supplemental appropriations, the country’s declining economic health and rising construction sector unemployment both suggest this increase is desirable. Accelerate Army and Marine Corps equipment reset Although effective personnel are the foundation of any strong military, proper equipment allows personnel to accomplish their objectives. Prioritizing and accelerating defense spending to reset equipment that has been damaged or destroyed in Iraq and Afghanistan is another opportunity to spur medium- to long-term economic growth. But in order to use reset funding for economic recovery, the Department of Defense and Congress must first work together to determine what kinds of equipment are essential for the military to successfully defeat current and future threats.  The wars in Iraq and Afghanistan have depleted the supply of battle-ready, essential equipment. These shortfalls have created ripple effects throughout the military in the form of repair backlogs. Over the course of the last eight years, it has been common practice for deploying units to siphon equipment from non-deployed units—a process known as cross-leveling. In its most extreme from, this process has resulted in combat brigades deploying to war zones without essential equipment or full combat readiness. Congressman Murtha, the Chairman of the House Appropriations Subcommittee on Defense, has estimated that resetting all of this equipment will cost about $100 billion. These problems can be partially mitigated by making equipment reset a part of an economic recovery plan. The vehicles most in need of reset are those seeing service in Iraq and Afghanistan. These include M1 Abrams tanks, M113 Armored Personnel Carriers, Stryker combat vehicles, military Humvees, and various support vehicles. These vehicles are largely produced and repaired in the United States in states such as Texas, California, Oregon, Utah, Ohio, Michigan, Pennsylvania, and Alabama, where they provide continuous employment for mechanics and machinists. Accelerating reset will provide much needed employment opportunities in the midst of these difficult economic conditions. Spending federal money on equipment reset at this time would have several ancillary benefits. It would buoy our economy with government spending and reverse damages caused by eight years of war. Both of these effects would fundamentally contribute to our nation’s security and prosperity.Conclusion The federal government should not be spending defense dollars for the sole purpose of stimulating the economy. For example, some have argued that the Obama administration should continue purchasing unnecessary F-22 fighters because close to 100,000 potential jobs would be lost from stopping production at 183 fighters—a recommendation of Secretary of Defense Robert Gates.  Instead, the DOD should spend funds that would have to be spent eventually on people, projects, and reset that would enhance our overall security while enabling the economy to recover. While this would mean a temporary increase in the overall defense outlays for FY 2010 and FY 2011, it would also mean that in 2012 and 2013, defense spending on items such as military construction would tail off sharply when the economy should be back to its normal level of activity. According to some economists, increasing military spending by this amount could create an additional 1 million jobs.16 Moreover, accelerating the recruitment effort would provide jobs for 36,000 men and women in the next year, providing employment at a time when it is sorely needed.

2NC Defense Spending Good EXT

Defense Spending stimulates the economy

Feldstein ‘08

Martin, 12-24, “Defense Spending Would Be Great Stimulus.” Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of The Wall Street Journal's board of contributors.) http://online.wsj.com/article/SB123008280526532053.html

The Department of Defense is preparing budget cuts in response to the decline in national income. The DOD budgeteers and their counterparts in the White House Office of Management and Budget apparently reason that a smaller GDP requires belt-tightening by everyone. That logic is exactly backwards. As President-elect Barack Obama and his economic advisers recognize,countering a deep economic recession requires an increase in government spending to offset the sharp decline in consumer outlays and business investment that is now under way. Without that rise in government spending, the economic downturn would be deeper and longer. Although tax cuts for individuals and businesses can help, government spending will have to do the heavy lifting. That's why the Obama team will propose a package of about $300 billion a year in additional federal government outlays and grants to states and local governments. A temporary rise in DOD spending on supplies, equipment and manpower should be a significant part of that increase in overall government outlays. The same applies to the Department of Homeland Security, to the FBI, and to other parts of the national intelligence community. The increase in government spending needs to be a short-term surge with greater outlays in 2009 and 2010 but then tailing off sharply in 2011 when the economy should be almost back to its prerecession level of activity. Buying military supplies and equipment, including a variety of off-the-shelf dual use items, can easily fit this surge pattern. For the military, the increased spending will require an expanded supplemental budget for 2009 and an increased budget for 2010. A 10% increase in defense outlays for procurement and for research would contribute about $20 billion a year to the overall stimulus budget. A 5% rise in spending on operations and maintenance would add an additional $10 billion. That spending could create about 300,000 additional jobs. And raising the military's annual recruitment goal by 15% would provide jobs for an additional 30,000 young men and women in the first year. An important challenge for those who are designing the overall stimulus package is to avoid wasteful spending. One way to achieve that is to do things during the period of the spending surge that must eventually be done anyway. It is better to do them now when there is excess capacity in the economy than to wait and do them later. Replacing the supplies that have been depleted by the military activity in Iraq and Afghanistan is a good example of something that might be postponed but that should instead be done quickly. The same is true for replacing the military equipment that has been subject to excessive wear and tear. More generally, replacement schedules for vehicles and other equipment should be accelerated to do more during the next two years than would otherwise be economically efficient. Industry experts and DOD officials confirm that military suppliers have substantial unused capacity with which to produce additional supplies and equipment. Even those production lines that are currently at full capacity can be greatly expanded by going from a single shift to a two-shift production schedule. With industrial production in the economy as a whole down sharply, there is no shortage of potential employees who can produce supplies and equipment. Military procurement has the further advantage that almost all of the equipment and supplies that the military buys is made in the United States, creating demand and jobs here at home. Increased military spending should involve more than just accelerated replacement schedules. Each of the military services can identify new equipment and additional quantities of existing equipment that can improve our fighting ability in Afghanistan and our ability to protect our military forces while they are in combat. Military planners must also look ahead to the missions that each of the services may be called upon to do in the future. Additional funding would allow the Air Force to increase the production of fighter planes and transport aircraft without any delays. The Army could accelerate its combat modernization program. The Navy could build additional ships to deal with its increased responsibilities in protecting coastal shipping and in countering terrorism. And all three services have significant infrastructure needs. Although some activities like ship building cannot be completed in the two year stimulus period, the major part of the expenditures can be brought forward in time by acquiring components and materials quickly and holding them in inventory until they are needed in the ship building process. Such a departure from just-in-time inventory management would be wasteful under normal conditions, but makes economic sense when there is temporary excess capacity. Now is also a good time for the military to increase recruiting and training. Because of the current very high and rising unemployment rates among young men and women, it would make sense to depart from the military's traditional enlistment rules and bring in recruits for a short, two-year period of training followed by a return to the civilian economy. As a minimum this would provide education in a variety of technical skills -- electronics, equipment maintenance, computer programming, nuclear facility operations, etc. -- that would lead to better civilian careers for this group. It would also provide a larger reserve force that could be called upon if needed by the military in the future. The budgets for homeland security, for intelligence activities, and for the FBI have increased substantially during the past decade. The greater terrorist threat fully justifies these additional funds. The current two-year stimulus period provides an opportunity for additional temporary spending increases with high payoffs. Investments in port security would reduce a major homeland vulnerability. Expanding the government's language training programs for new intelligence community recruits would provide more translators who can monitor the terrorist communications that we are able to intercept. Additional infrastructure for the FBI would remove an important constraint on the number of new FBI agents. The Obama team's goal of sending a stimulus package to Congress before the end of January may not leave enough time to work out the details of expanded military and intelligence budgets. If so, the stimulus plan should ask the Congress to provide a total of at least $30 billion a year of increased outlays in these budget categories. A substantial short-term rise in spending on defense and intelligence would both stimulate our economy and strengthen our nation's security.

2NC Defense Spending Good EXT

Defense spending boosts the American economy—2003 economic rebound proves

Willard ‘03

Anna Willard, reporter @ Reuters, 2003, “Defense spending drives economy”, http://www.axisoflogic.com/artman/publish/article\_1355.shtml, AD: 7-20-10

Soaring defense spending is driving the U.S. economy, but not doing too much for the unemployment picture as Americans still struggled to find jobs and corporations saw their profits fall, government reports on Thursday showed. The Commerce Department said the economy grew at a revised 3.1 percent pace in the second three months of 2003, boosted by defense spending, business investment and consumers. That was faster than the 2.4 percent rate first reported a month ago and boosts hopes momentum will carry into the current quarter. "The numbers are a confirmation of the existing trend or prevailing view that the economy is strengthening, hitting out of the second quarter and into the third," said Nick Bennenbroek, foreign exchange strategist at Brown Brothers Harriman. But in a separate report, the Labor Department said the number of Americans lining up to claim jobless benefits in the Aug. 23 week rose to 394,000 from 391,000 the prior week. Although the number was below 400,000, a level considered a sign of a soft labor market, analysts said the claims numbers were disappointing. In a separate report the Commerce Department also estimated after-tax corporate profits were down by 3.4 percent for the second quarter. The dollar strengthened slightly in reaction to the good growth number, but Treasury bonds also rose because of the rise in jobless claims. Stocks opened higher, encouraged by faster economic growth which fostered hopes for better corporate profits. Within the gross domestic product report, government spending on defense -- much of it to pay for the U.S.-led war in Iraq --soared 45.9 percent, the strongest gain since the third quarter of 1951, during the Korean War. In a sign that long-awaited business confidence is returning, nonresidential spending -- the broadest category of investment -- rose 8.0 percent in the spring quarter after a drop of 4.4 percent in the first quarter. Business investment, touted as a key to economic recovery, has lagged since the 2001 recession. Consumers, whose spending fuels more than two-thirds of national economic activity, were also in a buoyant mood with consumer spending rising 3.8 percent. Businesses cut back on inventories at an annual rate of $20.9 billion in the second quarter after building them up at a $4.8 billion rate in the first quarter of the year. Lean inventories are generally considered a promising sign, since this means companies may have to ramp up production to keep up with demand. This in turn can lead to a pick up in hiring. "The third quarter is stacking up to be a 4 to 6 percent quarter," said Jim Glassman, senior economist at J.P. Morgan in New York. "It's all a demand story and businesses have been surprised by this and will have to build inventories." The GDP (news - web sites) report follows upbeat consumer confidence data for August, and gains in durable goods and home sales in July. But analysts continue to have lingering worries about unemployment. "Most of the data coming in this month have been strong but still no jobs," said William Cheney, chief economist at John Hancock Financial Services. "That's the wildcard for the economic outlook." Analysts and policy makers will be watching the Labor Department's monthly payroll data report, due to be released next Friday, for more details on the jobs market. Wall Street is expecting non-farm payrolls to have added a scant 10,000 jobs in August after shedding 44,000 in July. This would mark the first rise since January.

2NC Defense Spending Good EXT

Defense Spending saves the economy—jobs, consumer spending, and more money in the economy

Johnson ‘07

Chalmers Johnson, professor emeritus @ UCSD, 2007, “Republic or empire: A national intelligence estimate of the United States”, August, Harpers Magazine, http://harpers.org/archive/2007/01/0081346, AD: 7-21-10

The ongoing U.S. militarization of its foreign affairs has spiked precipitously in recent years, with increasingly expensive commitments in Afghanistan and Iraq. These commitments grew from many specific political factors, including the ideological predilections of the current regime, the growing need for material access to the oil-rich regions of the Middle East, and a long-term bipartisan emphasis on hegemony as a basis for national security. The *domestic* economic basis for these commitments, however, is consistently overlooked. Indeed, America's hegemonic policy is in many ways most accurately understood as the inevitable result of its decades-long policy of military Keynesianism. During the Depression that preceded World War II, the English economist John Maynard Keynes, a liberal capitalist, proposed a form of governance that would mitigate the boom-and-bust cycles inherent in capitalist economies. To prevent the economy from contracting, a development typically accompanied by social unrest, Keynes thought the government should take on debt in order to put people back to work. Some of these deficit-financed government jobs might be socially useful, but Keynes was not averse to creating make-work tasks if necessary. During periods of prosperity, the government would cut spending and rebuild the treasury. Such countercyclical planning was called “pump-priming.” Upon taking office in 1933, U.S. President Franklin Roosevelt, with the assistance of Congress, put several Keynesian measures into effect, including socialized retirement plans, minimum wages for all workers, and government-financed jobs on massive projects, including the Triborough Bridge in New York City, the Grand Coulee Dam in Washington, and the Tennessee Valley Authority, a flood-control and electric-power-generation complex covering seven states. Conservative capitalists feared that this degree of government intervention would delegitimate capitalism—which they understood as an economic system of quasi-natural laws—and shift the balance of power from the capitalist class to the working class and its unions. For these reasons, establishment figures tried to hold back countercyclical spending. The onset of World War II, however, made possible a significantly modified form of state socialism. The exiled Polish economist Michal Kalecki attributed Germany's success in overcoming the global Depression to a phenomenon that has come to be known as “military Keynesianism.” Government spending on arms increased manufacturing and also had a multiplier effect on general consumer spending by raising worker incomes. Both of these points are in accordance with general Keynesian doctrine. In addition, the enlargement of standing armies absorbed many workers, often young males with few skills and less education. The military thus becomes an employer of last resort, like Roosevelt's Civilian Conservation Corps, but on a much larger scale. Rather than make bridges and dams, however, workers would make bullets, tanks, and fighter planes. This made all the difference. Although Adolf Hitler did not undertake rearmament for purely economic reasons, the fact that he advocated governmental support for arms production made him acceptable not only to the German industrialists, who might otherwise have opposed his destabilizing expansionist policies, but also to many around the world who celebrated his achievement of a “German economic miracle.” In the United States, Keynesian policies continued to benefit workers, but, as in Germany, they also increasingly benefited wealthy manufacturers and other capitalists. By the end of the war, the United States had seen a massive shift.

2NC Defense Spending Good EXT

Military spending boosts the economy

Feldstein ‘09

Martin Feldstein, professor of economics @ Harvard, 2009, also professor emeritus @ National Bureau of Economic Research, “An $800 billion mistake”, http://www.washingtonpost.com/wp-dyn/content/article/2009/01/28/AR2009012802938.html, AD: 7-21-10

As a conservative economist, I might be expected to oppose a stimulus plan. In fact, on this page in October, I declared my support for a stimulus. But the fiscal package now before Congress needs to be thoroughly revised. In its current form, it does too little to raise national spending and employment. It would be better for the Senate to delay legislation for a month, or even two, if that's what it takes to produce a much better bill. We cannot afford an $800 billion mistake. Start with the tax side. The plan is to give a tax cut of $500 a year for two years to each employed person. That's not a good way to increase consumer spending. Experience shows that the money from such temporary, lump-sum tax cuts is largely saved or used to pay down debt. Only about 15 percent of last year's tax rebates led to additional spending. The proposed business tax cuts are also likely to do little to increase business investment and employment. The extended loss "carrybacks" are primarily lump-sum payments to selected companies. The bonus depreciation plan would do little to raise capital spending in the current environment of weak demand because the tax benefits in the early years would be recaptured later. Instead, the tax changes should focus on providing incentives to households and businesses to increase current spending. Why not a temporary refundable tax credit to households that purchase cars or other major consumer durables, analogous to the investment tax credit for businesses? Or a temporary tax credit for home improvements? In that way, the same total tax reduction could produce much more spending and employment. Postponing the scheduled increase in the tax on dividends and capital gains would raise share prices, leading to increased consumer spending and, by lowering the cost of capital, more business investment. On the spending side, the stimulus package is full of well-intended items that, unfortunately, are not likely to do much for employment. Computerizing the medical records of every American over the next five years is desirable, but it is not a cost-effective way to create jobs. Has anyone gone through the (long) list of proposed appropriations and asked how many jobs each would create per dollar of increased national debt? The largest proposed outlays amount to just writing unrestricted checks to state governments. Nearly $100 billion would result from increasing the "Medicaid matching rate," a technique for reducing states' Medicaid costs to free up state money for spending on anything governors and state legislators want. An additional $80 billion would be given out for "state fiscal relief." Will these vast sums actually lead to additional spending, or will they merely finance state transfer payments or relieve state governments of the need for temporary tax hikes or bond issues? The plan to finance health insurance premiums for the unemployed would actually increase unemployment by giving employers an incentive to lay off workers rather than pay health premiums during a time of weak demand. And this supposedly two-year program would create a precedent that could be hard to reverse. A large fraction of the stimulus proposal is devoted to infrastructure projects that will spend out very slowly, not with the speed needed to help the economy in 2009 and 2010. The Congressional Budget Office estimates that less than one-fifth of the $50 billion of proposed spending on energy and water would occur by the end of 2010. If rapid spending on things that need to be done is a criterion of choice, the plan should include higher defense outlays, including replacing and repairing supplies and equipment, needed after five years of fighting. The military can increase its level of procurement very rapidly. Yet the proposed spending plan includes less than $5 billion for defense, only about one-half of 1 percent of the total package. Infrastructure spending on domestic military bases can also proceed more rapidly than infrastructure spending in the civilian economy. And military procurement overwhelmingly involves American-made products. Since much of this military spending will have to be done eventually, it makes sense to do it now, when there is substantial excess capacity in the manufacturing sector. In addition, a temporary increase in military recruiting and training would reduce unemployment directly, create a more skilled civilian workforce and expand the military reserves. All new spending and tax changes should have explicit time limits that prevent ever-increasing additions to the national debt. Similarly, spending programs should not create political dynamics that will make them hard to end. The problem with the current stimulus plan is not that it is too big but that it delivers too little extra employment and income for such a large fiscal deficit. It is worth taking the time to get it right.

2NC Defense Spending Good EXT

Military spending boosts economic growth and recovery

Dias ‘10

Ricardo Dias, writer @ American Public University, 5-26-10, “Does military spending help the economy?”, 2010, <http://ricardodiasjourney.blogspot.com/2010/05/does-military-spending-stimulate.html>, AD: 7-22-10

An antiwar poster from the 1960s bore the message "War is good business. Invest your son." War itself poses too many economic and human costs to be good business, but military spending could be a different matter. According to the basic Keynesian model, increases in planned aggregate expenditure resulting from stepped-up government purchases may help bring an economy out of a recession or depression. Does military spending stimulate aggregate demand? During World War II (1941-1945), military spending in U.S. reached nearly 38% of U.S. GDP, as well as the surge during the Korean War (1950-1953). Smaller increases in military spending relative to GDP occurred at the peak of the Vietnam War in 1967-1969, during the Reagan military buildup of the 1980s, and during the wars in Afghanistan and Iraq. The clearest case in the World War II era, during which massive military spending helped the US economy to recover from the Great Depression. The US unemployment rate fell from 17.2% of the workforce in 1939 (when defense spending was less than 2 percent of GDP) to 1.2 percent in 1944 (when defense spending was greater than 37% of GDP). Two brief recessions, in 1945 and 1948-1949, followed the end of the war and the sharp declining in military spending. At the time, though, many people feared that the war's end would bring a resumption of the Great Depression, so the relative mildness of the two postwar recessions was something of a relief. Increases in defense spending during the post-World War II period also were associated with economic expansions. The Korean War of 1950-1953 occurred simultaneously with a strong expansion, during which the unemployment rate dropped from 5.9% in 1949 to 2.9% in 1953. A recession began in 1954, the year after the armistice was signed, though military spending had not yet declined much. Economic expansions also occurred during the Vietnam-era military buildup in the 1960s and the Reagan buildup of the 1980s. Finally, on a smaller scale, increased government spending for homeland security and the wars in Afghanistan and Iraq probably contributed to the relative mildness of the US recession in 2001 and the strength of the subsequent recovery. The episodes support the idea that increases in government purchases - in this case, of weapons, other military supplies, and the services of military personnel - can help to stimulate the economy.

2NC Defense Spending Good EXT

Military spending is key to the economy, technology, space, and security

Rights for Prosperity ‘09

Research group, American relations research group, Aug 28, “Military spending: the missing key to future growth”, <http://www.rightsforposterity.com/rights-for-posterity/2009/08/military-spending-the-missing-key-to-future-growth.html>

Right now we are in a recession and people are not expecting much in terms of economic growth this year. But before the recession began, the average growth rate for the past 5 years was only about 3% on average. Can the United States ever experience growth rates of up to 8% a year like China? If it were possible to know how to accomplish such high growth rates, we obviously would not be in a recession right now. But there is one thing the country can do to improve things: Increase spending on defense. Increasing military spending will result in technological development, improved infrastructure and increased employment that will lead to greater economic growth in the future. In the article "Defense Spending Would Be Great Stimulus" from the Wall Street Journal, Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, discusses the intricacies of military spending and the economy. The article was written just before Obama took office, and it came as a policy suggestion to the new Congress and new administration. The article illustrates all of the positive effects such spending can have on growing a struggling economy. In another article "Declining Defense" (also from the Wall Street Journal) it becomes apparent that the current administration has utterly ignored the suggestions of Mr. Feldstein. And while Obama ignores Feldstein who is an important voice from the Reagan era, he also claims to be following in the footsteps of Reagan with his economic stimulus and bailout bills. However, it is obvious to many that the President is doing no such thing. Obama’s policies are a display of economic and historical ignorance (or denial) that must be corrected if the country is to recover. Few countries have experienced the economic benefits of military spending like the United States has. Many economists and historians believe that World War II and the military buildup that it required is the reason for the end of the depression and the economic boom that followed. The war resulted in full employment, development of industry, and new technologies. The Cold War produced many developments of its own, including the interstate highway system that was originally conceived for defense purposes, among other improvements in infrastructure. Of course, there is also the military buildup that occurred during the Reagan administration, and the growth experienced during that time. According to the Washington Post article--"Reagan's Defense Buildup Bridged Military Eras," Reagan began a military buildup that increased spending by over 100 billion dollars annually. He spent a great deal of money much like the current administration and he did this during a similar period of economic weakness. Many believe it was a combination of military spending and tax cuts that ended that period of economic hardship. The economic growth from military spending makes sense. Increased production needs create more jobs. And there are so many more benefits of military spending as well. For instance, soldiers learn valuable skills while in the military that are useful in a post-military civilian life, resulting in improved human capital. Also, someone has to build all of those ships, tanks, jets and guns. Also, the need for new technology results in government contracts with private companies like Lockheed Martin, SAIC and many others. Again, this results in more jobs. As an added benefit, the new technologies can often be used for civilian use, later resulting in increased productivity, efficiency and overall quality of life. Among such developments are the computer, replaceable parts, and let us not forget that the military had a lot to do with the development of aircraft over the course of the last century. As an aside, it is also important to note the incredible advances in technology that have come out of NASA and efforts to develop space. The race to the moon did more than simply boost our national ego. The effort produced technology and innovation that is widely used in civilian life today and has improved the economy and the American way of life. Like the military, NASA is now being neglected financially as well. Technology seems to be the key for post-recession economic growth in the United States. Technology improves our economic capacity in several ways. It makes production cheaper, quicker and more efficient. Such technological achievements include the assembly line, the internet, cell phones, and robotics. It is possible to reach a limit as to how much you can educate and train the populace, and develop infrastructure, but there is no foreseeable limit to technological development and innovation. When it seems like the limit on development has been reached, new technology is the answer for continued economic growth. It would be ridiculous to say that without NASA and the military, technological improvement would not occur. But it is safe to say that if the government wants to stimulate the economy, the military and NASA are important tools it should use. Doing so would create jobs and technology and improve the economy as a whole. Much of the spending authorized under the stimulus bill will be on projects that will not benefit most people, or will fail to create the jobs that are needed by our country right now. Finally, the double implications of military spending cannot be denied. We live in a time of increasing international tension. And in a time when we are fighting two wars, combating terrorism and dealing with rogue, possibly nuclear states like Iran and North Korea, Congress and the President are cutting the missile defense programs, canceling advanced weapons development projects, and mothballing modern weapons systems. The current path will cost America more than jobs--it will cost America lives. The difference between Reagan era spending and spending today is what the money is being spent on. The current budget is clearly deficient in military spending. President Obama has supported large amounts of government spending but the numbers show that the military will be taking a cut over the next several years. The stimulus bill contained excessive funds for pork and projects that will add temporary jobs and government jobs, but the private sector job growth is simply not there. Current policy does not make economic sense, nor does it make sense for our national security in a time of war and international insecurity. Military spending is the way to go if America wants to see job creation and economic growth.

2NC Defense Spending Good EXT

Defense spending boosts economic growth through jobs

Sanchez ‘09

Cpl. Matt Sanches – US marine corps and starr writer, “Future weapons development could help stimulate ailing economy”, Feb 18, <http://www.foxnews.com/politics/2009/02/18/future-weapons-development-help-stimulate-ailing-economy/>

A series of short videos released on YouTube recently showed the U.S. Army's vision of the military to come with infantrymen maneuvering robots, electronics and guided missiles that moved at lightning speed with James Bond coolness. Called the Future Combat System, the short videos show the many moving parts of the modern military using state-of-the-art equipment to fight a common foe. But despite the cheers at the end of each presentation, the FCS program may not have a happy ending. While the stimulus bill President Obama signed into law on Tuesday includes $10 billion to upgrade military barracks, hospitals, clinics and child-care centers, it doesn't add a single dollar for weapons development. And some observers think that's a mistake. A stimulus in defense spending, they say, would be a victory not only for American servicemen and women -- but for the nation's economy, as well. The Lockheed Corporation, linking defense spending to immediate economic stimulus, says 95,000 Americans' jobs across the country depend on the Defense Department buying more of its F-22 Raptors. "This is shovel-ready," said Larry Lawson, executive vice president and general manager of the F/A-22 Raptor program. "Our point is, this preserves jobs, and it is immediate. You don't have to develop anything." But a new administration means new priorities, and the Defense Department is now reviewing future purchases. The F-22 has Mach speed capabilities, but speed comes at a price. Each F-22 costs $350 million -- a sum that could make the fighter jet a target for budget-cutters. "It does not make sense to cut defense procurement and eliminate high-paying, middle-class union jobs, in order to fund other government programs to create jobs. That's just plain stupid," said James Carafano, military affairs expert for the Heritage Foundation, a conservative think tank. "We really haven't significantly increased the core defense budget," Carafano added. "Most additional money has gone for operations in Iraq and Afghanistan. As a result, the military still has not fully recovered from the 'procurement holiday' of the Clinton years... and we've used up a lot of equipment since then." "The world becomes a more, not a less troubled place, in tough economic times," said Carafano. "It is not a good time to cut the defense budget." But some observers say defense budgets have been fraught with overspending and poor oversight for years. "Last year, [defense contractors] got 127 of the F-22s," said Larry Korbs, a former Navy flight instructor and author of "Building a Military for the 21st Century." He said conservatives and defense contractors are playing politics with the Obama administration. "Under Bush," Korbs said, "defense spending went up 40 percent from 2001 to 2008 in real dollars," he said. "There is no defense spending cut." "The last eight years have been a defense spending Mardi Gras," said Collin Clark, editor of DODD Buzz and the Pentagon for Military.com. "I wouldn't say there was a lot of wasteful spending," he said. "Waste is a loaded term, these are complicated systems. Contractors will just be given a smaller margin of error now."

2NC Defense Spending Good EXT

Deficit spending works—economic recovery proves

This Week ‘09

THIS WEEK, respected publication, Feb 24 2009, “How spending stimulates”, respected political publication, <http://theweek.com/article/index/93614/How_spending_stimulates>

Will the Obama deficit-spending plan work? Will throwing $800 billion—$500 billion in extra government spending, and $300 billion in tax cuts—at the economy produce a world in which production and employment are higher and unemployment lower than would otherwise have been the case? The short answer is yes. The short reason is that spending works—eras in which some group or other gets excited about future prospects and starts madly spending money are eras in which production and employment are high and unemployment is low. And the government, in this respect, is just like any other group of starry-eyed optimists whose eagerness to spend pulls the economy into a high-employment, high-pressure boom. Consider the engines of previous boosts to production and employment. Between 2003 and 2005 the assembled investors of the world discovered the American housing market. Low interest rates produced by the Federal Reserve allowed them to borrow and leverage up cheaply—and the promise of financial engineering that would greatly help them diversify risk made them think investing in new construction and new homeowners’ moves into new construction was a profit opportunity. Spending on home construction rose. And the adult civilian employment to population ratio rose from 62 percent to 63.5 percent while the unemployment rate fell from 6.0 percent to 4.8 percent. Between 1996 and 1998 the assembled investors of America discovered the Internet and spent enormous sums to exploit and expand it. And the adult civilian employment to population ratio rose from 63 percent to nearly 65 percent as the unemployment rate fell 5.6 percent to 4.3 percent. In August, 1982, Paul Volcker’s Federal Reserve released the interest-rate chokehold it had been using to strangle the economy. Lower interest rates induced homebuilders to spend massively, since for the first time in nearly half a decade they could obtain financing for construction. At the same time, the Reagan administration ramped up defense spending for the second cold war, and luxury spending rose as the Reagan tax cuts gave money back to America’s rich. The adult employment-to-population ratio rocketed up from 57.2 percent to 59.9 percent in the short order of two years while the unemployment rate fell from 10.8 percent to 7.3 percent. These are just three examples of a general principle: each major business-cycle expansion we have seen has been driven by a leading wave of spending—by some group that became enthusiastic about their prospects and decided to greatly increase its spending. And that pulled employment and production up. Now we are attempting to do the same thing once again—but this time with the government as the leading spender. Obama’s stimulus spending increases are bigger, as a share of the economy, than Reagan’s defense increases were, while Obama’s tax cuts are smaller. Unlike 1983, when the Fed cut interest rates to help Reagan’s economic recovery, it cannot do so to help Obama. The Fed has done all the cutting it can. Still, a boost to spending by the government should have the same effects as boosts to spending by luxury consumers and the defense department and homebuilders in the early 1980s, by the high-tech sector in the late 1990s, and by homebuilders in the mid-2000s. The government’s money, after all, is as good as anybody else’s. So there is little question about the likely impact of the Obama deficit-spending program: production and employment are going to be higher than they would have been otherwise. As Greg Mankiw, the former chief economic adviser to George W. Bush, said back in 1983: “There is nothing novel about this. It is very conventional short-run stabilization policy: You can find it in all of the leading textbooks.” But there is a relevant question outstanding: Will there be some sort of a hangover after this Obama spending binge—some debt-induced, groggy morning after? And if there is a hangover how bad will it be? For the answer to that, we will have to wait and see.

2NC Defense Cuts Bad EXT

Defense Spending key in times of recession; cuts would crush economy

Lubold ‘09

Gordon Lubold, staff writer Christian Science Monitor, “Defense spending as stimulus?”, Jan 8, http://www.csmonitor.com/USA/Military/2009/0108/p01s03-usmi.html

The Defense Department has enjoyed a long budgetary heyday, but the golden times may be nearing an end as the Iraq war, which has been eating up $10 billion a month, starts winding down and recession pressures force federal budgeteers to rein in spending. That's the conventional wisdom, at least. But defense spending won't drop anytime soon, experts predict. Even as the nation gasped over a $1.2 trillion federal budget for this fiscal year, estimated Tuesday by the Congressional Budget Office, President-elect Obama this week signaled his resolve to spend the country out of recession. In the short term, that probably means more money for defense. It may be impractical, for several reasons, to cut defense spending for the first year or two of the Obama administration, experts say. One is that a de-escalating war in Iraq won't immediately curtail expenditures needed to keep troops and equipment whole. Defense Secretary Robert Gates, in a New Year's Eve request to Congress, asked for an additional $70 billion to pay for war costs. At the same time, ramped-up military operations in Afghanistan under Mr. Obama will cost the US government more. Perhaps the biggest reason defense spending won't fall anytime soon is that it would be too hard for congressional lawmakers to justify cuts to defense during a recession, and lawmakers will instead seek to retain and renew defense contracts – and keep thousands of people in their jobs. "I would be very doubtful that Congress will cut any major procurement programs, because the Democrats would not want to be accused of putting anyone out of work as they put together an economic stimulus package," says Dov Zakheim, who served as the Pentagon's chief financial officer until 2004. Federal spending on defense could rise as much as 2 percent over the next couple years, says Mr. Zakheim, now a consultant in Washington. Still, Obama made a point Wednesday of saying his administration would dedicate itself to rooting out inefficiencies in government and finding ways to streamline operations. The Pentagon budget, which accounts for almost 47 percent of all federal discretionary spending, would seem to be a prime place to start. This week, the Government Accountability Office reported that every year the military stashes $7.5 billion in unneeded parts in Navy warehouses. The Pentagon's baseline budget for the current fiscal year is $514 billion, but with Secretary Gates's $70 billion request, war funding will top $136 billion in additional defense costs for 2009. Other factors are also at play. To pay for the wars in Iraq and Afghanistan, the Pentagon has used a controversial budgetary maneuver called "supplemental funding," in which costs for war operations are counted separately from the normal baseline budget. As equipment such as trucks, planes, and other gear failed, these supplementals have been used to bankroll new weapons systems to replace the dilapidated gear. Supplemental funding has been like candy to a child, and lawmakers and the Pentagon itself would like to see the Pentagon be weaned off it. Senior Pentagon officials say the Defense Department's fiscal year 2010 budget, to be unveiled two weeks after Obama takes office, will reflect an increase of about $57 billion in money that is "migrated" from supplemental funding to the baseline budget – which will represent an annual increase of about 13 percent. Boosting defense spending is the way to go in a recession anyway, argue many economists. The US government under Obama should go on a major spending spree to spur job growth and keep the economy from derailing, says Martin Feldstein, chairman of the Council of Economic Advisers under President Reagan. He argues that Obama should increase the defense budget by 10 percent for procurement and research, a move that could potentially create about 300,000 additional jobs. "A substantial short-term rise in spending on defense and intelligence would both stimulate our economy and strengthen our nation's security," Mr. Feldstein wrote in a recent op-ed in The Wall Street Journal. Senior military officials, including Adm. Mike Mullen, chairman of the Joint Chiefs of Staff, argue for maintaining a "floor" of defense spending commensurate with about 4 percent of US gross domestic product. The US now spends 4.2 percent of GDP on defense – about $700 billion (of which roughly $187 billion is supplemental funding for the two wars). Admiral Mullen and others would like to see defense spending stay at that level for several years. It's a target that seems unlikely to many analysts. "That is a proxy argument," says Robert Work, vice president for strategic studies at the Center for Strategic and Budgetary Assessments, a think tank here. The Pentagon simply wants to maintain the current level of funding – including war funding – even after the wars wind down. The baseline defense budget will rise somewhat as it absorbs supplemental war costs, he says, but competing interests will force the Pentagon to decrease its overall spending in the longer term.

2NC US Not K2 Global Economy EXT

US not key to global economy

NYT ‘09

New York Times, Some Economies Show Signs of Less Reliance on U.S., June 30, 2009,

<http://www.nytimes.com/2009/07/01/business/economy/01decouple.html?ref=business>

HONG KONG — For a while, when the economic crisis was at its worst, it was a dirty word that only the most provocative of analysts dared to use. Now, the D-word — decoupling — is making a comeback, and nowhere more so than in Asia. Put simply, the term refers to the theory that emerging markets — whether China or Chile — will become less dependent the United States as their economies become stronger and more sophisticated. For much of last year, the theory held up. Many emerging economies had steered clear of investments that dragged down banking behemoths in the West, and saw nothing like the turmoil that began to engulf the United States and Europe in 2007. But then, last autumn, when the collapse of Lehman Brothers caused the financial system to convulse and consumer demand to shrivel, emerging economies around the world got caught in the downdraft, and the D-word became mud. Now, the tables are turning, especially in Asia, where many emerging economies are showing signs of a stronger recovery than in the West. And economists here have begun to talk of the decoupling once again. “Decoupling is happening for real,” the chief Asia-Pacific economist at Goldman Sachs in Hong Kong, Michael Buchanan, said in a recent interview. To be sure, the once sizzling pace of Asian economic growth has slowed sharply as exports to and investments from outside the region slumped. Across Asia, millions of people have lost their jobs as business dropped off and companies cut costs and output. Asia is heavily dependent upon selling its products to consumers in the United States and Europe, and many executives still say a strong American economy is a prerequisite for a return to the boom of years past. But for the past couple of months, data have revealed a growing divergence between Western economies and those in much of Asia, notably China and India. The World Bank last week forecast that the economies of the countries that use the euro and the United States would contract 4.5 percent and 3 percent, respectively, this year — compared with 7.2 percent and 5.1 percent growth forecast for China and India. Forecasts from the Organization for Economic Cooperation and Development that were also published last week backed up this general trend. Major statistics for June, due Wednesday, are expected to show manufacturing activity in China and India are on the mend. By contrast, purchasing managers indexes for Europe and the United States are forecast to be merely less grim than before but still show contractions. Why this diverging picture? The crisis hit Asia much later. While the American economy began languishing in 2007, Asian economies were doing well until the collapse of Lehman Brothers in September. What followed was a rush of stimulus measures — rate cuts and government spending programs. In Asia’s case, these came soon after things soured for the region; in the United States, they came much later. Moreover, developing Asian economies were in pretty good shape when the crisis struck. The last major crisis to hit the region — the financial turmoil of 1997-98 — forced governments in Asia to introduce overhauls that ultimately left them with lower debt levels, more resilient banking and regulatory systems and often large foreign exchange reserves. Another crucial difference is that Asia, unlike the United States and Europe, has not had a banking crisis. Bank profits in Asia have plunged and some have had to raise extra capital but there have been no major collapses and no bailouts. “The single most important thing to have happened in Asia is that there has not been a banking crisis,” said Andrew Freris, a regional strategist at BNP Paribas in Hong Kong. “Asia is coming though this crisis with its banking system intact. Yes, some banks may not be making profits — but it is cyclical and not systemic.” The lack of banking disasters also has meant that, unlike in Europe and the United States, Asian governments have not had to spend cash to clean the balance sheets of faltering banks. Add to that the fact that companies and households in Asia are typically not burdened with the kind of debt that is forcing Americans and Europeans to cut back consumption and investment plans. Asians are generally big savers; those in developing nations have limited health care and pension systems to fall back on. So they put aside cash for retirement, sickness and their children’s education, rather than maxing out multiple credit cards. Paul Schulte of Nomura said this difference was leading to a long-term shift. Western nations and consumers will struggle for years to pay down debt — and in some cases face higher taxes as governments try to rein in their swelling budget deficits. Consumers there, he said, will thus spend less. In developing Asia, by contrast, incomes are expected to rise gradually and savings rates to fall as improving health and welfare systems make the region’s fast-growing population less determined to save. Taken together, Mr. Schulte said, this means Asian consumers, as a whole, will become more important in global terms — another example of how the region will become less dependant on the West. Similarly, companies in developing Asian nations tend to have fewer debts — partly because the region enjoyed several years of strong economic growth. Low corporate and household debts mean governments in the region have had more firepower to pursue aggressive stimulus measures, said Jonathan Garner, head of emerging markets strategy at Morgan Stanley. The Chinese stimulus package of 4 trillion renminbi yuan, or $585 billion, announced last November, has led to a boom in spending and is a major reason why economists are optimistic about China, and about much of the region as a whole. Asia’s generally lower debt levels also mean there has been no credit crunch of the kind that has handicapped companies and consumers elsewhere. “Asia does not have a credit crunch. It has excess liquidity,” Mr. Neumann of HSBC said. “The banking system is stuffed with liquidity.” This is benefiting Asian asset markets — from stocks to property — and is leading to a gradual “financial decoupling” from the United States and Europe, Mr. Neumann said. “For the past two decades, equities markets have been driven by Western risk capital, not Asian investors themselves,” he said. “Now, you’re finding that Asian money is increasingly driving the market.” Analysts at Merrill Lynch agree. In a recent research note they said the Hong Kong stock market, for example, had performed much better than markets in the United States, and property prices in the city have risen, partly because of capital inflows from mainland China. Of course, none of this means Asia has become completely independent from the rest of the world. Asia remains heavily reliant on exports for economic growth. The result, despite increased “decoupling,” is that growth in Asia has slowed down, in some cases sharply. The Indonesian economy, for example, is expected to grow 3.6 percent this year, the Asian Development Bank forecasts. This compares to more than 6 percent in 2008 and 2007. The bank expects the Indian economy to grow to 5 percent this year, and the Chinese economy 7 percent — down from 7.1 percent and 9 percent, respectively, in 2008. Nor has the effect been uniform. Developed Asian economies, like Japan, Singapore and Hong Kong, are much more tightly tied into the world economy and financial system. All three are in recessions. “The United States has deep structural problems that are coming home to roost — Asia hasn’t got those, and that has been very, very important,” says Mr. Garner of Morgan Stanley. “Emerging Asian nations went into recession last,” he says. Increasingly, they are looking like they will also to come out first — and strongest.”

2NC US Not K2 Global Economy EXT

American economic slowdown won’t bring down the rest of the globe

The Economist ‘06

The Economist, 2-4-06, “Testing all engines,” http://cms.cass.cn/show\_News\_e.asp?id=9302

Alongside stronger domestic demand in Europe and Japan, emerging economies are also tipped to remain robust. These economies are popularly perceived as excessively export-dependent, flooding the world with cheap goods, but doing little to boost demand. Yet calculations by Goldman Sachs show that Brazil, Russia, India and China combined have in recent years contributed more to the world’s domestic demand than to its GDP growth. They have chipped in almost as much to global domestic demand as America has.If this picture endures, a moderate slowdown in America need not halt the expansion in the rest of the world. Europe and Japan together account for a bigger slice of global GDP than the United States, so faster growth there will help to keep the global economy flying. A rebalancing of demand away from America to the rest of the world would also help to shrink its huge current-account deficit. This all assumes that America’s economy slows, rather than sinks into recession. The world is undoubtedly better placed to cope with a slowdown in the United States than it was a few years ago. That said, in those same few years America’s imbalances have become larger, with the risk that the eventual correction will be more painful. A deep downturn in America would be felt all around the globe.

US isn’t key to the world economy

Wolf 2K

Marin Wolf, associate editor and chief economics commentator at the Financial Times, 2000, Foreign Policy, “After the Crash,” September-October, http://www.jstor.org/pss/1149711

The notion that the strong U.S. economy “saved” the rest of the world during the global financial turmoil of the late 1990s has become increasingly fashionable. Even U.S. Treasury Secretary Lawrence Summers recently referred to the United States as “the main engine of global growth.” However, this proposition is not strictly true. Since the United States accounts for slightly more than a quarter of global economic activity, it certainly exerts a powerful influence. But positive correlations between U.S. business cycles and those of other countries have not, historically, been that high. Among leading industrial countries, only the United Kingdom and Canada have displayed business cycles that move together with those of the United States. Indeed, if the U.S. economy helped prevent a global recession following the financial crises of 1997 and 1998, it was precisely because its business cycle was not closely synchronized with many other economies. Otherwise the United States would have fallen into a recession along with the crisis-ridden regions.

2NC US Not K2 Global Economy EXT

US not key to world economy—equity relocation

Wan ‘10

Hanny Wan, “US will avoid second recession”, 2010, http://www.bloomberg.com/news/2010-07-20/u-s-will-avoid-second-recession-spurring-rally-in-stocks-rcm-asia-says.html

The U.S. economy will avoid its second recession in three years, helping global stock markets recover losses in the second half of 2010, according to RCM Asia Pacific Ltd. Investors will regain an appetite for risk in the third quarter, said Mark Konyn, chief executive officer of RCM Asia Pacific, which oversees more than $12 billion. Institutional funds are building up cash that will be spent on equities, he said. The MSCI World Index has gained 4.7 percent since June 30, rebounding from an 11 percent loss in the first half of the year as European budget deficits and China’s steps to curb asset bubbles threatened to derail the global recovery. Speculation the U.S. economy will contract intensified as reports pointed to a retreat in manufacturing and home sales. “There are challenges along the road, and growth will be subdued,” Konyn told reporters in Hong Kong yesterday. “Corporate earnings growth is buoyant, low interest rates will remain. We are confident that the U.S. can avoid a double dip.” Of the 28 companies in the Standard & Poor’s 500 Index that have reported results from July 12, all but four beat earnings- per-share forecasts, according to Bloomberg data. Growth in U.S. gross domestic product is forecast to average 3 percent through 2012, according to economists surveyed by Bloomberg. “In the second half of the year, we’ll see better performance in the equity market,” Konyn said. “There’s a good chance investors will recover their losses, and end the year in the positive territory.” Konyn’s views echo those of Robert Doll, vice chairman of BlackRock Inc., the world’s largest asset manager, who told Bloomberg Television this week that a recession was unlikely. RCM is “overweight” Hong Kong and Chinese banks because of a lower risk of non-performing loans, according to Konyn, while “underweight” U.S. and European financial shares amid concerns of a stricter regulatory environment. Chinese government measures to curb increases in property prices have raised concerns over the strength of the world’s third-largest economy. Growth slowed to 10.3 percent in the second quarter, from 11.9 percent the previous three months, the country’s statistics bureau reported on July 15. The Shanghai Composite Index has fallen 23 percent this year, following an 80 percent rally in 2009. Hong Kong’s Hang Seng China Enterprises Index has declined 10 percent after gaining 62 percent in 2009. Konyn predicted in January that concerns over banking reforms in the U.S. and China’s tightening measures could lead to a long “correction” in Hong Kong and Chinese equities. Underlying demand has led him to believe that China’s property market will have a “soft landing,” Konyn said. New home sales in Shanghai climbed 33 percent in the week ended July 18 from the previous week, according to figures from Shanghai Uwin Real Estate Information Services Co. “All signs are there and if China’s economy can sustain growth, there’ll be a potential of reallocation into Chinese equities as we move into 2011,” Konyn said.

2NC US Not K2 Global Economy EXT – China

US decline doesn’t affect world economy; China key now

Doshi ‘07

Hiren, 10-24, “China, More than the US is the Driver of the World Economy,” Hiren Doshi has traveled and worked around the globe in his career with Infosys. As an Indian living in China, he is uniquely poised to observe the triumphs and challenges each country faces as it undergoes economic and social change. Sparked by his experience at Infosys, Hiren is particularly interested in examining the role of information technology in catalyzing the development of both countries. Specifically, he aims to analyze the potential for increased sharing of resources and knowledge between India and China--a united front in the journey toward globalization. Hiren received an MBA in finance from the University of Mumbai. His international experience offers keen insight into dilemmas facing India and China today, http://www.financialexpress.com/news/china-morethantheusisthedriverofworldeconomy/231607/0

With a number of economists raising the probability of the US economy sliding into recession next year, the implication on the global economy may range from a fundamental shift in pattern of trade and material flow to a new currency regime where Asian currencies start playing a significant role. Alan Greenspan, last month said the odds of hard landing of the US economy have increased as consumer spending may slow down due to a decline in house prices. Similar assertions have been made by likes of Richard Syron of Freddie Mac to Lawrence Summers of Harvard University. Although, the mood is more of caution rather of panic at this point, the world may just come out unscathed whatever the fate may hold for US economy. After 16 years into the current cycle of US trade deficit, which began in 1991, the trend has reversed marking a fundamental shift. For the past two decades, US mainly bought and borrowed while rest of the world sold and saved. The US has been considered having the safest and most liquid financial market and consequently it has been the recipient of the global excess savings. It may be in the interest of Japan, China, Russia and Europe to maintain surpluses against the US in the long run as they tackle serious demographic changes expected to occur in the next few decades. The US current account deficit that hit an all-time high of 6.8% at the end of 2005 of GDP was down to 5.5% earlier this year. Instead of depending heavily on the US economy as the global growth engine, the world economy could start to become more evenly balanced. No other country seems to have benefited from the seemingly insatiable consumption by the US consumers than China. There is an interesting and ironical connection between US consumers and China. To pay for these imports, the US has to attract $2.1 billion in foreign investment every single day. Since China opened its economy three decades ago, it has been growing at a blistering pace. It has clocked more than 10% average GDP growth rate for the last 30 years, which is higher than what most developed economies witnessed during their growth days. America was one of China’s most important export markets. Exports kept the factories humming and provided employment to thousands of unskilled and semi-skilled migrant rural workers. To maintain the competitive edge in exports, China pegged its currency to the US dollars. To maintain its peg and keep the interest rate low, it started accumulating massive foreign exchange reserves by mopping up foreign currency. This was in turn invested in dollar denominated assets, mainly the US government bonds. While in theory, foreign central banks investing in the US government bonds and thereby funding the budget deficit signifies the strength of the US economy, this has, however, now reached to a stage where more than 40% of national debt is owned by foreigners. The long-term interest rates, which is driven by government-bond pricing is now controlled by foreign central banks, mainly Japan and China and mortgage rates are directly linked to government bond yields and long-term interest rates. Increasing housing prices was one of the important underlying factors in strong consumer spending and resultant above average growth of US economy since the recession of 1991. With the current turmoil in credit market and meltdown in housing prices, the consumer spending is almost certain to slow down. Moreover, the dollar has been hammered in the last 10 months to a new low which may trigger fear of higher interest rates and inflation if the foreign central banks decide not to invest in the US treasury bonds any more. Recent data shows that long-term capital flows measured just $19 billion in July as compared to $91 billion the previous month. Soaring interest rates will increase mortgage rates making borrowing for home more difficult and thereby decreasing the demand for new homes. It is estimated that every 6% drop in dollar value reduces American income by 1% and coupled with reduced consumption this may nudge the US economy into recession. With a mere 50% probability of such an event occurring, one would expect it to send shock waves to markets in China, one of the largest trading partner for US. However the reality is quite different. The Shanghai stock exchange composite index recently crossed 6,000 marking new high with the price-earnings ratio based on historic profits touching almost 50. China, which has traditionally punched below its weight, has now started playing a bigger role in the global economy. At market-exchange prices, this year China will contribute more towards global GDP growth than the US. While the fate of US economy seems downbeat, the fate of the world’s economy may now also hinge on the strength of Chinese economy. The primary threats are formation of asset bubble, surging inflation, slump in exports to the US and over-investment. The share prices have more than quadrupled since 2005. This is, without doubt, a bubble waiting to burst but the implication of the bust may not have significant impact on the economy. The bulk of the shares is still held by the government through state owned enterprises and the remaining value of the tradable shares is only 35% of GDP. This accounts for only 20% of household financial assets that may not adversely influence the consumer spending in the event of the market downturn. A nastier impact of fallout in stock market would be in corporate profitability. According to a study by Morgan Stanley, more than 30% of profits reported by listed companies came from share price gains and other investment income. A stock-market crash would impact the corporate profitability and make borrowing from banks more difficult curtailing future investments. China has gradually shifted its export focus from the US to the European Union (EU). The growth in exports to EU in the last quarter has outstripped growth in exports to US by a factor of three. While export constitutes 40% of China’s GDP, it only contributes to 25% to the growth of GDP. The growth in Chinese economy is increasingly driven by domestic consumption rather than external dependency. The slowdown in the US consumer consumption may shave off half a percent of China’s GDP growth, but not enough to have any material impact on its already high growth rate. Instead it may actually help the Chinese government to cool off the overheating economy. It will help China reduce the burgeoning trade deficit with US, which is often used as a weapon by the US to pressurise China to appreciate its currency faster. The Chinese economy is at a juncture where high savings and investment rates are coupled with soaring asset prices and upward pressure on inflation and currency. It will be interesting to see how China’s economy fares in a rebalancing world economic order.

2NC US Not K2 Global Economy EXT – China

US economy no longer the world’s engine; China proves

Powell ‘09

Bill, 8-10, Time Magazine “Can China Save the World,” **Bill Powell**is a senior writer for TIME in Shanghai. Prior to current his post, he was Chief International correspondent for Fortune based in Beijing and then New York. He also served as Newsweek bureau chief in Moscow, Berlin and Tokyo.) http://www.time.com/time/magazine/article/0,9171,1913638-3,00.html

On a steamy saturday afternoon just outside Shanghai, Zhang Yi is in a blessedly cool General Motors showroom, kicking the tires of the company's newer models. He's not there to beat the heat. He drives a small Volkswagen now and wants to upgrade. A middle manager at a state-owned steel company, Zhang has no worries about his job or China's economy. "Things are still pretty good," he says. "I have no problem now affording one of these," nodding toward the array of gleaming new Buicks nearby. There aren't a lot of places in the world these days where consumers speak with that kind of confidence. With the U.S., Japan and all of Europe mired in the worst global recession in 30 years, China has shown a restorative strength that six months ago many doubted it had. A devastating slump in exports crippled growth late last year, but on the back of a $586 billion government stimulus program — about 13% of GDP, spread over two years — China has snapped back. The economy grew 7.9% in the second quarter and will now probably expand 8% or more this year. Evidence of increasing momentum appears almost every day. Factory production has begun to edge up, in part because Chinese consumers continue to spend money at a healthy pace. Auto sales, helped significantly by government subsidies for small-car purchases, hit an all-time record in April and will easily surpass those in the U.S. this year. Overall, retail sales in China this year are up 16% Numbers alone do not capture the sense that the balance of global economic power is shifting eastward. There have been several moments that seemed to crystallize the zeitgeist, none more memorable than U.S. Treasury Secretary Timothy Geithner's speech in June before the best and the brightest at Peking University, the Harvard of China. Not long ago, students there would have been the most respectful and polite of audiences. Yet when Geithner tried to reassure one questioner that China's investments in U.S. government debt were "very safe," the response was perhaps an indication of the onset of a new economic order: the students laughed. The U.S., the unquestioned leader of the global economy, is now in the midst of a disorienting shift in economic policy, away from the let-it-rip form of capitalism that has guided it for almost 30 years and toward more overt government control and regulation of huge swaths of the economy. No one yet can safely say whether this is wise, but in the U.S. it is certainly the stuff of increasingly fierce debate. No such doubts are evident in China, where the government reacted to the crisis with alacrity and the economy is now responding in kind. That's why, for global companies like General Motors, China is no longer the future. It's the present. Of the world's 10 biggest economies, China's is the only one that is growing, and it could soon surpass Japan's to become the world's second largest. The Shanghai exchange has soared more than 80% this year, by far the best performance among major markets. Nations that depend on producing commodities, such as Australia and Brazil, have benefited immensely over the past six months as demand from China has driven up the price of raw materials. Helped by trade with China, Asia's export-driven economies are sputtering back to life. Overall, the International Monetary Fund (IMF) forecasts that in the three years from 2008 to 2010, China will, astonishingly, account for almost three-quarters of the world's economic growth. Not surprisingly, China has now become the focus of a world that is looking for a way out of the swamp. As Shanghai-based economist Andy Xie puts it, "Everyone wants to know the same thing: Can China save the world?" Trading Places A few years ago, that question — and the notion that China could drive global growth — would have seemed absurd. After all, China's economy was dependent on manufacturing, which was in turn dependent on demand from the U.S., the world's undisputed economic locomotive. But that engine remains sidetracked. The IMF predicts the U.S. economy will contract 2.6% this year. American home prices continue to fall in some cities, while the unemployment rate has soared to 9.5%, the highest since 1983. The U.S.'s much ballyhooed stimulus plan has so far yielded little measurable benefit, save putting some spark back in stock markets. The absence of real signs of recovery has Washington discussing the possibility of yet another round of stimulus spending, despite a ballooning federal budget deficit. The speed and relative success so far of China's stimulus stands in stark contrast with that of the U.S. According to a recent study by the World Bank, Beijing's government spending will generate more than 80% of the country's overall economic growth this year. This is partly because China was already in the midst of a nationwide infrastructure program when the recession hit. Emergency spending measures simply added to existing schemes already under way. In other words, the projects really were shovel-ready, and the money hit the streets quickly — and in large dollops. Outlays on new railway construction, for example, were $41 billion last year. They will be $88 billion this year. Says one senior FORTUNE 500 executive: "In the U.S., NIMBY [not in my backyard] is still the order of the day, whereas in China it's more like IMBY. They build where they want, when they want. And they move fast." China's recovery and growing economic importance have led some to suggest that global institutions such as the Group of Eight — the U.S., the U.K., Canada, France, Germany, Italy, Japan and Russia — are becoming obsolete; that the only dialogue that really matters going forward is the conversation between the "G-2": China and the U.S. On July 27, President Barack Obama appeared to acknowledge this when, addressing participants in high-level talks between the two countries, he said Washington's relationship with Beijing would "shape the 21st century." In recent months, Beijing has started to throw its weight around. China seeks — and will almost certainly soon get — greater voting rights in the IMF. In June, China agreed to buy up to $50 billion in bonds issued by the IMF to boost the fund's capacity to deal with the global financial crisis. Earlier this year, Chinese leaders, worried about the strength of the U.S. dollar and the safety of their own $763.5 billion investment in U.S. Treasury Department debt, called for the creation of an alternative to the greenback as a global reserve currency. More recently, Beijing has signaled an intention to slowly establish its own currency, the renminbi, as a dollar alternative in international trade by providing subsidies for Chinese companies to price their exports in renminbi. One economist, Qu Hongbin of HSBC in Hong Kong, goes so far as to say that 40% to 50% of China's overall trade flows could be settled in renminbi by 2012 (though few other economists believe this will happen anywhere near that fast). This willingness to make its positions known publicly and push other governments to see things China's way "is very different from 10 years ago, when Beijing was much quieter and more low-profile," says Jun Ma, an economist at Deutsche Bank in Hong Kong. Indeed, China is increasingly open about both its ambitions and its concerns over U.S. economic policy, given its position as Washington's largest foreign creditor. Beijing never signed on to what became known in the late 1990s as the Washington Consensus on global economic policy, which called for free trade, privatization, light-touch regulation, prudent fiscal policies and — at least as many interpreted the consensus — free capital flows. The U.S. Treasury, in the wake of the credit meltdown, has put forward a plan to enhance regulation of its own capital markets, but that is unlikely to prevent Beijing from continuing to push for the IMF to take a greater role in policing global markets. At its core, despite embracing many aspects of the market, China runs a top-down, command-and-control economy, and its success so far in skating through the recession relatively cleanly may encourage other developing countries to adopt its brand of capitalism.

2NC US Not K2 Global Economy EXT – China

US isn’t key to world economy—China proves

Lynch ‘10

David J., **reporter @ USA Today**, “China pushes domestic economic growth”, 2010, http://www.usatoday.com/money/world/2010-07-14-China14\_CV\_N.htm

Ma Xiaojing and his girlfriend, Niu Shanni, weren't trying to shake up the global economy. They just wanted to go shopping. But as they strolled through the Viva Beijing mall on a recent workday, the young couple seemed to embody a transformation that many economists say is essential to long-term global stability. With American consumers tapped out in the wake of the financial crisis, China must rebalance its economy to rely more on its own domestic demand rather than exports to the United States. That will raise living standards here and eventually shrink the costly and controversial U.S. trade deficit with China, which hit $22.3 billion in May, up from $17.5 billion in the same month last year. Chinese leaders have publicly endorsed the shift. But while there are signs that Chinese consumers such as Ma, 23, and Niu, 22, are slowly assuming a more prominent role, completing the overall transition will take years. Meanwhile, there's another shift underway that may be less congenial to American interests. Asked about the economy's prospects, Ma replied: "We are not that market-oriented. The market is controlled by the government, so I'm not worried." China ducked the worst of the global downturn thanks to a massive burst of government spending and officials' stubborn rejection of earlier American advice to open its financial system. Thus, Beijing's crisis-fighting experience has sparked another type of rebalancing with leaders, including Prime Minister Wen Jiabao, placing renewed emphasis in their public remarks on the state's role in steering the economy. As the wounded U.S. economy struggles to heal, Chinese officials feel their "big government" response to the crisis has been vindicated and should shape their future course. Barry Naughton, an expert on the Chinese economy at the University of California-San Diego, has labeled the new attitude "probably the most unambiguous movement to re-emphasize centralization and administrative instruments to govern the economy" in almost 20 years.

2NC US Not K2 Global Economy EXT – China

US isn’t dominant economy—China’s energy usage proves

Swartz and Oster ‘10

Spencer and Shai,Reporters Wall Street Journal “China tops US in energy use”, 7-18-2010, http://online.wsj.com/article/SB10001424052748703720504575376712353150310.html?mod=googlenews\_wsj

China has passed the U.S. to become the world's biggest energy consumer, according to new data from the International Energy Agency, a milestone that reflects both China's decades-long burst of economic growth and its rapidly expanding clout as an industrial giant. China's ascent marks "a new age in the history of energy," IEA chief economist Fatih Birol said in an interview. The country's surging appetite has transformed global energy markets and propped up prices of oil and coal in recent years, and its continued growth stands to have long-term implications for U.S. energy security. The Paris-based IEA, energy adviser to most of the world's biggest economies, said China consumed 2.252 billion tons of oil equivalent last year, about 4% more than the U.S., which burned through 2.170 billion tons of oil equivalent. The oil-equivalent metric represents all forms of energy consumed, including crude oil, nuclear power, coal, natural gas and renewable sources such as hydropower. China, meanwhile, disputed the IEA figures, but didn't offer alternative data, according to Zhou Xian, spokesperson for China's top energy agency. The U.S. had been the globe's biggest overall energy user since the early 1900s, Mr. Birol said China overtook it at breakneck pace. China's total energy consumption was just half that of the U.S. 10 years ago, but in many of the years since, China saw annual double-digit growth rates. It had been expected to pass the U.S. about five years from now, but took the top position earlier because the global recession hit the U.S. more severely, slowing American industrial activity and energy use. China's economic rise has required enormous amounts of energy—especially since much of the past decade's growth was fueled not by consumer demand, as in the U.S., but from energy-intense heavy industry and infrastructure building. China's growing energy demands will present new challenges to U.S. foreign policy, as well as to international efforts to reduce emissions of greenhouse gases linked to climate change. China National Petroleum Co., the country's biggest oil company, is pushing forward with oil and gas projects in Iran, despite U.S. efforts to enforce sanctions against the Tehran government. Beijing has refused to agree to cap its overall growth in its consumption of fossil fuels, or reduce its emissions of carbon dioxide and other greenhouse gases. That frustrated President Barack Obama's efforts to forge an international climate agreement at a United Nations summit in Copenhagen last December. China instead set a target to reduce emissions intensity—the amount of carbon dioxide emitted per unit of gross domestic product—by 40% to 45% from 2005 levels by 2020. That meant China was agreeing to make its economy more energy efficient—boosting its competitiveness—but not to consume less energy overall. China's growth has transformed global energy markets and sustained higher prices for everything from oil to uranium and other natural resources that the country has been consuming. Once, China was a major exporter of both oil and coal. Its increasing reliance on imports has sustained higher energy prices worldwide and underpinned a natural-resource boom in Africa, the Middle East and Australia. "There is little doubt that China's growing consumption changes what ability we have to control our own destiny within global energy markets," said David Pumphrey, a senior fellow at the Center for Strategic and International Studies. "China can now demand a large space inside any energy-policy tent." China's rapidly expanding need for energy promises to have major geopolitical implications as it hunts for ways to satisfy its needs. Already, China's rising imports have changed global geopolitics. Chinese oil and coal companies have been looking overseas in their quest to secure energy supplies, pitching the Chinese flag in places like Sudan, which Western companies had largely abandoned under international pressure. The most ambitious effort to secure overseas energy supplies was the failed 2005 attempt Cnooc Ltd. to take over California-based Unocal in an $18 billion bid, which was trumped by politics and rival Chevron. Despite a short pullback in the aftermath of that failed deal, Chinese companies have expanded overseas, buying assets in Central Asia, Africa, South America, Canada and even small stakes in the Gulf of Mexico. While their overall overseas footprint is still small compared with that of big international oil companies, these companies are expanding with access to cheap credit through China's state-owned banks. Voracious energy demand also helps explain why China—which gets most of its electricity from coal, the most polluting of fossil fuels—passed the U.S. in 2007 as the world's largest emitter of carbon-dioxide emissions and other greenhouse gases. In the past, being the world's biggest consumer of fossil fuels went hand in hand with being its dominant economy.

2NC Economy Resilient EXT

The financial system is resilient – no collapse like the 1930’s possible

Smith ‘95

Roy C. Smith, Professor of Finance and International Business at NYU’s Stern School of Business, 1995, The Washington Quarterly, “Risk and Volatility,” Autumn, Vol. 18, No. 4

Although concerns about a systemic collapse should not be dismissed lightly (regulators appropriately worry about such things all the time), they should be kept in perspective. Indeed, in different ways the world experienced a major systemic shock with the failure of the U.S. savings and loan banks (S&Ls) and some other banks in the 1980s, which required the intervention of the federal deposit insurance institutions to the extent of several hundreds of billions of dollars. Unlike the 1930s, when thousands of banks failed, helping to push the country into the Great Depression, this time no such result occurred. The crisis was confined to the Federal Deposit Insurance Corporation. It had little effect on either the United States or the world economy. Also, about 10 years later, a second potentially systemic crisis occurred when the stock market and real estate bubble enveloping the economy of Japan burst and the government had to face up to the damage. Massive loan losses and bankruptcies were the resuit (estimated in total to exceed $ 500 billion), which significantly dried up the real economy in the aftermath, creating a low-growth economic condition that lasted several years. The crisis, however, did not spread to other countries. The government intervened in many ways to manage the crisis, including slowing down the deregulatory efforts needed to conform to world financial practices, and steps are under way to deal with the bad loans. The financial system in Japan now appears to be recovering, although slowly. The lesson from this, and the U.S. S&L crisis, may be that the global financial system may be tougher than it looks and much less susceptible to self-inflicted damage than generally thought; certainly it is tougher than it was in the 1930s.

2NC Economy Resilient EXT

U.S. Econ resilient – markets are stable

Reuters ‘08

Reuters Mar 16, 2008 “Treasury's Paulson says U.S. economy resilient” http://www.reuters.com/article/businessNews/idUSN1648658420080316

In an interview with "Fox News Sunday" Paulson said U.S. markets were "resilient" and that he felt the $152 billion economic stimulus plan would help lift the economy. Paulson said the Bush administration continued to believe that "long-term economic strength is going to be reflected in the dollar." Paulson also said the Federal Reserve made the right decision on Friday to come to the rescue of Bear Stearns, BSC.N, the fifth largest investment bank. Paulson said it was important to minimize market disruptions and enhance confidence in the U.S. economy. "I've got great confidence in our financial institutions," Paulson said. "Our markets are resilient." He added that he had confidence U.S economy would work it way through the current crises that began with a sharp downturn in the U.S. housing market leading to a full-blown credit crisis. (Reporting by Donna Smith; Editing by Jackie Frank)

US market flexibility makes the economy resilient – per capita income and position in the global economy prove

Info-Prod Research ‘09

Info-Prod Research (Middle East), ProQuest SuperText, “Info-Prod Strategic Business Information”, May 31, Lexis

Even with a significant deterioration in the US government's debt position, its rating has a stable outlook and demonstrates the attributes of a Aaa sovereign, says Moody's Investors Service in its annual report on the United States. These attributes include a diverse and resilient economy, strong government institutions, high per capita income, and a central position in the global economy. "Moody's expects that, because of these factors, US economic strength will emerge after the crisis without major impairment," said Moody's Vice President Steven Hess, author of the report. "The global role of the US currency also contributes to the ability of the economy and government finances to rebound." He said the government balance sheet has been weakened by the combination of efforts to stabilize the financial system, the effects of the sharp economic recession on federal finance, and the $787 billion federal stimulus package passed earlier this year. The result has been much higher debt ratios that may persist for some years to come. While these ratios are deteriorating in the US, they are also doing so in most other advanced economies due to the global recession. Furthermore, the level of debt is less important than the government's balance sheet flexibility, which Moody's believes is still high in the case of the US. Despite a worsening government balance sheet, Moody's cites other factors in support of the Aaa rating. "The current economic downturn has only temporarily altered America's productivity dynamic, and productivity has risen in the recession period, as is typical," said Hess. "US labor market flexibility has been a key factor in this trend." A higher rate of US population growth through 2025 relative to other advanced economies will also contribute to continued economic growth --and government revenues. "While our outlook for the US rating is stable, a reassessment of the long-term growth prospects of the economy and the ability of the government to return to a sustainable debt trajectory could put negative pressure on the rating in the future. How the economy and fiscal policy fare after the recession will be key," said Hess. He added that, over the longer term, contingent liabilities related to Social Security and Medicare programs could also pressure the rating.

2NC Economy Resilient EXT

Even if they win that the global economy will decline, the US is extremely resilient – data shows and predicts continued growth

National Post ‘09

National Post's Financial Post & FP Investing, 2009, Canada, “Alia McMullen, Financial Post; With Files From Bloomberg News”, February 10, Lexis

The Japanese economy is shrinking at an "unimaginable" speed, fiscal stimulus would be "useless" in Italy, and the already painful U. K. recession will likely be even "deeper" than expected. The United States may have kick-started the global recession, but its emergence has uncovered structural deficiencies in a number of developed countries around the globe. The evidence suggests countries such as the United Kingdom, Japan and Italy will suffer a heavier downturn than the United States, in what has become the worst global recession since the Second World War. But as others sink, the U. S. economy has shown some resilient signs. Non-farm business productivity grew 3.2% in the fourth quarter after growth of 1.5% the previous quarter, data from the U. S. Bureau of Labor Statistics showed on Thursday. Paul Ashworth, an economist at Capital Economics, said the relatively high rate of U. S. productivity in the past 13 years would help output and profit recover. Productivity might also help the U. S. economy outperform those of other developed countries. Even so, the ability of the United States to remain productive gives it an economic advantage over a country such as Italy, where productivity has been in decline since 2001. "Italy is a mess and its decline irreversible, at least within the euro-structure," said Charles Dumas, an economist at London's Lombard Street Research, who said Italy's economy would likely contract 3% to 3.5% this year, an outlook that could even be overly optimistic. Even Giulio Tremonti, Italy's Finance Minister, has appeared to have lost confidence in the economy. "I'm absolutely sure any kind of stimulus is useless in any case," he told the Financial Times last month. Meanwhile, conditions in Japan have begun to deteriorate at an alarming rate. "Japan's recent economic decline is faster than that of the U. S., which has been experiencing the worst financial crisis in a century," Kazuo Momma, head of research and statistics at the Bank of Japan, said in Tokyo yesterday. Economists expect economic growth figures next Monday to reveal Japan's economy contracted at an unprecedented annualized rate of 11.7% in the fourth quarter of 2008. Mr. Momma said the Japanese economy could have shrunk at an "unimaginable" speed in the fourth quarter and would likely contract at a similar pace, or worse, in the first three months of 2009. "Essentially nobody has been able to escape the slowdown that we're seeing," said Mark Chandler, an interest-rate strategist at RBC Capital Markets. "It's certainly the case in the U. K., where conditions are as bad or worse than in the U. S." The International Monetary Fund has forecast a U. K. contraction of 2.8% in 2009.

2NC Economy Resilient EXT

Global economy resilient – stimulus solves decline and the dollar will remain strong

AFP ‘09

Geithner sees US finance system improving, June 15,

[http://www.google.com/hostednews/afp/article/ALeqM5i-2OSW jmh8AEtJteYaMoONqzWkg](http://www.google.com/hostednews/afp/article/ALeqM5i-2OSW%20jmh8AEtJteYaMoONqzWkg)

PARIS — The stricken US financial system is poised for recovery as stimulus measures hit home, US Treasury Secretary Timothy Geithner said Thursday, as more upbeat earnings figures emerged from the banking sector. Measures taken to calm the financial crisis would have their main effect in the second half of this year and any thought of new steps was premature, Geithner said in comments published online by French newspaper Les Echos. The existing "stimulus program was designed to make a contribution over a two-year period, and the biggest impact on investment will come in the second half of this year," he said. He also held that the dollar would remain the main international reserve currency, against a background of questions about its supremacy, mainly from China and Russia but also from France. The pre-eminence of the dollar placed special responsibility on the United States in restoring confidence in the financial system and in the reduction of deficits once recovery was under way, he said. In remarks to Bloomberg Television, he said that the US financial system was showing signs of "repair", but also warned against blanket state caps on traders' pay. In a positive sign for the sector, US banking giant JPMorgan Chase beat expectations on Thursday, reporting a quarterly profit of 2.7 billion dollars. Investment giant Goldman Sachs had also posted strong earnings on Tuesday. Geithner met French Prime Minister Francois Fillon, and they stressed the importance of dealing with imbalances in the global economy as it begins the pull-out of the financial crisis, a statement here said. On regulation of derivative markets, Geithner said on the Les Echos site: "Actually, our approaches are very similar. We need a common, global solution to these global markets, not separate regional solutions." Geithner also said in remarks to Bloomberg Television: "What we are generally seeing across the US financial system is welcome signs of stability and repair.**"**  He added: "We are moving very quickly to try to put in place comprehensive reforms of risk-taking in the financial sector to try to make sure we put in place not just strong protection for consumers... but also to make sure that we have a more stable, more resilient financial system less prone to crisis." This would involve restrictions on leverage by means of tightened standards for the capital held by financial companies. Another "comprehensive" reform would affect the way people in financial companies were paid, he said, referring to the controversy about big performance bonuses which are widely held to have encouraged imprudent risk-taking. Financial sector pay packages had to be tightened up, he argued, but he also said: "We don't think it's appropriate for governments anywhere to try to set limits or to provide the details of compensation practices." "We want to make sure that compensation is rewarding good performance, not bad performance and is reinforcing our basic objective to create a more stable system." France has taken a lead in pushing for a firm line in restraining bonuses for those in the financial sector. Fillon assured Geithner that France was determined to balance its public finances, a statement from the prime minister's office said. They are deep in deficit in line with the crisis budgets of many leading economies. France had a "central target" of "an eventual return to balanced public finances," the statement said. The prime minister's office said that the two men had reviewed the international economic situation and notably the scale and effectiveness of plans to boost economies and the need to absorb global imbalances.

2NC Economy Resilient EXT

Economic downturn won’t lead to their impacts—most problems are individual instead of organized

Durodie ‘09

Bill, senior fellow with the S. Rajaratnam School of International Studies, Nanyang Technological University, The Straits Times, “Recession and unrest: Cauldron may not boil over,” 5/28/09, Lexis

Some commentators have suggested the recession may be a good thing. These romanticize a supposed spirit of community they believe will emerge from an enforced curb on consumption. One should be wary of talking up the crisis in this fashion, as the British shadow health secretary has discovered. He was chastised for suggesting the recession would be good for families since it would prevent people from buying cigarettes and alcohol. The masses may not be revolting, but they are not stupid either. They are quite capable of noting that a recession is nothing to celebrate. At the opposite end of the spectrum, some have worried that the crisis will lead to social unrest. These overestimate the inevitability of social instability and underestimate its requisite political drivers. Compared to previous recessions, the worldwide working class has never been so disconnected and disorganised. In the 1960s and 1970s, leaders across the globe faced the twin threats of the organised labour movement within their borders and the alternative of communism without. These elements disintegrated in the 1980s and 1990s, leaving behind an atomised and disillusioned workforce. Of course, atomisation breeds alienation with a concomitant and occasional lashing out against the system. But this is sporadic and exceptional, rather than generic and protracted. The concerns of the elites therefore have more to do with their sense of isolation and insecurity than any conscious or organised threat. Indeed, most world leaders do not even face a serious challenge from within their own ranks, let alone one from outside.The most vocal have been the disgruntled middle classes, and their supporters in the media. Of course, since the French revolution, it has been the historic role of the middle class to co-opt the lower orders in their struggles only to turn against them at the last moment. But the absence of any oppositional ideology today suggests this to be extremely unlikely. Crime, of course, is a separate matter from social unrest. One might expect social hardship to lead to some increase in particular types of criminality. Illegal immigration and insurance scams may also increase, as could covering up errors for fear of losing one's job. But some crimes, such as metal theft in a period of diminishing demand, may decrease. The important thing to note is that these are individual responses rather than organised ones. It is the worrying about, and talking up of, the possibility of crime that may encourage it. Blaming bankers for causing all these problem is also unproductive. This ignores the responsibility of governments in encouraging their activities.

No evidence that the recession will lead to social instability—unpreparedness doesn’t automatically mean crisis

Durodie ‘09

Bill, senior fellow with the S. Rajaratnam School of International Studies, Nanyang Technological University, The Straits Times, “Recession and unrest: Cauldron may not boil over,” 5/28/09, Lexis

NO SOONER had the economic crisis emerged before security agencies began worrying about its implications for social stability. This tells us more about their crisis of confidence than inherent tendencies. The recession will not necessarily lead to social problems. It is striking how swiftly the world moved into recession and how unexpected this was. On June 20, 2007, the then British Chancellor of the Exchequer congratulated the City of London for creating 'an era that history will record as the beginning of a new golden age for the City’. The US sub-prime mortgage crisis emerged a month later. By September, Britain's Northern Rock Bank was seeking support from the Bank of England. But even at that stage, many considered the crisis to be specific rather than systemic. On Aug 13 last year, the Bank of England governor Mervyn King announced: 'The central projection is one of a broadly flat output over the next year.’ Events then accelerated from September last year, with the bankruptcy of Lehman Brothers. Only one month later, a major British policing agency was asking: 'How will crime against business and industry change in an economic downturn?’ This suggests the discussion on the implications of the recession for social cohesion has been driven more by speculative concerns than evident trends. That is not surprising as the current period is marked more by elite insecurity than inherent social instability.

2NC Economy Resilient EXT

US economy empirically resilient—it won’t crash

Stelzer ‘08

Irwin, writer at the examiner, “Resilient US economy has weathered many storms”, Jan 8, <http://www.examiner.com/a-1144203~Irwin_Stelzer__Resilient_U_S__economy_has_weathered_many_storms.html>

Country singer Kris Kristofferson did not have fallen CEOs and other investment bankers in mind when he sang about the man who “Once ... had a future full of money, love, and dreams, which he spent like they was goin’ out of style,” but it is an apt description of many shell-shocked bankers and investors. They have reason to worry. Oil finally hit $100 per barrel, sending share prices tumbling and gold prices soaring, in anticipation of renewed inflation. Rising food and gasoline prices are reducing consumer discretionary-spending power to a mere shadow of its former self. The unemployment rate last month soared from 4.7 to 5 percent. And the manufacturing sector is slowing. Whether all of this will produce a recession in 2008 remains less than certain. For one thing, the White House might step in with a fiscal stimulus package that includes allowing faster write-offs of business investment or, if Congress will go along, lowering the corporate tax rate. For another, we can’t be certain whether the Federal Reserve, now more worried that the slowdown might morph into a recession, will accelerate the pace of its interest rate cuts. But there are some things we do know. The structure of the financial services industry is changing. Many banks need to rebuild their balance sheets by attracting equity capital, and sovereign wealth funds of oil-producing and other exporting nations need someplace to put their cash to work. The result has already been these funds’ purchase of important positions in Merrill Lynch, Citigroup, UBS and other investment banks. So far, not a peep from the politicians, but that won’t last. We know, too, that as the greenback depreciates in value, foreign central banks are less inclined to keep stores of American presidents in their vaults and more interested in diversifying their currency holdings. The dollar’s share of central banks’ holdings of foreign reserves has fallen to 63.8 from 66.5 percent in the past year. Equally important, oil-producing nations — which until now accepted dollars for crude and pegged their currencies to the dollar — are finding it increasingly difficult to hold to those policies. The dollars they use to pay the large foreign work forces on which their work-shy citizens rely now buy less and less when remitted to the workers’ wives and families. That is causing social discontent of the sort that horrifies the ruling classes in the Arab countries. My guess is they will begin pegging their own currencies to a basket of currencies that includes the dollar, but in which the euro is importantly represented as well. We know two other things. The first is that the U.S. economy will indeed slow, at least in the first half of 2008. The second is that America will elect a new president pledged to retreat from the nation’s historic position in favor of free trade. Doha and other trade deals, if not already dead, will breathe their last and be buried. But these are all small things compared to the really big thing that we also know: The American economy is an amazingly resilient and flexible machine. Remember the dot-com bust, now cited as the model for what we are about to go through? Since that dreary period, the U.S. economy added 8 million jobs. In real, inflation-adjusted terms, the value of the goods and services produced in America is about 15 percent higher than during the dot-com bust. And even after the precipitous drops of recent days, the leading share-price indices are healthily up over dot-com bust levels. If you need any further proof of the ability of the U.S. economy to thrive after taking a blow, consider the speed with which output, employment and every other indicator rose soon after the devastating attack on Sept. 11, 2001. Or after Hurricane Katrina. Or ask yourself whether you can identify the enduring effect of these events during the Clinton years, now remembered as a golden age: The Mexican peso crisis, the Asian financial crisis, and what scholars now call “the crisis of confidence and legitimacy of the international monetary and financial system.” It’s fashionable to call the year just ended a year of two halves: prosperous first half, followed by a subprime-infected second six months. 2008 might just prove to be the reverse: stormy first half, followed by gradual brightening as America’s entrepreneurs find new fields to conquer.

2NC Collapse Doesn’t Cause War EXT

Economic decline does not cause violence or war

Miller 2K

Morris, Interdisciplinary Science Reviews, “Poverty as a cause of wars?” Morris Miller is an economist, adjunct professor in the University of Ottawa’s Faculty of Administration, consultant on international development issues, former Executive Director and Senior Economist at the World Bank, attended McGill and Harvard Universities and the London School of Economics, majoring in economic policy. Has taught at McGill University, the University of Maryland, Carleton University and the World Bank's Economic Development Institute. http://www.management.uottawa.ca/miller/poverty.htm

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study undertaken by Minxin Pei and Ariel Adesnik of the Carnegie Endowment for International Peace, there would not appear to be any merit in this hypothesis. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that:19 Much of the conventional wisdom about the political impact of economic crises may be wrong ... The severity of economic crisis - as measured in terms of inflation and negative growth - bore no relationship to the collapse of regimes ... (or, in democratic states, rarely) to an outbreak of violence ... In the cases of dictatorships and semidemocracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence to abort another).

2NC Collapse Doesn’t Cause War EXT

We control uniqueness—surge was $130 billion and no economic collapse

Cornwell ‘10

Susan Cornwell, reporter @ Reuters, 7-02-10, “US House approves money for surge”, 2010, http://in.reuters.com/article/idINIndia-49827220100702

The US House of Representatives on Thursday approved funds to pay for the Afghan troop surge amid criticism of the unpopular war by both Democrat and Republican lawmakers. The House-approved bill includes nearly $4 billion in economic aid to Afghanistan and Pakistan. The war funds are in addition to the $130 billion Congress has already approved for Afghanistan and Iraq this year. The House’s Democratic leaders, who had procrastinated for weeks over the bill, did not act in time to get the $33 billion to the troops by July 4 as the Pentagon had requested. An amendment demanding an exit timetable from Afghanistan failed, but got 162 votes, the biggest anti-war vote in the House on Afghanistan to date.  All but nine of the supporters were Democrats, and included House Speaker Nancy Pelosi. House leaders added billions of dollars in non-military spending before passing the war funds, so the measure must now return to the Senate, which is not in session again until July 12. Pentagon chief Robert Gates said recently the money for 30,000 additional troops to Afghanistan should be approved by July 4 to avoid the Pentagon having to juggle accounts and possibly lay off civilians while continuing war operations. Still it seemed a wonder the new money for the unpopular war got through the lower house at all, after long arguments among Democratic lawmakers over whether and how to do it. They set up a complicated series of votes in which the non-military spending passed 239-182, while the part containing the war funding passed 215-210. “I do not believe this war is anything but a fool’s errand. If I had my way, I would never bring this to the floor,” said Representative David Obey. “Why are we continuing to send our troops into a Mission Impossible?” asked Dennis Kucinich, a liberal Democrat during the discussion. While, Representative Louise Slaughter complained that the US has already spent too much on the Afghan war — some $345 billion — and needed to pay attention to its own economic problems.

2NC Collapse Doesn’t Cause War EXT

No Impact—Economic Decline does not cause wars

Deudney ‘91

Daniel, Hewlett Fellow in Science, Technology, and Society at the Center for Energy and Environmental Studies, Princeton University, Bulletin of the Atomic Scientists, April 1991

In a second scenario, declining living standards first cause internal turmoil, then war. If groups at all levels of affluence protect their standard of living by pushing deprivation on other groups, class war and revolutionary upheavals could result. Faced with these pressures, liberal democracy and free market systems could increasingly be replaced by authoritarian systems capable of maintaining minimum order. If authoritarian regimes are more war-prone because they lack democratic control, and if revolutionary regimes are war-prone because of their ideological fervor and isolation, then the world is likely to become more violent. The record of previous depressions supports the proposition that widespread economic stagnation and unmet economic expectations contribute to international conflict. Although initially compelling, this scenario has major flaws. One is that it is arguably based on unsound economic theory. Wealth is formed not so much by the availability of cheap natural resources as by capital formation through savings and more efficient production. Many resource-poor countries, like Japan, are very wealthy, while many countries with more extensive resources are poor. Environmental constraints require an end to economic growth based on growing use of raw materials, but not necessarily an end to growth in the production of goods and services. In addition, economic decline does not necessarily produce conflict. How societies respond to economic decline may largely depend upon the rate at which such declines occur. And as people get poorer, they may become less willing to spend scarce resources for military forces. As Bernard Brodie observed about the modern era, “The predisposing factors to military aggression are full bellies, not empty ones.” The experience of economic depressions over the last two centuries may be irrelevant, because such depressions were characterized by under-utilized production capacity and falling resource prices. In the 1930's, increased military spending stimulated economies, but if economic growth is retarded by environmental constraints, military spending will exacerbate the problem.

2NC Collapse Doesn’t Cause War EXT

Economic Collapse doesn’t cause war

Ferguson 06

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Nor can economic crises explain the bloodshed. What may be the most familiar causal chain in modern historiography links the Great Depression to the rise of fascism and the outbreak of World War II. But that simple story leaves too much out. Nazi Germany started the war in Europe only after its economy had recovered. Not all the countries affected by the Great Depression were taken over by fascist regimes, nor did all such regimes start wars of aggression. In fact, no general relationship between economics and conflict is discernible for the century as a whole. Some wars came after periods of growth, others were the causes rather than the consequences of economic catastrophe, and some severe economic crises were not followed by wars.

\*\*\*ADVANTAGE COUNTERPLANS\*\*\*

1NC Small Businesses CP

TEXT: The United States Federal Government should reduce the tax burdens and change the complex loan protocols on small businesses in the United States.

Easing the Tax Burdens on Small Businesses Increases Jobs and Helps Economy

Subcommittee on Finance and Tax ‘09

5-7-09, http://www.house.gov/smbiz/PressReleases/2009/pr-5-7-09-small-business-tax-burden.html

WASHINGTON, D.C. — Entrepreneurs testified before Congress today that streamlining the complex tax code could save small businesses billions of dollars, allowing them to expand their enterprises and hire more workers. In a hearing before the House Committee on Small Business’ Subcommittee on Finance and Tax, small business owners said that the increasing complexity of the tax code was hindering small firms that are already struggling with unprecedented economic pressures.“As a small business owner myself, I understand how difficult it can be to start and run your own business,” said Subcommittee Chairman Kurt Schrader (D-OR). “Unlike big companies, small businesses don’t have an army of tax attorneys and accountants to navigate a tax code that has grown so complex that it is a stumbling block for local merchants.” A 2005 study estimated individuals and businesses spent an estimated 6 billion hours and $265 billion dollars complying with their tax obligations, with compliance costs predicted to grow to $482.7 billion by 2015. As more Americans turn to entrepreneurship to start a new career or to boost their incomes, the 3.7 million word tax code is especially daunting for small businesses and home-based enterprises that operate on thin profit margins. “The current home office deduction requirements are so confusing that many home-based entrepreneurs opt not to take advantage of it because they fear being audited if they make a mistake,” Schrader said. “Small business owners need a simple way to take advantage of these incentives that can help start-ups and established businesses alike.” Schrader partnered with Republican Congressman John McHugh (R-NY) to introduce H.R. 1509, the Home Office Deduction Simplification Act, bipartisan legislation offering small business owners the ability to claim a standard deduction for home office expenses instead of utilizing the current, more complex formula. The simple home office deduction would benefit millions of home-based business owners, who are estimated to comprise 53% of all small businesses. “Small businesses make up 98% of the companies in Oregon, just as they do in many communities across the country, and they are critical to our economic recovery,” Schrader said. “By making it a little easier for small business owners to spend more of their time creating jobs, we can help them turn this economy around.” Witnesses told lawmakers that many tax laws are badly out of date. They cited cell phones as a prime example of an indispensable business tool that is still subject to antiquated tax treatment written decades ago when cell phones were a luxury item. Entrepreneurs also noted that the alternative minimum tax (AMT), which now ensnares 75% of all middle class small business owners earning less than $100,000 per year, as another item woefully out of date. They urged Congress to limit the AMT’s reach and simplify the complex capital gains tax process to help small businesses reduce filing errors. “In order to promote enterprise and reward hard work, our tax laws should be simple, straightforward and fair,” Schrader said. “At a time when we need our entrepreneurs’ ingenuity to lift us out of our economic slump, tax policies should help small businesses meet their obligations, not burden them with unnecessary layers of complexity

2NC Small Businesses CP – Solvency

Small Businesses are the backbone of the economy; key to economic growth

Obama ‘10

President Barack Obama, 5-13, Remarks by the President on the Economy, Industrial Support Inc., Buffalo, NY. Transcript of speech, The Office of the Press Secretary) <http://www.whitehouse.gov/the-press-office/remarks-president-economy>

And we know that government has to play a role in meeting this goal, but we also know that role is limited. Government is not the true engine of job creation and economic growth in this country; businesses are, especially small businesses like this one. So America’s small business owners -- people like Dave Sullivan -- have always been the backbone of America’s economy. These entrepreneurial pioneers, they embody the spirit of possibility -- tireless work ethic; simple hope for something better that lies at the heart of the American ideal. These are the men and women willing to take a chance on their dream. They’ve got good ideas and then they’ve got the drive to follow through. They’ve started mom-and-pop stores and they’ve got garages they open up and they start tinkering and suddenly that leads to some of America’s biggest, most successful businesses. Ordinary Americans with a dream to start their own business, they create most of the jobs that keep our workers employed. In fact, over the past decade and a half, America’s small businesses have created 65 percent of all new jobs in this country. Now, the problem is, is that our small businesses have also been some of the hardest hit by this recession. From the middle of 2007 through the end of 2008, small businesses lost 2.4 million jobs. And because banks shrunk from lending in the midst of the financial crisis, it’s been difficult for entrepreneurs to take out the loans that they need to start a business. And for those who do own a small business, it’s difficult to finance inventories and make payroll, or expand if things are going well. So government can’t create jobs, but it can create the conditions for small businesses to grow and thrive and hire more workers. Government can’t guarantee a company’s success, but it can knock down the barriers that prevent small business owners from getting loans or investing in the future. And that’s exactly what we’ve been doing. When Dave wanted to expand this company last year, he received a loan from the Small Business Administration that was part of the Recovery Act, part of the stimulus. It’s a loan that allowed him to pay the bills and purchase new equipment. Last fall he was even able to increase his workforce. And today, he feels optimistic that he’ll be able to hire more workers in the near future. Bill Puglisi and his brother Rick are also here with us today. Where are Bill and Rick? Where are they? There they are right there. All right. They run -- (applause) -- good to see you guys. They run a small business called Imperial Textile. And thanks to the SBA loan that they received, they didn’t have to lay any workers off last year. In fact, they were able -- they were even able to purchase a new building. Is that right? So today they’re starting to look to hire again. You guys can sit down. (Laughter.) All across America, we’ve taken steps like these to help companies grow and add jobs. Last year we enacted seven tax cuts for America’s small businesses, as well as what we call the Making Work Pay tax credit that goes to the vast majority of small business owners. So, so far, the Recovery Act has supported over 63,000 loans to small businesses -– that’s more than $26 billion in new lending. More than 1,200 banks and credit unions that had stopped issuing SBA loans when the financial crisis hit are lending again today. More than $7.5 billion in federal Recovery Act contracts are now going to small businesses. Right now, a series of additional tax incentives and other steps to promote hiring are going to take effect. Because of a bill that I signed into law a few weeks ago, businesses are now eligible for tax cuts for hiring unemployed workers. Companies are able to write off more of their investments in new equipment. And as part of health care reform, 4 million small businesses recently received a postcard in their mailbox telling them that they could be eligible for a health care tax cut this year. That’s worth maybe tens of thousands of dollars for some companies. And it’s going to provide welcome relief to small business owners, who too often have to choose between health care and hiring. When we stopped over at Duff’s to get our wings, one of the customers there was a woman who was a small business owner. She had a courier service. And I asked her, “What’s the biggest challenge you’ve got?” She said, “Trying to keep up health care for me and my workers.” And she was appreciative that she’s going to get a 35 percent tax break on her health care costs this year. (Applause.) And I told her that -- and over the next several years we’re setting an exchange where she, as a small business owner, is going to be able to buy into a big pool that all these members of Congress are a part of, so with millions of members, that’s going to give her more leverage with the insurance companies; that’s going to drive down her costs. She offered me to have some of her wings as a consequence. (Laughter.) Said I had already put in an order. So all these steps have helped. They’re going to help. But I believe we’ve got to do even more to give our small businesses a boost. And maybe the single most important thing we can do right now is to help ensure that creditworthy small business owners can get the capital that they need. So in my State of the Union address, I called for a $30 billion small business lending fund that would help increase the flow of credit to small companies that were hit hard by the decline in lending that followed the financial crisis. And last week, I sent Congress this legislation, which now includes a new state small business credit initiative -– an initiative that will help expand lending for small businesses and manufacturers at a time when budget shortfalls are leading a lot of states to cut back on vitally important lending programs. And I’ve also asked Congress to work with us to extend and enhance SBA programs that have helped small business owners get loans so they can create more jobs. That's our small business agenda. That’s our jobs agenda -- empowering small businesses so they can hire. I hear a lot of noise from some of our friends out there that say, this is nothing more than “big government.” I want everybody here to understand, I don't -- I personally don't think that giving tax cuts to businesses is big government. I don’t understand how helping businesses get loans so they can grow and hire more workers is big government.

2NC Small Businesses CP – Solvency

Easing Small Businesses’ Burdens Boosts Economy

Malveaux ‘09

Suzanne, 3-16, CNN Politics, Suzanne Malveaux is a White House correspondent for CNN and primary substitute anchor for The Situation Room with Wolf Blitzer. She holds a a bachelor's degree from Harvard University and a master's degree in journalism from Columbia University) http://www.cnn.com/2009/POLITICS/03/16/obama.small.business/index.html#cnnSTCText

President Barack Obama vowed Monday to ease the financial plight of the nation's small businesses, promising immediate action to revive frozen credit markets. President Obama on Monday, with Treasury's Timothy Geithner, says small businesses are job generators. The president called small businesses "one of the biggest drivers of employment that we have" and said his administration is "working diligently to increase liquidity throughout the financial system." Obama spoke to reporters after he and Treasury Secretary Timothy Geithner met in the White House with representatives of the Small Business Administration. But Obama cautioned that it will be a long-term effort. "Understand, this is still going to be a first step in what is going to be a continuing effort to make sure people get [credit](http://topics.cnn.com/topics/Consumer_Credit_and_Debt) out there," he said. Geithner said the administration is moving "with exceptional speed" on aid to small businesses after more than a year of recession. He vowed the administration will create a "substantial program" to get credit flowing and to ease the nation's housing crisis. Geithner said the package will nearly double, to $250,000, the new capital investment that can be written off and said it will include provisions to reduce and then eliminate capital gains taxes in stock and to make health insurance more affordable. In addition, the Internal Revenue Service announced Monday that small businesses will be able to carry back business losses for five years instead of the current two years "in order to increase your cash flow as we come out of this period and allow you to invest more in your operations." Geithner then directed comments to the banks, urging them "to go the extra mile." Those banks that individually choose to "pull back out of a sense of prudence and caution" result in a collective impact that will weaken the economy, he said. "This dynamic can feed on itself." He noted that many banks got into trouble by taking too much risk, but he said, "The risk now to the economy is that you will take too little risk." Geithner said the nation's top 21 banks receiving assistance will be required to report on a monthly basis how much they are lending to small businesses. Even small businesses with good credit histories have been denied loans in the downturn. This year, at current rates, SBA-guaranteed new loans would not reach $10 billion. In an average year, it guarantees $20 billion in loans. Christina Romer, who heads the Council of Economic Advisers, said Sunday the government would pump "a significant amount" of money into boosting small business lending, but she did not reveal a total figure. "We know that small businesses are the engine of growth in the economy, and we absolutely want to do things to help them," Romer said on NBC's "Meet the Press." Two senior administration officials said the administration's plan deals with two programs handled by the SBA. The first one, the "7(a) program," allows small businesses to get loans of up to $2 million backed by the federal government through the SBA. Currently, the government guarantees up to 85 percent of loans below $150,000, and up to 75 percent of larger loans. Under the administration's plan, the government temporarily will increase the loan guarantee to 90 percent as an incentive to banks to lend. The administration believes this increase will reduce the risk lenders face when they make loans to borrowers who cannot find credit elsewhere and ultimately give the banks more confidence to sell and make more loans, the officials said. The second program, the "504 program," guarantees up to $4 million worth of economic development projects for small businesses. Starting Monday, the administration temporarily will eliminate fees for lenders and borrowers on any new 504 applications. The aim is to reduce the costs to both borrowers and lenders participating in the program, the officials said. The administration also temporarily will eliminate the upfront fees for 7(a) loans that banks charge borrowers. These fees go up to 3.75 percent for larger loans. The administration believes this move will decrease the cost of borrowing for small businesses and make it easier for them to get the credit they need to make new investments, the officials said.

2NC Small Businesses CP – Solvency

Helping Small Businesses is key to US Economic Stability

AP ‘09

5-19, MSNBC news) http://www.msnbc.msn.com/id/30831256/

WASHINGTON - President Barack Obama says the nation's small businesses are responsible for half of the nation's private sector jobs and deserve support from Washington. Obama on Tuesday welcomed winners of a Small Business Administration award to the White House's East Room. He said some of the nation's best businesses began as small ventures, such as Google and McDonald's. Such businesses' impact goes beyond the economy, Obama said, adding that small business owners help strengthen local neighborhoods. Given everything a small business does for its community, the government should do its part to help leaders, he said.

Small businesses are key to economic growth

Velazquez ‘02

Nydia, congressional representative, FEDERAL DOCUMENT CLEARING HOUSE CONGRESSIONAL TESTIMONY, February 13, 2002, p. Lexis (MHBLUE1652)

We are here today to review the Administration's priorities for this nation's most vital economic engine ---- small business. I need not remind anyone that small business is big business in America, accounting for almost half our GDP --- half our jobs --- and 75 percent of all new jobs created. In a faltering economy, small businesses are especially important to communities struggling with low growth and high unemployment. They hauled us out of recession a decade ago and into the strongest peacetime economy on record. They did it before, and they can do it again, with a little help on our part.

1NC Tax Cuts CP

TEXT: The United States Federal Government should authorize widespread tax cuts for all taxpayers in the United States. We’ll clarify.

Tax cuts solve economic problems

Riedl ‘03

Brian Riedl, Fellow @ Thomas A. Roe Institute for Economic Policy Studies, 03, “Ten Common Myths about Taxes, Spending, and Budget Deficits”, http://www.heritage.org/Research/Reports/2003/06/Ten-Common-Myths-About-Taxes-Spending-and-Budget-Deficits

The right tax cuts help the economy by creating incentives to work, save, and invest. The Government Budget Restraint shows that government spending does not "pump new money into the economy" because government must first tax or borrow that money from the economy. Tax cuts represent the flip side of the previous section's government spending example. Like government spending, the money for tax cuts does not drop out of the sky. It comes from investment (if financed by budget deficits) or government spending (if offset by spending cuts). Every dollar government "puts in consumers' pockets" means one fewer dollar in governments', businesses', and investors' pockets. Keynesians argue that government can increase total spending by transferring money from savers to spenders--an argument that assumes that taxpayers store their savings in their mattresses, thereby removing it from the economy.4 In reality, nearly all Americans either invest their savings (where it finances business investment) or deposit it in banks (which quickly lend it to others to spend). Therefore, the money is spent whether it is initially consumed or saved. Tax cuts do not increase the economy's short-run demand because they must be offset by equal reductions in investment and/or government spending. However, the right tax cuts can add substantially to the economy's long-term supply side. As stated in the previous section, economic growth requires that businesses efficiently produce increasing amounts of goods and services, and that requires consistent business investment and a motivated, productive workforce. Yet high marginal tax rates--defined as the tax on the next dollar earned--serve as a disincentive to engage in those activities. Reducing marginal tax rates on businesses and workers will increase incentives to work, save, and invest. These incentives create more business investment and a more productive workforce, both of which add to the economy's long-term capacity for growth. Because supply-side tax cuts are not designed simply to "put money in people's pockets," their proponents are not overly concerned with whether recipients are rich or poor. The best tax cuts maximize long-run economic growth, which in turn raises incomes across the board. Should a $1 capital gains tax cut, which can induce enough investment and worker productivity to create $10 in new long-term economic growth, be rejected because much of that $1 in lower taxes will go to wealthier individuals? The $10 in new economic growth matters much more than who receives the $1 tax cut. Yet reporters and lawmakers propose demand-side tax cuts to "put money in people's pockets" and "get people to spend money." The 2001 tax rebates serve as an example: Washington borrowed billions from investors and then mailed that money to families in the form of $600 checks. This simple transfer of existing income had a predictable effect: consumer spending increased and investment spending decreased by a corresponding amount. No new wealth was created because the tax rebate was unrelated to productive behavior--no one had to work, save, or invest more in order to receive a rebate. In contrast, marginal tax rates were reduced throughout the 1920s, 1960s, and 1980s. In all three decades, investment increased and economic growth followed: the inflation-adjusted GDP increased by 59 percent from 1921 to 1929, 42 percent from 1961 to 1968, and 34 percent from 1982 to 1989.5 Instead of asking which tax cuts will put money in consumers' pockets, reporters and lawmakers should ask which policies will best encourage the work, savings, and investment needed to expand the economy's long-term capacity for growth.

2NC Tax Cuts CP – Solvency

Tax cuts are necessary to save the US economy

Feldstein ‘10

Martin Feldstein, professor of economics @ Harvard, 5-12-10, professor emeritus @ National Bureau of Economic Research, “Extend the Bush tax cuts—for now”, 2010, http://online.wsj.com/article/SB10001424052748704370704575228123196462504.html?KEYWORDS=MARTIN+FELDSTEIN

This is not the time for a tax increase. But unless Congress acts, under current law the existing income tax rates will rise sharply at the beginning of next year. Congress should vote now to extend all of the current tax rates for two years, including the tax rates on dividends, interest and capital gains. Limiting the resulting tax-rate cuts to two years would reduce the projected future fiscal deficits. The sooner Congress acts, the stronger our prospects for continued economic recovery. A tax increase next year could easily derail the current fragile expansion. The economic upturn since last summer has been nurtured by Federal Reserve credit like the mortgage purchase program and by the fiscal incentives such as the tax credits for car buyers and first-time home buyers that are now coming to an end. Eighty percent of the latest quarterly GDP increase consisted of a rise in consumer spending that was the result of an unrepeatable sharp drop in the saving rate. Without that decline in the saving rate, the first-quarter annual GDP growth rate would have been less than 1%. A 2011 tax increase that reduces economic incentives and household spending would raise the risk of a new economic downturn. President Obama proposes to increase tax rates on high-income households while making the existing tax rates permanent for taxpayers below the top tax brackets. While the increase would hit only a relatively small fraction of all households, that group represents a large share of total taxes and of private spending. Raising their tax rates would be a substantial blow to overall spending and therefore to GDP growth. Small business investment and hiring would also be adversely affected because half of all profits, including most of small business income, is taxed at personal rates rather than at the corporate rate. Although it is important to avoid increasing the current tax rates until the recovery is well established, the enormous budget deficits that are now projected for the rest of the decade must not be allowed to persist. While legislation to reduce future government spending or faster-than-expected income growth could shrink the out-year deficits, it would be dangerous to depend on either of them. It would be wrong therefore to commit to the permanent reduction in tax rates for all taxpayers below the top brackets that is called for in the Obama budget. Changing the Obama budget proposal to limit all tax cuts to two years would reduce the total deficits over the next decade by more than $2 trillion. No single policy change could do as much to limit the future deficits and the national debt. Such a limit on the future tax cuts should be combined with policies to slow the growth of spending. According to the Congressional Budget Office (CBO), the president's budget implies that total federal spending, excluding interest on the government debt, will rise to 21.1% of GDP in 2020 from 17.9% in 2007. If Congress cares about future deficits, it will prevent that unprecedented rise in government spending. It will also do more to deal with the spending programs that are hidden in the tax law like the health-insurance subsidy, the child-care credits, and the deductibility of local property taxes. Failure to cut future deficits would mean a weaker recovery and slower long-term growth. The CBO estimates that annual deficits under the Obama budget will average more than 5% of GDP between now and 2020, enough to absorb all of the current saving of households and corporations. If that happens, the U.S. will be forced to depend on a greater inflow of funds from the rest of the world to finance investments in housing and in business structures and equipment. The result is likely to be much higher interest rates, reducing investments and therefore slowing the growth of our standard of living. According to the CBO, the large projected budget deficits imply that the government debt would rise to 90% of GDP by the end of the decade, about twice the debt-to-GDP ratio in 2008. Paying the interest on that government debt in 2020 would require about 40% of all personal income tax revenue. With half of the government debt already held by foreigners and with that share inevitably rising in the years ahead, there might well be a temptation to erode the real value of the debt with higher inflation. The fragility of the economic recovery means that it would be dangerous to allow any taxes to rise in 2011. The inherent uncertainty about the out-year deficits means that it would be unwise to enact tax cuts that stretch beyond the next two years. Congress should move quickly to reassure taxpayers and financial markets that the current tax rates will be preserved for two years but that further tax cuts will depend on the future fiscal outlook.

2NC Tax Cuts CP – Solvency

Tax cuts solve economic problems

Taylor ‘08

John Taylor, professor of Economics @ Stanford, 2008, senior fellow @ Hoover Institute, “Why permanent tax cuts are the best stimulus”, Nov 25, http://online.wsj.com/article/SB122757149157954723.html

The incoming Obama administration and congressional Democrats are now considering a second fiscal stimulus package, estimated at more than $500 billion, to follow the Economic Stimulus Act of 2008. As they do, much can be learned by examining the first. The major part of the first stimulus package was the $115 billion, temporary rebate payment program targeted to individuals and families that phased out as incomes rose. Most of the rebate checks were mailed or directly deposited during May, June and July. The argument in favor of these temporary rebate payments was that they would increase consumption, stimulate aggregate demand, and thereby get the economy growing again. What were the results? The chart nearby reveals the answer. The upper line shows disposable personal income through September. Disposable personal income is what households have left after paying taxes and receiving transfers from the government. The big blip is due to the rebate payments in May through July. The lower line shows personal consumption expenditures by households. Observe that consumption shows no noticeable increase at the time of the rebate. Hence, by this simple measure, the rebate did little or nothing to stimulate consumption, overall aggregate demand, or the economy. These results may seem surprising, but they are not. They correspond very closely to what basic economic theory tells us. According to the permanent-income theory of Milton Friedman, or the life-cycle theory of Franco Modigliani, temporary increases in income will not lead to significant increases in consumption. However, if increases are longer-term, as in the case of permanent tax cut, then consumption is increased, and by a significant amount. After years of study and debate, theories based on the permanent-income model led many economists to conclude that discretionary fiscal policy actions, such as temporary rebates, are not a good policy tool. Rather, fiscal policy should focus on the "automatic stabilizers" (the tendency for tax revenues to decline in a recession and transfer payments such as unemployment compensation to increase in a recession), which are built into the tax-and-transfer system, and on more permanent fiscal changes that will positively affect the long-term growth of the economy. Why did that consensus seem to break down during the public debates about the fiscal stimulus early this year? One reason may have been the apparent success of the rebate payments in 2001. However, those rebate payments were the first installment of more permanent, multiyear tax cuts passed that same year. Hence, they were not temporary. What are the implications for a second stimulus early next year? The mantra often heard during debates about the first stimulus was that it should be temporary, targeted and timely. Clearly, that mantra must be replaced. In testimony before the Senate Budget Committee on Nov. 19, I recommended alternative principles: permanent, pervasive and predictable. - Permanent. The most obvious lesson learned from the first stimulus is that temporary is not a principle to follow if you want to get the economy moving again. Rather than one- or two-year packages, we should be looking for permanent fiscal changes that turn the economy around in a lasting way. - Pervasive. One argument in favor of "targeting" the first stimulus package was that, by focusing on people who might consume more, the impact would be larger. But the stimulus was ineffective with such targeting. Moreover, targeting implied that increased tax rates, as currently scheduled, will not be a drag on the economy as long as increased payments to the targeted groups are larger than the higher taxes paid by others. But increasing tax rates on businesses or on investments in the current weak economy would increase unemployment and further weaken the economy. Better to seek an across-the-board approach where both employers and employees benefit. - Predictable. While timeliness is an admirable attribute, it is only one property of good fiscal policy. More important is that policy should be clear and understandable -- that is, predictable -- so that individuals and firms know what to expect. Many complain that government interventions in the current crisis have been too erratic. Economic policy -- from monetary policy to regulatory policy, international policy and fiscal policy -- works best if it is as predictable as possible. Many good fiscal packages are consistent with these principles. But what can Congress and the incoming Obama administration do to give the economy a real boost on Jan. 20? Here are a few fairly bipartisan measures worth considering: First, make a commitment, passed into law, to keep all income-tax rates were they are now, effectively making current tax rates permanent. This would be a significant stimulus to the economy, because tax-rate increases are now expected on a majority of small business income, capital gains income, and dividend income. Second, enact a worker's tax credit equal to 6.2% of wages up to $8,000 as Mr. Obama proposed during the campaign -- but make it permanent rather than a one-time check Third, recognize explicitly that the "automatic stabilizers" are likely to be as large as 2.5% of GDP this fiscal year, that they will help stabilize the economy, and that they should be viewed as part of the overall fiscal package even if they do not require legislation. Fourth, construct a government spending plan that meets long-term objectives, puts the economy on a path to budget balance, and is expedited to the degree possible without causing waste and inefficiency. Some who promoted the first stimulus package have reacted to its failure by saying that we must now switch to large increases in government spending to stimulate demand. But government spending does not address the causes of the weak economy, which has been pulled down by a housing slump, a financial crisis and a bout of high energy prices, and where expectations of future income and employment growth are low. The theory that a short-run government spending stimulus will jump-start the economy is based on old-fashioned, largely static Keynesian theories. These approaches do not adequately account for the complex dynamics of a modern international economy, or for expectations of the future that are now built into decisions in virtually every market.

2NC Tax Cuts CP – Solvency

Tax cuts help the economy

Lanman and Donmoyer ‘10

Scott and Ryan J., economists at Bloomberg, “Bernanke Says Extending Bush Tax Cuts Would Maintain Stimulus to Economy”, 2010, <http://www.bloomberg.com/news/2010-07-23/bernanke-says-extending-bush-tax-cuts-would-maintain-stimulus-to-economy.html>

Federal Reserve Chairman Ben S. Bernanke said extending at least some of the tax cuts set to expire this year would help strengthen a U.S. economy still in need of stimulus and urged offsetting the move with increased revenue or lower spending. “In the short term I would believe that we ought to maintain a reasonable degree of fiscal support, stimulus for the economy,” Bernanke said yesterday under questioning from the House Financial Services Committee’s senior Republican. “There are many ways to do that. This is one way.” While Democrats want to keep the 2001 and 2003 tax reductions passed during former President George W. Bush’s administration for families earning as much as $250,000, Republicans aim to continue the cuts for high-income people as well. Bernanke didn’t endorse either party’s position or recommend a time period for an extension. “In the longer term, I think we need to be taking steps to reassure the American people and the markets that our fiscal situation is going to be well controlled,” Bernanke said under questioning from Representative Spencer Bachus of Alabama, the committee’s senior Republican. “That means that if you extend the tax cuts, you need to find other ways to offset them.” Bernanke aims to bolster the faltering economic recovery while urging lawmakers to reduce federal budget deficits in the medium term, which he defined as the period from 2013 to 2020. His predecessor, Alan Greenspan, last week said lawmakers should allow the tax cuts to expire at the end of 2010, citing a need for the revenue to reduce the budget gap. Monetary Policy Bernanke, in the second day of semiannual congressional testimony on monetary policy, said the central bank will act to spur growth should the economy sputter. A top lieutenant, New York Fed President William Dudley, said yesterday that the “road to recovery is turning out to be a bit bumpy.” The Fed chief reiterated three central bank options for further steps, including giving more information on the Fed’s commitment to low interest rates, reducing the rate paid on banks’ reserves held at the Fed and buying more securities. “There is an implicit message from various Fed speakers that monetary policy is less useful now than most times,” said Tom Gallagher, senior managing director at International Strategy & Investment Group in Washington. “It is a fair inference that Bernanke thinks it would be good to avoid fiscal restraint rather than have more monetary ease if the outlook for 2011 is poor.”