# California Economy

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## California Budget DA

### Cali Budget Disad: 2AC

#### California Budget includes education funding increases now

Lin 12 (Judy, Associated Press, “Lawmakers finish California budget on $15.7B gap,” http://www.boston.com/news/nation/washington/articles/2012/06/27/lawmakers\_wrapping\_up\_budget\_to\_send\_to\_governor/)

Democrats passed 21 budget implementing bills on a majority vote intended to satisfy the governor's demand for deeper cuts to close a $15.7 billion deficit. Brown has until the end of Wednesday to sign or veto the main budget bill. "In my view, we are poised to enter a new and better era in California. An era of budget stability with the opportunity to begin building and rebuilding," Senate President Pro Tem Darrell Steinberg, D-Sacramento, said about completing the package. The spending plan for the fiscal year starting July 1 includes welfare and social service cuts. It also assumes voters will approve Brown's tax hike on the November ballot. If voters reject the tax initiative, a series of automatic cuts will be triggered, including three weeks less of public school for the next two years. Brown believes the tax initiative will raise $8.5 billion in the new fiscal year starting July 1 by increasing the sales tax by a quarter cent to 7.5 percent for four years, and boosting the income tax on people who make more than $250,000 a year for seven years. "This is a game of chicken where you want to swap our educational system for tax increases, tuition for tax increases," said Assemblyman Tim Donnelly, R-Twin Peaks. "This is an abject disaster." A recent Field Poll found California voters divided on the initiative, with 52 percent in favor and 35 percent opposed. One of the bills could give the tax initiative top billing on the November ballot ahead of a competing tax hike proposal by wealthy civil rights attorney Molly Munger. The bill would require bond measures and constitutional amendments to appear on the ballot ahead of other initiatives and referendums. Brown's proposed tax hikes would be temporary but include constitutional changes to local government funding. Being atop the ballot would help the governor's initiative stand out on what will be a crowded ballot. So far, 12 measures have qualified. A water bond proposal is currently first but is expected to be delayed by the Legislature. "If the result of this action is that our children's education does not need to be cut by $5.6 billion, so be it," Sen. Mark Leno, D-San Francisco, told senators Wednesday before the legislation passed. Brown, a Democrat, has delayed taking action on the main budget bill that lawmakers sent him 12 days ago. It would enact a roughly $92 billion state spending plan for the fiscal year starting July 1. Democratic leaders have agreed to deeper cuts to satisfy the governor's demands, including restructuring the state's welfare program, streamlining health insurance for low-income children, and reducing child care coverage and college aid. Since then, Democrats who control the Legislature have been scrambling to draft companion legislation needed to implement the budget. Democrats have majorities in both the Assembly and Senate and can pass the budget without any Republican votes. Democratic leaders agreed to Brown's request to phase in a two-year time limit for new welfare recipients to find work under the state's welfare-to-work program known as CalWORKS. The two sides also agreed to eliminate Healthy Families, a children's health insurance program for low-income working families, by slowly moving 880,000 children into Medi-Cal, the state's version of Medicaid. In addition, the state would reduce funding for child care assistance while college aid under the Cal Grants program would be reduced beginning in the 2013-14 school year. Lawmakers targeted for-profit colleges such as ITT Technical Institute and University of Phoenix in requiring higher graduation rates to qualify for state aid. Democrats also included legislation that would appropriate more money for California's public universities if the University of California and California State University agreed to freeze tuition rates. The funding is contingent upon voter approval of Brown's tax hike measure. Community colleges would get $50 million more as well.

#### State HSR causes education cuts in California

Brian **Koenig**, a freelance journalist for The New American and conservative blogger and columnist who has been published in Real Clear Politics, Daily Caller, American Thinker and St. Louis Post-Dispatch, among other local and national publications, **6/7**/12, “California Voters Turn on High-Speed Rail Project” http://www.thenewamerican.com/usnews/politics/item/11646-california-voters-turn-on-high-speed-rail-project

“California voters have clearly reconsidered their support for high-speed rail,” said Dan Schnur, who directed the USC Dornsife/Times Poll. “They want the chance to vote again — and they want to vote no. The growing budget deficit is making Californians hesitant about spending so much money on a project like this one when they’re seeing cuts to public education and law enforcement.” The public has become even more skeptical of the high-speed rail line as Gov. Jerry Brown has threatened severe cuts in education spending — among other public programs — due to the state’s expanding budget gap. "The growing budget deficit is making Californians hesitant about spending so much money on a project like this one when they're seeing cuts to public education and law enforcement," Schnur noted. "But they also seem to be wary as to whether state government can run a big speed rail system effectively."

#### Education key to California’s economy

AEE 11 (Alliance for Excellent Education “Education and the Economy: Boosting California’s Economy:

by Improving High School Graduation Rates,” March 2011, http://www.all4ed.org/files//California\_seb.pdf)

In California, an estimated 199,400 students dropped out from the Class of 2010 at great costs to themselves and to their communities. Cutting that number of dropouts in half for this single high school class could result in tremendous economic benefits to the state. Below are the contributions 3 that these 99,700 “new graduates” would likely make to California’s economy: $1.4 Billion in Increased Earnings Collectively, this single class of new graduates would likely earn as much as $1.4 billion more in an average year compared to their likely earnings without a high school diploma. $1 Billion in Increased Spending; $394 Million in Increased Investments New graduates’ increased earnings, combined, would likely allow them to spend an additional $1 billion and invest an additional $394 million during an average year. $4.5 Billion in Increased Home Sales; $131 Million in Increased Auto Sales By the midpoint of their careers, these new graduates, combined, would likely purchase homes totaling in value of as much as $4.5 billion more than what they otherwise would have spent without a diploma. In addition, they would likely spend up to an additional $131 million in vehicle purchases during an average year. 8,700 New Jobs; $1.9 Billion in Economic Growth The additional spending and investments by these new graduates, combined, would be enough to support as many as 8,700 new jobs and increase the gross state product by as much as $1.9 billion by the time they reach their career midpoints. $167 Million in Increased Tax Revenue As a result of increased wages and higher levels of spending, state tax revenues would likely grow by as much as $167 million during an average year. Increased Human Capital After earning a high school diploma, 50% of these new graduates would likely continue on to pursue some type of postsecondary education, but only 31,000 students, or 31% of all new graduates, are expected to complete their studies. Boosting the share of new high school graduates who complete postsecondary programs to 60%—President Obama’s goal for the nation 4 —would increase the number of postsecondary graduates to 59,800.

#### California economic strength is key to US power projection and hegemony

Gvosdev 3 (Nikolas, Editor – National Interest, The National Interest, Vol. 2, Issue 30, 8-13, http://www.inthenationalinterest.com/Articles/Vol2Issue32/Vol2Issue32Realist.html)

But the real issue is this:  people "inside the Beltway" sometimes seem to forget that there is no "United States" apart from the fifty states (and associated territories and commonwealths).  A fiscal and economic crisis in California has a direct impact on the power of the United States, since some 13 percent of the total U.S. output is produced by California.  California on its own is the sixth largest economy in the world, worth some $1.309 trillion--yet this represents a decline of approximately 2.3 percent from 2000, when California's economy outperformed that of France.    California represents a significant share of the country's technological base and of its human capital.  The high-tech weaponry which led to a swift initial military victory in Iraq is in part a product of the technology and defense sectors of the California economy.  A state budget crisis that significantly cuts back on everything from education (including higher education, where so many innovative breakthroughs have taken place) to health care has ramifications for how the United States projects its influence throughout the world.  In previous issues of In the National Interest, other authors have pointed out the dangerous implications of continued deficit spending by the federal government to support overseas operations, and this problem can only increase if a continuing crisis in the principal engine of America's economy continues. And, of course, California is the bellweather for the nation as a whole.  Twenty-nine states have either passed or are considering tax hikes to close budget deficits.  Several states--including Hawaii, Georgia and North Carolina--will call special fall sessions of their legislatures to deal with the fact that collected taxes have fallen short of budget projections.  Yet the attitude is that the recall in California is amusing political comedy, nothing more.  There seems to be almost no recognition of the fact that whoever sits in the governor's chair after October 7 --whether Grey Davis survives or is "terminated" --must work quickly to solve the problems that have led California into its current quagmire.  Few other countries in the world would be so blasé if political turmoil and economic collapse threatened the welfare of a key component of its national power.  The California crisis reminds us that there is no neat line dividing "domestic" and "foreign" policy.  Ensuring that California survives its current crisis is no less a priority than stabilizing Iraq or containing North Korea.

#### Global nuclear war

Khalilzad 11 (Zalmay, Counselor – Center for Strategic and International Studies, Former U.S. Permanent Representative – United Nations, Former U.S. Ambassador – Iraq, “The Economy and National Security”, National Review, 2-8, http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad)

The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. leadership. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions.

### HSR Link

**High speed rail funding will have to trade off with something else**

**The Herald**, Monterey Country, **6/9**/12, “Other views: State's high-speed rail project already a train wreck” http://www.montereyherald.com/opinion/ci\_20823434/states-high-speed-rail-project-already-train-wreck

There is a fine line between visionary and delusional. California's high-speed rail project whizzed across that line long ago and now is chugging toward the monorail station at Fantasyland.

The latest end-run tactic by the train's chief engineer, Gov. Jerry Brown, would have California's Legislature suspend its tough environmental laws so the state could put this pet project on the — pardon the pun — fast track.

Never mind that every independent analysis of the project has been highly critical of it.

Never mind that the High Speed Rail Authority's own peer review group said it was terribly flawed.

Never mind that the nonpartisan Legislative Analysts Office said even the new, new, new and improved incarnation still is not nearly "strong enough" and relies on "highly speculative" funding sources.

For the uninitiated, that is bureaucratese for "not a snowball's chance in hell of finding the money to pay for it."

Never mind that the state's projected budget shortfall is now greater than the total budget of 39 states and that the debt service on the sale of these rail bonds would create another fiscal chasm that would have to be filled by another cockamamie budget gimmick.

Never mind that the new, new, new and improved plan bears so little resemblance to the bond sale plan that voters narrowly approved four years ago that going ahead with it now borders on ballot fraud.

### Cali Key to US Econ

#### California economy collapse spills over into the US economy

**Navarro**, professor at the Merage School of Business, UC Irvine, **08** [Peter, “California nightmare for the global economy?”, <http://articles.sfgate.com/2008-08-15/opinion/17121318_1_california-s-budget-budget-deficit-spending-cuts>]

Will the California budget crisis tip the United States into recession? The California economy is certainly large enough to inflict such damage. It's the seventh-largest economy in the world and home to close to 38 million Americans. California's budget deficit is by any reasonable measure enormous. This budget deficit is estimated at $17.2 billion and represents more than 17 percent of the state's general fund expenditures (about $101 billion). In contrast, New York, which faces the second-worst budget gap in the nation for fiscal year 2009, has a gap of about $5 billion, which represents less than 10 percent of its budget. In closing its past budgetary gaps, California has acted more like the federal government rather than merely one of 50 states. Indeed, unlike the federal government (or sovereign nations), each state is required to balance its budget each year; and no state, at least in principle, has the authority to engage in the kind of discretionary deficit spending both the federal government and nations around the world routinely use to stimulate their economies. In the past, a profligate California has gotten around this balanced-budget requirement by using a technique that effectively allows the Golden State to administer its own fiscal stimulus. In particular, California - under both Democratic and Republican governors - has simply issued new bonds every time that it has spent far beyond its means. California's problem this time, however, is that its deficit is so big, its balance sheet is so bad, and world credit markets are so tight that issuing new bonds alone is no longer a viable option. Instead, California's politicians are inexorably being forced toward a solution that will prominently feature both a large tax increase and significant spending cuts. Indeed, this is not a partisan matter of choosing one's poison. The budget deficit is so large that it cannot be eliminated without raising taxes, anathema to the state's Republicans, and spending cuts, equally unpalatable to California Democrats. Of course, the faster the state Legislature accepts this harsh reality, the faster the deadlock can be broken. Viewed from a macroeconomic perspective, there is an even harsher reality. Increased taxes and reduced spending will send a very nasty contractionary shock through a California economy that is already reeling from a housing market meltdown and punishing gas prices. Should Gov. Arnold Schwarzenegger's budgetary medicine - including firing many state employees - trigger a recession, this may well serve as a tipping point for a national recession and, in the worst case scenario, even a global recession. In considering these dangers, it is worth noting that California provides close to 13 percent of America's real GDP growth. In contrast, the second-largest contributor to U.S. gross domestic product is Texas, and it provides only half that stimulus. It also worth noting that California is an important destination for both U.S. manufactured goods and world imports, particularly from Asia. Already, California's unemployment rate is more than 6.8 percent and well above the national average of 5.7 percent. At least some economists believe California may already be experiencing negative growth. The economy is likely to get a lot worse before its gets better. If there is any one civics lesson to be learned from this fine mess, it is that the state's politicians must learn to resist overspending in good times so that the state won't face bankruptcy when bad times hit. It should be equally clear that any damn fool can issue bonds to balance a budget. However, it takes real political courage and economic foresight to put a state budget on an even keel through fiscally conservative tax-and-spend policies. At this juncture, California is nowhere close to that - and the rest of the country, and perhaps the world, may soon pay the Golden State's piper.

### California Econ Impacts

#### Goes global

Time 6/19(09, "Can the U.S. Afford to Let California Fail?",

http://www.time.com/time/nation/article/0,8599,1904936,00.html?imw=Y)

As California faces a $25 billion budget shortfall, which it must resolve by July 1, the state is on the brink of financial disaster, and ripples from its fiscal collapse could adversely affect both the nation's economic rebound and, potentially, the Federal Government's credit status. The Republican governor and GOP legislators say they will not raise taxes, especially after Schwarzenegger and six Republican legislators joined a budget deal with Democrats in February that combined deep cuts and $12.8 billion in higher taxes. Now the budget shortfall has spiked again as state tax receipts have dropped 27% from a year ago. Democrats and advocates for programs under the knife will fight the cuts, but neither money nor time are on their side. In addition to its multibillion-dollar deficit, California faces a severe cash-flow crisis and state controller John Chiang warns that the state could run out of money in July. California has the worst credit rating among the 50 states, so its leaders have pressed the Obama Administration and Congress to act as a co-signer on the state's borrowing. As with AIG, California officials argued, the state is too big to fail. "A fiscal meltdown by California ... would surely destabilize the U.S., if not worldwide financial markets," state treasurer Bill Lockyer wrote U.S. Treasury Secretary Timothy Geithner on May 13. Yet experts say such action by the Federal Government, while not a bailout, could possibly endanger the nation's AAA credit rating. Without short-term assistance, California could plunge deeper into chaos and become a drag on the nation's economic recovery.

#### Californian decline spills over the U.S. economy

Benjamin 3 (Matthew, Staff – US News & World Report, 10-20, Lexis)

As usual, the Oracle of Omaha was dead on. California's economy accounts for an eighth of the U.S. economy and is larger than the economies of all but four nations, ranking between Britain and France. Its technology, agriculture, and entertainment industries lead the nation. So when the Golden State sneezes, the national economy can easily catch a cold. And the state is ailing now. Unemployment stands at 6.4 percent, higher than the national average, and growth has slowed to a crawl since the 2001 recession. Much of the economic carnage can be found in Silicon Valley. Desperate for skilled workers during the height of the tech boom, the industry lured them with lucrative stock options and bonuses. But then came the tech meltdown and the loss of 19 percent of its jobs, most tech-related. "What was good in the boom is bad in the bust," says Stephen Levy, director of the Center for Continuing Study of the California Economy, in Palo Alto. The state also faces an $8 billion budget shortfall, thanks largely to taxes lost on those vanished options and bonuses. That number could grow to $20 billion if the state is unable to borrow and Schwarzenegger makes good on his promise to eliminate an unpopular car tax. The gap will have to be bridged through tax hikes, spending cuts, or borrowing, with negative impact on the economy. The governor-elect plans to cut taxes and roll back regulations, while maintaining education funding and expanding children's healthcare. "The math of his promises is very difficult," says state Treasurer Phil Angelides. And with 20 percent of the workforce in the public sector, employment will suffer. Any way you slice it, says Levy, "we have to pay the piper."

#### Californian growth is key to the U.S. economy

Palmeri 1 (Chris, Staff – Business Week, 4-30, Lexis)

For decades, California has been one of the great global beacons of opportunity. It is a destination, a place where people from around the world can come to break into Hollywood, to push out the frontiers of technology, to make hay while the sun shines. But these days, the Golden State's prospects seem to be getting dimmer and dimmer. Silicon Valley, the state's technological and economic driving force, is plunging headlong into a devastating tech slump, with one-time juggernaut Cisco Systems Inc. predicting Apr. 16 that its revenue this quarter would fall a shocking 30% from the previous quarter. Says CEO John Chambers: ''This may be the fastest any industry our size has ever decelerated.'' Indeed, a slowdown in capital spending -- which is hitting Silicon Valley particularly hard -- was the prime factor cited by the Federal Reserve on Apr. 18 when it cut short-term rates by half a percent. The Valley's slowdown is just one part of California's woes, as a state known for earthquakes, mud slides, and brush fires is getting hit this time by man-made disasters. The state is mired in an electricity crisis that has already toppled its biggest utility. On Apr. 6, Pacific Gas & Electric Co. filed Chapter 11 in federal bankruptcy court, saying it couldn't pay its bills when wholesale electricity prices skyrocketed. Asian economies are slowing, so there's less trade for the state that's the gateway to the Pacific. Possible strikes by Hollywood writers in May and actors in July threaten to undermine California's other signature industry, entertainment. And festering long-term problems that had been covered over by the economic boom are suddenly being laid bare. The state's once-cherished public education system has been in decline for years. Meanwhile, inadequate water supplies, overcrowded roads, and a shortage of affordable housing threaten to choke off growth. California's government, seen by much of the country as too populist and too avant-garde, seems ineffective in dealing with problems like the energy crisis. The upshot: possibly long-lasting damage to California's economic competitiveness. When California slumps, the whole nation feels the pain. By itself, California accounts for 14% of the U.S. economy, as big as the 22 smallest states combined. More important, California has been one of the key driving forces for the national economy in recent years. In fact, California generated a full 25% of the entire nation's job growth over the past year. With income growth strong, 34 million Californians have helped prop up the national economy by buying dishwashers from Kentucky, cars from Michigan, and maple syrup from Vermont. The blow from a steep California downturn would be not only financial but psychological. Silicon Valley's entrepreneurial culture, images of overnight wealth, and free-spending ways have inspired businesspeople from Bombay to Zurich. Now, the latest incarnation of the California dream appears to be evaporating at Internet speed. ''In the last half of the 1990s, California -- Northern California in particular -- was the world's greatest emerging market,'' says Edward Leamer, director of the University of California at Los Angeles Anderson Graduate School of Management's highly regarded economic forecasting unit, which predicts scant 1% growth for the rest of 2001. ''It was the Wild Wild West all over again. Now we are seeing a fundamental change in lifestyle. The gas-guzzling SUVs will be abandoned by the side of the road. Web-site designers will see their families again. There's no longer this mad dash to have first-mover advantage.''

## California Econ Add-On

#### California economy not recovering now – job growth has been too slow

Wilcox 12 (Gregory J., Staff Writer at the Contra Costa Times, “UCLA forecast: Economy to lag 3 more years -- High unemployment, slow growth impede progress,”

<http://www.contracostatimes.com/california/ci_20895059/ucla-forecast-economy-lag-3-more-years-high>)

California's long slow slog out of the Great Recession will continue for at least three more years amid tepid job growth and persistent high unemployment, according to a forecast released today. And there is a critical component still missing in the state and national economies, said the quarterly UCLA Anderson Forecast. "There has been no recovery," economist Edward Leamer, the forecast director, lamented in his outlook for the nation. The problem is that growth in both gross domestic product and jobs has been weak since the recession ended in the second quarter of 2009. "More of the same is in the cards, although the housing market is turning around, promising there will be growth in the years ahead, even with frugal consumers and frugal governments holding things back," Leamer said. He points out that in each of the previous 10 recessions, GDP -- the value of goods and services produced in the U.S. -- returned to its previous peak within two years. This time it has taken almost four years. He forecasts GDP growth of 2.4 percent by the end of next year, increasing to 3.4 percent by the end of 2014. Robert Kleinhenz, chief economist at the Kyser Center for Economic Research at the Los Angeles County Economic Development Corp., said that the state and local economies will likely play out as UCLA predicts. "If you take a look at past post- recession periods, you'll find that it took GDP growth in excess of 3 percent or more likely 4 percent to drive down the unemployment rate," he said. But that won't happen for a while, Kleinhenz said. The state is expected to fare better than the nation, but just barely.

#### High Speed Rail Construction provides a massive boost to the California Economy, is necessary to solve global warming and improve the nation’s economy

Falk 12 (Steve, Staff Writer, “California’s economy needs high-speed rail,” San Francisco Examiner, <http://www.sfexaminer.com/opinion/op-eds/2012/01/california-s-economy-needs-high-speed-rail>

California high-speed rail has been under fire following the resignation of the project’s Chief Executive Roelof van Ark and the release of the revised business plan to bring the voter-approved rail system to fruition. While vocal critics continue to condemn high-speed rail, Gov. Jerry Brown gave his unequivocal support for the project in Wednesday’s State of the State address, calling it “a wise investment.” The San Francisco Chamber of Commerce and local business organizations throughout the state continue to support this critically important project. California high-speed rail will be the nation’s largest transportation project. Debate and discussion surrounding how it gets built — and with whose money — are worthy and important. However, absent from the current debate is any discussion about the costs and feasibility of the alternatives: doing nothing or expanding existing infrastructure. When the project is placed in the context of these other choices, the need for high-speed rail becomes quite clear. Over the next two decades, California’s population will grow by more than 10 million people — the equivalent of adding the entire state of New York with our boarders. By the year 2050, the state’s population is expected to reach 60 million people. California’s current transportation infrastructure simply cannot accommodate this level of growth. Doing nothing is simply not an option. Major investments are needed to serve the future of our state. Building high-speed rail will not be cheap. The revised business plan puts the total construction cost for the 800-mile-long project at $98.1 billion spread over 20 years. That’s a big number that is bound to leave some amount of sticker shock. But this cost must be measured against the second alternative, creating the equivalent capacity within our existing transportation infrastructure. To achieve the same level of mobility delivered by the high-speed rail system, the state would need to add 2,300 miles of new highways, 115 new airport gates and four new runways — all at a combined cost of $170 billion. That’s $71 billion more than building high-speed rail. What’s more, these new roads and airports will require additional investments in maintenance, while the operations and maintenance for high-speed rail will be covered entirely by ridership revenues. Building new roads and airports will also have a negative impact on the environment. Adding capacity for millions of cars and flights will significantly increase fuel consumption, traffic congestion and carbon emissions. California is a leader in protecting the environment and promoting sustainable communities. high-speed rail provides an opportunity to meet the state’s growing transportation needs while reducing carbon emissions by an estimated 3 million tons annually and catalyzing more sustainable urban growth along the rail corridor. In the current economic climate, jobs should also be taken into consideration. While jobs would certainly be created over time to build and maintain highways and runways, high-speed rail is expected to generate 100,000 jobs over the next five years and 1.2 million to 1.4 million over the next 20 years. By 2040, up to 450,000 new permanent jobs not related to high-speed rail could be created statewide by the added speed, capacity and commerce provided by the system. Where does this leave us? Californians voted for a high-speed rail system to connect northern and southern California. The California High-Speed Rail Authority has put forth a solid plan based on the design, environmental and economic realities of our time. The state has secured $3.5 billion in federal funds to break ground on the project this year. And Gov. Brown has reiterated California’s support for the project. California high-speed rail is on the brink of reality, while no viable alternatives have been presented to accommodate the future needs of our state. This is not the time to put the brakes on high-speed rail. It’s the time to invest in the future.

#### California economic strength is key to US power projection and hegemony

Gvosdev 3 (Nikolas, Editor – National Interest, The National Interest, Vol. 2, Issue 30, 8-13, http://www.inthenationalinterest.com/Articles/Vol2Issue32/Vol2Issue32Realist.html)

But the real issue is this:  people "inside the Beltway" sometimes seem to forget that there is no "United States" apart from the fifty states (and associated territories and commonwealths).  A fiscal and economic crisis in California has a direct impact on the power of the United States, since some 13 percent of the total U.S. output is produced by California.  California on its own is the sixth largest economy in the world, worth some $1.309 trillion--yet this represents a decline of approximately 2.3 percent from 2000, when California's economy outperformed that of France.    California represents a significant share of the country's technological base and of its human capital.  The high-tech weaponry which led to a swift initial military victory in Iraq is in part a product of the technology and defense sectors of the California economy.  A state budget crisis that significantly cuts back on everything from education (including higher education, where so many innovative breakthroughs have taken place) to health care has ramifications for how the United States projects its influence throughout the world.  In previous issues of In the National Interest, other authors have pointed out the dangerous implications of continued deficit spending by the federal government to support overseas operations, and this problem can only increase if a continuing crisis in the principal engine of America's economy continues. And, of course, California is the bellweather for the nation as a whole.  Twenty-nine states have either passed or are considering tax hikes to close budget deficits.  Several states--including Hawaii, Georgia and North Carolina--will call special fall sessions of their legislatures to deal with the fact that collected taxes have fallen short of budget projections.  Yet the attitude is that the recall in California is amusing political comedy, nothing more.  There seems to be almost no recognition of the fact that whoever sits in the governor's chair after October 7 --whether Grey Davis survives or is "terminated" --must work quickly to solve the problems that have led California into its current quagmire.  Few other countries in the world would be so blasé if political turmoil and economic collapse threatened the welfare of a key component of its national power.  The California crisis reminds us that there is no neat line dividing "domestic" and "foreign" policy.  Ensuring that California survives its current crisis is no less a priority than stabilizing Iraq or containing North Korea.

#### Global nuclear war

Khalilzad 11 (Zalmay, Counselor – Center for Strategic and International Studies, Former U.S. Permanent Representative – United Nations, Former U.S. Ambassador – Iraq, “The Economy and National Security”, National Review, 2-8, http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad)

The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. leadership. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions.

## A2 California Econ: 2NC

#### California spending on infrastructure now – addresses need for economic stimulus

Hamilton 12 (Kim, “Nearly $1 Billion in Fundung Allocated to Improve Transporation and State's Economic Growth,” 6-29-12, http://thepinetree.net/index.php?module=announce&ANN\_user\_op=view&ANN\_id=31090)

Stockton, CA...Continuing the drive to rebuild California’s infrastructure and spur job growth, the California Transportation Commission has allocated nearly $1 billion to 135 transportation projects statewide. Approximately $600 million in funding was provided by Proposition 1B, a transportation bond approved by voters in 2006. The remaining allocations came from assorted state and federal transportation accounts. In total, about $13.8 billion in Proposition 1B funds have been distributed statewide... “Proposition 1B continues to fund key transportation projects, which translates into a strengthened economy,” said Caltrans Director Malcolm Dougherty. “Investing in our infrastructure will improve mobility and create a better future for Californians.” Some of the notable local projects that received funding include: San Joaquin County: $123,700,000 – Widen State Route 99 from four to six lanes, and improve and reconstruct various interchanges, from just north of Arch Road to just south of State Route 4 near Stockton. Stanislaus County: $37,100,000 – Reconstruct the interchange and construct auxiliary lanes at State Route 99/ State Route 219 (Kiernan Avenue). San Joaquin County: $30,994,000 – Reconstruct the interchange on State Route 99 from just south of Cottage Avenue to just north of Arch Road. Merced County: $1,406,000 – Construct double thrie beam median barrier from San Luis Dam Service Road to San Luis Forebay Bridge near Los Banos. Merced County: $11,882,000 – Realign and widen a portion of State Route 99 to six lanes and construct a new interchange to replace the Buhac Road Interchange.

### California Econ Resilient

#### California economy is resilient – Green Companies

Lacey 12 (Steven, “Recession Resilience: California’s Green Economy Doubled Performance of Total Economy During Downturn,” 2-8-12,

<http://thinkprogress.org/climate/2012/02/08/421119/california-green-economy-doubled-performance-of-total-economy/?mobile=nc>)

When times get tough, companies often fall back on an old familiar phrase: “we just need to do more with less.” That usually applies to human resources. But it’s equally important with natural resources. As it turns out, “green” companies in California that do more with fewer natural resources fared much better than companies in other sectors during the worst of America’s economic troubles — more than doubling the performance of the broader economy. A new report from the non-partisan environmental think tank Next 10 shows that between 2009 and 2010, the “core green economy” in California — comprised of companies that provide products or services to cut natural resource use, re-purpose waste, and reduce global warming pollution — experienced half the number of job losses seen in the state’s broader economy. Between January of 2009 and January of 2010, California’s economy shed 7% of jobs; however, the green economy saw only a 3% reduction in jobs. And from 1995 to 2010, the green economy in the state grew by 53% — far outpacing the 12% growth in the rest of the economy during that period of time.