# Competitiveness Kritik - Wave 2

# \*\*\*NEG\*\*\*

# Competition Bad - Economy

**Competitiveness rhetoric is based on a flawed theory of economics and inevitably results in economic collapse**

**Yost 10** (Keith, 4/23/10, “Opinion: The real danger of Chinese ‘competition’”, The Tech, the MIT newspaper, Volume 130, Issue 21, http://tech.mit.edu/V130/N21/yost.html.) RYS

It has been common for economists to tolerate the blather of competitiveness, not only because there are practical difficulties with trying to educate non-economists on comparative advantage and the mechanics of free markets, but also because it is commonly believed that such rhetoric can be harnessed in support of good policies. If I am worried about the large negative externalities posed by global warming, and believe it is in the U.S. or the world’s best interest for America to invest in public energy research, then what harm is there if others believe that such expenditures are necessary to “win” against China? To quote Paul Krugman: “A government wedded to the ideology of competitiveness is as unlikely to make good economic policy as a government committed to creationism is to make good science policy, even in areas that have no direct relationship to the theory of evolution.” Adherents to the competitiveness doctrine are suffering from a fundamental misunderstanding of economics. It is inevitable that there will come a day when flawed thinking comes home to roost, and when it does, it is likely that more will suffer than just trade policy. For now, let us consider the most likely victim of the competitiveness doctrine, free trade, and to illustrate the threat, let us take the production of solar panels as an example. China, due to the labor intensity of cell and module assemblage, produces nearly all of the world’s commercial solar panels. Clueless pundits such as Thomas Friedman claim that this is evidence that the U.S. is “losing” in some great race to a green economy. The Chinese, we are told, are the pinnacle of savvy ­— while we blunder about with our boneheaded Detroit automakers, those crafty Asians are eating our lunch with their green manufacturing. Unless we get serious about investing in green energy, our opponents will gain an everlasting edge and relegate our children to serfdom. Thus is the argument for a range of green policies — increased research spending, production subsidies, feed-in-tariffs, and so on. Perhaps these policies make sense on their own — we could construct some argument (maybe not a convincing one) that such expenditures will raise our productivity or mitigate environmental damage or some such. But justifying these moves on the basis of competitiveness is illogical. The Chinese do not install many solar panels of their own (it turns out that they are an incredibly expensive and impractical method of generating electricity). Instead, the only reason they have built a solar cell industry is because the United States and Europe have created a demand for solar cells through massive subsidies. Were we to end our subsidies, the Chinese workshops would go back to making something else, like plastic toys and electric irons — mundane items that wouldn’t get so many pundits worked up. If it is so important that we not let our rivals beat us in whatever competition it is presumed we are playing, then we have two realistic options in the face of this solar panel evidence. One is to cut our subsidies for green power until we deem that American industry is strong enough to duke it out with a cheap labor China. But if green investment really does make sense, this would mean sacrificing a good policy to avoid some imagined bad outcome. The other alternative is to treat American solar panel manufacturers as an infant industry in need of protectionist trade policy — we might continue to offer subsidies, but only American-manufactured panels could receive them, or we would handicap our rivals with large import tariffs. The competitiveness advocates claim that they want us to win the trade game, not abandon it, but suppose it becomes obvious that we cannot “win”? Accepting the competitiveness rhetoric, despite whatever the pronouncements of support for free trade that come with it, is to invite protectionists into the debate. As the Obama administration shifts to populist mode, it is likely that it will be rewarded for preaching the competitiveness doctrine. It is much easier to tell a struggling working class “they took our jobs” than to try and explain that economic performance is a nuanced problem without simple fixes. The rhetoric will also win Obama many friends among the CEO’s at the Business Roundtable — businessmen are comforted by the notion that national economies operate on the same principles as corporations, it lets them believe that their life experience entitles them to debate international economics on the same plane as actual economists. But for those of us who understand comparative advantage, it is time to stand up and put Washington on notice. At best, the president playing with fire. At worst, he actually believes what he is reading from his teleprompter. There could not be a worse time for us to substitute sound economic thinking with voodoo recipes. So let’s start telling the truth: American living standards are determined almost wholly by American productivity, the Chinese are not stealing your job, and our obsession with competitiveness is both dangerous and wrong.

**Competitiveness rhetoric results in economic decline- empirics prove**

**Krugman 11** (Paul, 1/24/11, “'Competitiveness' rhetoric masks real causes of economic decline”, The Seattle Times http://seattletimes.nwsource.com/html/opinion/2014025264\_krugman25.html) RYS

Meet the new buzzword, same as the old buzzword. In advance of the State of the Union, President Barack Obama has telegraphed his main theme: competitiveness. The president's Economic Recovery Advisory Board has been renamed the President's Council on Jobs and Competitiveness. And in his Saturday radio address, the president declared that "We can out-compete any other nation on Earth." This may be smart politics. Arguably, Obama has enlisted an old cliché on behalf of a good cause, as a way to sell a much-needed increase in public investment to a public thoroughly indoctrinated in the view that government spending is a bad thing. But let's not kid ourselves: Talking about "competitiveness" as a goal is fundamentally misleading. At best, it's a misdiagnosis of our problems. At worst, it could lead to policies based on the false idea that what's good for corporations is good for America. About that misdiagnosis: What sense does it make to view our current woes as stemming from lack of competitiveness? It's true that we'd have more jobs if we exported more and imported less. But the same is true of Europe and Japan, which also have depressed economies. And we can't all export more while importing less, unless we can find another planet to sell to. Yes, we could demand that China shrink its trade surplus — but if confronting China is what Obama is proposing, he should say that plainly. Furthermore, while America is running a trade deficit, this deficit is smaller than it was before the Great Recession began. It would help if we could make it smaller still. But ultimately, we're in a mess because we had a financial crisis, not because American companies have lost their ability to compete with foreign rivals. But isn't it at least somewhat useful to think of our nation as if it were America Inc., competing in the global marketplace? No. Consider: A corporate leader who increases profits by slashing his work force is considered successful. Well, that's more or less what has happened in America recently: Employment is way down, but profits are hitting new records. Who, exactly, considers this economic success? Still, you might say that talk of competitiveness helps Obama quiet claims that he's anti-business. That's fine, as long as he realizes that the interests of nominally "American" corporations and the interests of the nation, which were never the same, are now less aligned than ever before. Take the case of General Electric, whose chief executive, Jeffrey Immelt, has just been appointed to head that renamed advisory board. I have nothing against either GE or Immelt. But with fewer than half its workers based in the United States and less than half its revenues coming from U.S. operations, GE's fortunes have very little to do with U.S. prosperity. By the way: Some have praised Immelt's appointment on the grounds that at least he represents a company that actually makes things, rather than being yet another financial wheeler-dealer. Sorry to burst this bubble, but these days GE derives more revenue from its financial operations than it does from manufacturing — indeed, GE Capital, which received a government guarantee for its debt, was a major beneficiary of the Wall Street bailout. So what does the administration's embrace of the rhetoric of competitiveness mean for economic policy? The favorable interpretation, as I said, is that it's just packaging for an economic strategy centered on public investment, investment that's actually about creating jobs now while promoting longer-term growth. The unfavorable interpretation is that Obama and his advisers really believe that the economy is ailing because they've been too tough on business, and that what America needs now is corporate tax cuts and across-the-board deregulation. My guess is that we're mainly talking about packaging here. And if the president does propose a serious increase in spending on infrastructure and education, I'll be pleased. But even if he proposes good policies, the fact that Obama feels the need to wrap these policies in bad metaphors is a sad commentary on the state of our discourse. The financial crisis of 2008 was a teachable moment, an object lesson in what can go wrong if you trust a market economy to regulate itself. Nor should we forget that highly regulated economies, like Germany, did a much better job than we did at sustaining employment after the crisis hit. For whatever reason, however, the teachable moment came and went with nothing learned. Obama himself may do all right: His approval rating is up, the economy is showing signs of life, and his chances of re-election look pretty good. But the ideology that brought economic disaster in 2008 is back on top — and seems likely to stay there until it brings disaster again.

# Framework

**The question of competitiveness is vital for policymakers**

**Ketels 06** (Christian H. M., 2/1/2006, “Michael Porter’s Competitiveness Framework—Recent Learnings and New Research Priorities”, p 115-116, p 133. Dr. Christian Ketels is a member of the Harvard Business School faculty. He holds a PhD in economics from the London School of Economics.) RYS

Since the term competitiveness entered the public debate in force, it has been widely used by practitioners but viewed with skepticism by many academics. Caught in the middle of the debate are policy makers who face the imperative to actually Bdo something about competitiveness.’’ The result of mixed signals about what competitiveness is and how it can be improved easily results in inconsistent ad hoc policies reflecting outdated or misperceived advice. Here we survey recent learnings related to one of the most popular approaches to competitiveness among practitioners—the competitiveness framework developed by Michael Porter. The objective is in the first section to provide a consistent and current discussion of the core elements of the framework and in the second section to report on progress in two main areas of current research related to this framework. We address a number of misperceptions about Porter’s framework but do not provide an exhaustive assessment of the literature. [SKIPS SEVERAL PAGES] Competitiveness is a key issue for policy makers in many countries and regions. Its growing importance is fuelled by changes in the nature of global competition that have increased the pressure on many locations to design sustainable strategies to support and improve prosperity. There is a significant amount of debate surrounding the concept of competitiveness, often leaving policy makers without clear guidance on how to address the challenges they face. This paper has outlined recent thinking and on-going research related to one of the most prominent concepts of competitiveness, the framework developed by Michael Porter.

**Framing is a prior question – shapes people’s political judgments**

**Druckman 02 – professor of political science at Northwestern** (James N. “The Implications of Framing Effects for Citizen Competence” Political Behavior, vol. 23, No.3, September 2001. <http://www.uky.edu/AS/PoliSci/Peffley/pdf/Druckman%202001%20PB%20IMPLICATIONS%20OF%20FRAMING%20EFFECTS%20FOR%20CITIZEN%20COMPETENCE.pdf)//FK>

Social scientists have documented framing effects in a wide range of contexts, including surveys, experiments, and actual political campaigns. Many view work on framing effects as evidence of citizen incompetence—that is, evidence that citizens base their preferences on arbitrary information and/or are subject to extensive elite manipulation. Yet, we continue to lack a consensus on what a framing effect is as well as an understanding of how and when framing effects occur. In this article, I examine (1) the different ways that scholars have employed the concepts of framing and framing effects, (2) how framing effects may violate some basic criteria of citizen competence, and (3) what we know about how and when framing effects work. I conclude that while the evidence to date suggests some isolated cases of incompetence, the more general message is that citizens use frames in a competent and well-reasoned manner. Key words: framing effects; competence; public opinion; mass communication; behavioral decision theory. For nearly half of a century, social scientists have shown that citizens’ political judgments often depend on how an issue or problem is framed. For example, people’s opinions about a Ku Klux Klan rally can depend on whether it is framed as a free speech or public safety issue. Alternatively, people’s preferences over different social policies to combat a disease can depend on whether the policies are framed in terms of saving lives or losing lives. Examples of these types of framing effects abound. What do framing effects imply about citizen competence?

**Analyzing framing effects is a prerequisite to policymaking – shapes individual preferences**

**Druckman 02 – professor of political science at Northwestern**(James N. “The Implications of Framing Effects for Citizen Competence” Political Behavior, vol. 23, No.3, September 2001. <http://www.uky.edu/AS/PoliSci/Peffley/pdf/Druckman%202001%20PB%20IMPLICATIONS%20OF%20FRAMING%20EFFECTS%20FOR%20CITIZEN%20COMPETENCE.pdf)//FK>

Work on framing effects has evolved into two distinct literatures that examine different types of framing effects (Jones, 2001, p. 103; Lau, Smith, and Fiske, 1991, p. 645; Sniderman and Theriault, 1999, pp. 5–6). One type, which I refer to as an equivalency framing effect, examines how the use of different, but logically equivalent, words or phrases (e.g., 5% unemployment or 95% employment, 97% fat-free or 3% fat) causes individuals to alter their preferences. Traditionally, equivalency framing effects occur when frames that cast “the same critical information in either a positive or a negative light” cause individuals to have different preferences (Levin, Schneider, and Gaeth, 1998, p. 150; emphasis in original). For example, in their widely cited experiment, Tversky and Kahneman (1981, 1987) asked one group of respondents to respond to Problem 1: Imagine that the U.S. is preparing for the outbreak of an unusual Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimates of the consequences of the programs are as follows: If Program A is adopted, 200 people will be saved. If Program B is adopted, there is a 1/3 probability that 600 people will be saved, and a 2/3 probability that no people will be saved.IMPLICATIONS OF FRAMING EFFECTS 229 Which of the two programs would you favor? Program A Program B Notice that the two programs have the same expected value of saving 200 people. Program A differs from Program B in that Program A constitutes a risk-averse choice—the outcome is certain and there is no risk, while Program B constitutes a risk-seeking choice—the outcome is uncertain and there is a risky gamble. In this case, Tversky and Kahneman find that 72% of the respondents chose Program A. They asked another group of respondents to respond to Problem 2, which differs from Problem 1 only in the choice of alternatives. This time, respondents faced the following choice: If Program A is adopted, 400 people will die. If Program B is adopted, there is a 1/3 probability that nobody will die, and a 2/3 probability that 600 people will die. These programs are equivalent to those offered in Problem 1 except they are framed in terms of the number of people dying instead of the number of people being saved (as in Problem 1). In this case, Tversky and Kahneman find that 78% of the respondents chose Program B—the risk-seeking alternative. The importance of this result is that individuals’ preferences change (by 50%) due to alternative frames even though the objective outcomes and their descriptions remain equivalent (see also, Dawes, 1988, pp. 34–47; Ku¨ hberger, 1998; Ku¨ hberger, Schulte-Mecklenbeck, and Pernu, 1999; McCaffrey, Kahneman, and Spitzer, 1995; Quattrone and Tversky, 1988). Other work on equivalency framing effects examines specific evaluations or behaviors, rather than risk preferences. 2 For example, individuals may evaluate a new economic program more favorably when it is described as resulting in 95% employment than when it is described as resulting in 5% unemployment (e.g., Quattrone and Tversky, 1988). Alternatively, Meyerowitz and Chaiken (1987) show that women who were told that not performing a breast selfexamination decreases the chance of finding a treatable tumor were more likely to engage in examinations than women who were told that performing an examination increases the chance of finding a treatable tumor (see also, Tykocinski, Higgins, and Chaiken, 1994). As mentioned, most of the literature on equivalency framing effects focuses on the impact of positive or negative portrayals of the same information. Some scholars, however, equate this work with survey question wording effects (e.g., Bartels, 1998; Lacy, 1997; Zaller, 1992, p. 33). An example of a wording effect230 DRUCKMAN is that in the mid-1970s, 44 to 48% of Americans would “not allow” a Communist to give a speech, while only about 22% would “forbid” him or her from doing so, despite the fact that most “people would probably acknowledge that ‘forbidding’ an action is substantively equivalent to ‘not allowing’ it” (Bartels, 1998, p. 22; Schuman and Presser, 1981, p. 277; emphasis added). More recently, a majority of citizens expressed a preference “to use military force” at the start of the Gulf War, while the same majority also expressed a preference not “to engage in combat” (Mueller, 1994, p. 30). It seems reasonable to include survey question wording effects as an example of equivalency framing effects (Levin et al., 1998, p. 166), as long as it can be clearly established that the alternative wordings are in fact objectively or logically equivalent, and that it is not a matter of asking different questions.

# Methodology 1st

**Methodology must be examined before action – elites use equivalency framing to manipulate the populace**

**Druckman 02 – professor of political science at Northwestern**(James N. “The Implications of Framing Effects for Citizen Competence” Political Behavior, vol. 23, No.3, September 2001. <http://www.uky.edu/AS/PoliSci/Peffley/pdf/Druckman%202001%20PB%20IMPLICATIONS%20OF%20FRAMING%20EFFECTS%20FOR%20CITIZEN%20COMPETENCE.pdf)//FK>

Consistent with this interpretation, many cite equivalency framing effects as a paradigmatic violation of preference invariance (Tversky and Kahneman, 1987). The implication is that equivalency framing effects render peoples’ preferences uninterpretable. For example, when people prefer an economic program described as resulting in 95% employment but then oppose the same program when told that it will result in 5% unemployment, it is impossible to determine if they support or oppose the program (i.e., the preferences are irreconcilable). It would be nonsensical to argue that people’s preferences changed because they came to believe that avoiding 5% unemployment is more important than ensuring 95% employment, or vice versa. Equivalency framing effects also raise concerns about elite manipulation. Levin et al. (1998) find that many equivalency framing effects work through automatic, subconscious processes—for example, by subtly priming a positive or negative tone of evaluation (e.g., the unemployment-employment example), or by generating a negativity bias where negative information has a systematically stronger impact on judgment than objectively equivalent positive information (e.g., the breast self-examination example). This suggests that elites may able to manipulate citizens by strategically employing alternative, but equivalent, frames (Kahneman and Tversky, 1984, p. 346). In this case, people are manipulated to base their preferences on different pieces of arbitrary information. Many social scientists do not view these effects as isolated cases of incompetence, but rather as symptomatic of a routine failure of citizens to form competent preferences. In his insightful essay on equivalency framing effects,IMPLICATIONS OF FRAMING EFFECTS 235 Bartels (1998, p. 24) states that there is “little basis for supposing that even well-informed, well-thought-out opinions are likely to be immune from [equivalency] framing effects” (see also, Iyengar, 1991, p. 13; Quattrone and Tversky, 1988).

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# Competition Good

**Competition good- improves products and helps the economy**

**Mankiw 4/14** (N. Gregory, 4/14/12, “Competition Is Healthy for Governments, Too”, The New York Times, http://www.nytimes.com/2012/04/15/business/competition-is-good-for-governments-too-economic-view.html?\_r=2. N. Gregory Mankiw is a professor of economics at Harvard.) RYS

SHOULD governments — of nations, states and towns — compete like business rivals? The question is simpler to ask than to answer. But it reflects why conservatives and liberals disagree on many big issues facing the nation. Most everyone agrees that competition is vital to a well-functioning market economy. Since the days of Adam Smith, economists have understood that the invisible hand of the marketplace works only if producers of goods and services vie with one another. Competition keeps prices low and provides an incentive to improve and innovate. Granted, competition is not always good for producers. I produce economics textbooks. I curse the fact that my competitors are constantly putting out new, improved editions that threaten my market share. But knowing that I have to keep up with the Paul Krugmans and the Glenn Hubbards of the world keeps me on my toes. It makes me work harder, benefiting the customers — in this case, students. The upshot is that competition among economics textbooks makes learning the dismal science a bit less dismal. For much the same reason, competition among governments leads to better governance. In choosing where to live, people can compare public services and taxes. They are attracted to towns that use tax dollars wisely. Competition keeps town managers alert. It prevents governments from exerting substantial monopoly power over residents. If people feel that their taxes exceed the value of their public services, they can go elsewhere. They can, as economists put it, vote with their feet. The argument applies not only to people but also to capital. Because capital is more mobile than labor, competition among governments significantly constrains how capital is taxed. Corporations benefit from various government services, including infrastructure, the protection of property rights and the enforcement of contracts. But if taxes vastly exceed these benefits, businesses can — and often do — move to places offering a better mix of taxes and services.

**Competitiveness is an economically sound theory**

**Camagni 02** (Roberto, 12/1/02, “On the Concept of Territorial Competitiveness: Sound or Misleading?”, Sage Publications on behalf of the Urban Studies Journal Foundation, p. 2395-2396, http://usj.sagepub.com/content/39/13/2395. Roberto Camagni works at the Polytechnic of Milan - Department BEST (Buildings, Environment, Science, and Technology)) RYS

Summary. In a globalising economy. territories and not just firms increasingly find themselves in competition with each other. In fact. unlike countries. cities and regions compete, in single currency areas, on the basis of an absolute advantage principle and not a comparative advantage principle. This means that no efficient, automatic mechanism-like currency devaluation or prompt flexibility of wages and prices-exists to grant each territory some role in the international division of labour. whatever its relative performance. The competitiveness of territories thus emerges as a central issue, in order to secure employment stability, benefits from external integration, continuing growth of local well-being and wealth. The arguments put forward by Paul Krugman, defining the concept of competitiveness, are wrong and misleading. and cannot be accepted in a territorial-regional and urban-context. 1. Introduction In an era of globalisation, the issue of territorial competitiveness is of increasingly central importance for regional development policies. This paper aims to deal directly with the issue from a theoretical viewpoint, in particular examining two related questions more thoroughly: the question of the soundness of the concept of territorial competitiveness itself in terms of economic theory and the question of the new foundations on which this competitiveness is based, using a cognitive evolutionary type approach. I feel this to be to a large extent a counterargument, due to the fact that the concept of competitiveness, referring to the national level, has been strongly challenged by a well-known authority on international economics, Paul Krugman (1998), who has been dedicating an increasing amount of attention to the issue of spatial development. His sceptical and provocative comments have perplexed experts in the field of regional economics as to their validity in more restricted contexts than the national context (International Regional Science Review, 1996; Urban Studies, 1999) but they have never been explicitly and analytically evaluated in a critical way; so it appears right to state that the theoretical legitimacy of the concept still remains uncertain. The argument proposed here asserts that the concept of territorial competitiveness is theoretically sound, considering not only the role that territory plays in providing competitive ‘environmental’ tools to individual companies, but especially the role that it plays in the processes of knowledge accumulation and in the development of interpretative codes, models of co-operation and decisions on which the innovative progress of local companies is based. In particular, a primary role is played by processes of ‘collective learning’ (Camagni, 1991a; Capello, 1999; Keeble and Wilkinson, 1999): these processes result in a ‘socialised’ growth of knowledge, which is embedded not only in the internal culture of individual companies but, particularly, in the local labour market (or, as used to be said in the past, in the local industrial atmosphere). This conclusion is supported by different aspects of the economic concept of ‘territory’. It is at the same time: —a system of localised technological externalities— i.e. an ensemble of material and immaterial factors which, thanks to proximity and the resulting reduction in transaction costs involved, can also become pecuniary externalities; —a system of economic and social relations, which make up the relational capital (Camagni, 1999) or the social capital (Putnam, 1993; World Bank, 2001) of a certain geographical space; and —a system of local governance, which brings together a collectivity, an ensemble of private actors and a system of local public administrations. The second argument proposed has regard to the fact that some laws governing the economics of international trade do not operate at the sub-national level, and this once again makes the concept of territorial competitiveness relevant. I refer in particular to the Ricardian principle of comparative advantage, which assigns a role to every country in the international division of labour, whatever the level of ef ciency and of competitiveness of its productive sectors may be. I maintain, however, that at the more finely detailed territorial level—and therefore in economies open not only to trade but also to the movement of factors of production—the principle that governs production, specialisation and trade is an absolute advantage principle; if a certain level or rate of growth in competitiveness is not assured, the fate of that economy may be crisis, depopulation and desertification. Therefore, it does not seem unreasonable to claim that territories compete with one another, both to attract direct foreign (or external) investment and in defining a productive role for themselves within the international division of labour, without any automatic assurance of such a role. Both attractiveness and local competitiveness depend on similar common factors, which are not only found in physical externalities, accessibility or environmental quality, but also in relational capital and the learning capacity expressed by the territory. It is obvious that individual companies are the entities that compete and act in the international market and that their innovativeness can never be separated from the presence of a Schumpeterian entrepreneur; but these companies and these entrepreneurs are to a large extent generated by the local context and, in order for them to govern and live with uncertainty, their decision-making processes are firmly based on socialised processes and/or explicit collective action.

# Competition Inevitable

**Competition is inevitable – engaging in action creates sustained social improvement**

Fainstein 01 – professor in Harvard Graduate School of Design (Susan S. “Competitiveness, Cohesion, and Governance: Their Implications for Social Justice”, International Journal of Urban and Regional Research, Volume 25.4, December 2001, <http://internal.gsd.harvard.edu/people/faculty/fainstein/docs/Competitiveness,%20Cohesion%20Governance%20IJURR%20final.pdf)//FK>

This returns us to the question of the relationship between competitiveness and cohesion. On the left we have tended to see competitiveness as almost wholly without virtue — a system of beggar-thy-neighbor. Much of the culturalist critique is devoted to demonstrating that the diversity apparently created by the market in post-Fordist times is ersatz — a simulacrum rather than the real thing. I would argue that markets do contribute to pluralism and that the boring, homogeneous cities of really existing socialism did tell you something about the likely outcomes of a non-market system. At any rate, marketization and commodification are not going to go away — what we must concern ourselves with is making production more participatory and collective so that the production process responds to the needs of producers and the public at large rather than simply to individuals and firms. The assumption underlying the Third Way is that increasing cohesion — which seems to mean creating a more diverse, tolerant and equitable urban society — will result 4 The URBEX studies of European cities indicate that cities located in countries with strong welfare states did not show an increase in social exclusion during the 1990s. ß Joint Editors and Blackwell Publishers Ltd 2001 Debate 887in economic success as well. The recipe appears to be decentralized governance through partnerships among all sectors of the population. Even while accepting competition as the context of urban development, it is a denial of lines of conflict and exercises of power. As prescription it evades the role that the national state must play in assuring the economic well-being of individuals and the mitigating of competitiveness. We thus need to return to the concept of the enabling state rather than simply the entrepreneurial state and recognize that overemphasis on participation and decentralization evades the issue of just distribution, which may be subsumed by a capabilities approach to social justice but nevertheless is a necessary condition.

**Competition is inevitable – rational theories like cancellation, transitivity, dominance, and invariance makes competition inevitable**

**Tversky and Kahneman 86 – cognitive psychologists** ( Amos and Daniel, “The Behavioral Foundations of Economic Theory” The Journal of Business, Vol. 59, No. 4, Part 2, <http://webs.wofford.edu/pechwj/Rational%20Choice%20and%20the%20Framing%20of%20Decisions.pdf>)//FK

The major achievement of the modern theory of decision under risk is the derivation of the expected utility rule from simple principles of rational choice that make no reference to long-run considerations (von Neumann and Morgenstern 1944). The axiomatic analysis of the foundations of expected utility theory reveals four substantive assumptions-cancellation, transitivity, dominance, and invariance-besides the more technical assumptions of comparability and continuity. The substantive assumptions can be ordered by their normative appeal, from the cancellation condition, which has been challenged by many theorists, to invariance, which has been accepted by all. We briefly discuss these assumptions. Cancellation. The key qualitative property that gives rise to expected utility theory is the "cancellation" or elimination of any state of the world that yields the same outcome regardless of one's choice. This notion has been captured by different formal properties, such as the substitution axiom of von Neumann and Morgenstern (1944), the ex- tended sure-thing principle of Savage (1954), and the independence condition of Luce and Krantz (1971). Thus, if A is preferred to B, then the prospect of winning A if it rains tomorrow (and nothing otherwise) should be preferred to the prospect of winning B if it rains tomorrow because the two prospects yield the same outcome (nothing) if there is no rain tomorrow. Cancellation is necessary to represent preference between prospects as the maximization of expected utility. The main argument for cancellation is that only one state will actually be real- ized, which makes it reasonable to evaluate the outcomes of options separately for each state. The choice between options should therefore depend only on states in which they yield different outcomes. Rational Choice and the Framing of Decisions S253 Transitivity. A basic assumption in models of both risky and risk- less choice is the transitivity of preference. This assumption is necessary and essentially sufficient for the representation of preference by an ordinal utility scale u such that A is preferred to B whenever u(A) > u(B). Thus transitivity is satisfied if it is possible to assign to each option a value that does not depend on the other available options. Transitivity is likely to hold when the options are evaluated separately but not when the consequences of an option depend on the alternative to which it is compared, as implied, for example, by considerations of regret. A common argument for transitivity is that cyclic preferences can support a "money pump," in which the intransitive person is induced to pay for a series of exchanges that returns to the initial option. Dominance. This is perhaps the most obvious principle of rational choice: if one option is better than another in one state and at least as good in all other states, the dominant option should be chosen. A slightly stronger condition-called stochastic dominance-asserts that, for unidimensional risky prospects, A is preferred to B if the cumulative distribution of A is to the right of the cumulative distribution of B. Dominance is both simpler and more compelling than cancellation and transitivity, and it serves as the cornerstone of the normative theory of choice. Invariance. An essential condition for a theory of choice that claims normative status is the principle of invariance: different representations of the same choice problem should yield the same preference. That is, the preference between options should be independent of their description. Two characterizations that the decision maker, on reflection, would view as alternative descriptions of the same problem should lead to the same choice-even without the benefit of such reflection. This principle of invariance (or extensionality [Arrow 1982]), is so basic that it is tacitly assumed in the characterization of options rather than explicitly stated as a testable axiom. For example, decision models that describe the objects of choice as random variables all assume that alternative representations of the same random variables should be treated alike. Invariance captures the normative intuition that variations of form that do not affect the actual outcomes should not affect the choice. A related concept, called consequential- ism, has been discussed by Hammond (1985).

# Econ Not Zero-Sum

**Economic competitiveness doesn’t result in a zero sum game- 3 reasons**

**Camagni 02** (Roberto, 12/1/02, “On the Concept of Territorial Competitiveness: Sound or Misleading?”, Sage Publications on behalf of the Urban Studies Journal Foundation, p. 2407, http://usj.sagepub.com/content/39/13/2395. Roberto Camagni works at the Polytechnic of Milan - Department BEST (Buildings, Environment, Science, and Technology)) RYS

Hopefully, the way towards territorial competitiveness, engaging public administrations and local communities in the creation of a widening spectrum of ‘pre-conditions’— from hard to soft, from competitive to cooperative ones—does not mean at all a wasteful zero-sum game, since:

—competitiveness reached through territorial quality and public service efficiency brings benefits to all local economic activities, both originating from inside and from outside;

—competitiveness reached through spatial specialisation means widening roles for complementary specialisations, developed in complementary territorial contexts; and

—competitiveness reached by creating local synergies among actors or by integrating and embedding external firms into the local relational web, exploits technological and organisational spillovers and generates increasing returns that are at the very base of economic development, in its ‘generative’ sense.

**The economy isn’t zero-sum- new global economics and computer chip prove**

**Bracey 07** (Gerald, 1/7/07, “Test Scores and Global Competitiveness: Does Not Compute”, Huffington Post,http://www.huffingtonpost.com/gerald-bracey/test-scores-and-global-co\_b\_38035.html. Gerald Bracey is a Fellow at the Education Policy Studies Laboratory at Arizona State University.) RYS

More importantly, the WEF does not see competitiveness as a zero sum game, something that is implicit in gory predictions of our imminent demise. Washington Post reporter, Jay Mathews, captured this nicely. The economies of India and China "are thriving because world commerce is losing its dependence on borders and tariff, and the old way of thinking that if some poor countries get rich, then some rich countries are going to become poor...only countries cut off from the world economy, like North Korea, are declining because they are not globalized." After all, Americans invented the computer chip and it would seem that most of the world has benefited.

**Competitiveness is not a zero-sum ideology**

Krugman 96 – professor of economics and international affairs, Woodrow Wilson School, Princeton University

( Paul R., “Making Sense of the Competitiveness Debate”, Oxfor Review of Economic Policy, Vol. 12, NO. 3, 1996, <http://www.staff.ncl.ac.uk/david.harvey/ACE2006/Competition/KrugmanComp.pdf)//FK>

While influential people have used the word ‘competitiveness’ to mean that countries compete just like companies, professional economists know very well that this is a poor metaphor. In fact, it is a view of the world so much in conflict with what even the most basic international trade theory tells us that economists have by and large simply failed to comprehend that this is what the seemingly sophisticated people who talk about competitiveness have in mind. To the extent that they even notice that most people who matter think that competitiveness is what economics is all about, economists imagine that the word must mean something other than what it seems to mean. Either they suppose that ‘competitiveness’ is a poetic way of saying productivity, and has nothing to do with any actual conflict between countries; or they suppose that people who talk about competitiveness must understand the basics and have in mind some sophisticated departure from standard economic models, involving imperfect competition, external economies, or both. And the flip side of this misunderstanding is that those relatively few believers in the importance of competitiveness who do know that their view conflicts with simple trade theory are unintentionally given aid and comfort by economists who seem to be telling them that they have not failed to understand the simple economics, but rather have transcended it.

**Competitiveness is not based on a zero-sum ideology – comparative advantage fills in the gap**

Krugman 96 – professor of economics and international affairs, Woodrow Wilson School, Princeton University

( Paul R., “Making Sense of the Competitiveness Debate”, Oxfor Review of Economic Policy, Vol. 12, NO. 3, 1996, <http://www.staff.ncl.ac.uk/david.harvey/ACE2006/Competition/KrugmanComp.pdf)//FK>

When someone who does understand comparative advantage spends any length of time discussing and debating international trade with the great majority of would-be sophisticates who do not, one of two things happens. Either he goes native, and forgets what he used to know; or he develops a new, almost awed respect for the sophistication of the simplest trade models. In particular, the basic two-good, onefactor model of international trade that Ricardo sketched out and John Stuart Mill filled in begins to seem stunningly insightful. If you read the reports of the innumerable commissions and conferences on competitiveness, the articles published on the subject in learned magazines and upscale newspapers, you will again and again see propositions such as the following: • the growth of new economies in Asia necessarily comes at the expense of the West; • if our foreign rivals become more productive than we are across the board, we will have nothing that we can produce competitively, and our standard of living will collapse;21 P. R. Krugman • as modern technology diffuses globally, the real incomes of advanced nations will be driven down towards Third World levels; • intensified competition between nations will lead to a simultaneous decline in everyone’s incomes. I have often wondered why it is so hard to explain that propositions like these are silly. The answer, I now believe, is that international trade is a quintessentially ‘general equilibrium’ subject. By this I do not mean that trade must be addressed in terms of an analysis that assumes that markets are perfectly competitive, or even that they are in equilibrium. I refer rather to what somebody once described as the essential insight of general equilibrium analysis: ‘Everything in the economy affects everything else in at least two ways.’ Well, not quite; but it is utterly crucial when discussing international trade to keep track of the interdependencies among the variables of interest, and not to hold constant things that will not stay constant. For example, the amateur pundit on international trade typically thinks of wages as a given, and so imagines that productivity growth in low-wage countries must always come at the expense of jobs elsewhere; or he thinks implicitly in terms of a world market of fixed size, in which one country’s increased output can only come by crowding out production and jobs in other countries. But if one understands even the simplest textbook model of comparative advantage, one already has a picture of a world in which wages, prices, the pattern of specialization and production, and the size of the world market are all simultaneously and mutually determined; in which productivity growth will feed back to wages, in which output growth will feed back to demand.

# Framing Effects Fail

**Framing Effects fail – social and political cues rationalize decision making**

**Druckman 02 – professor of political science at Northwestern** (James N. “The Implications of Framing Effects for Citizen Competence” Political Behavior, vol. 23, No.3, September 2001. <http://www.uky.edu/AS/PoliSci/Peffley/pdf/Druckman%202001%20PB%20IMPLICATIONS%20OF%20FRAMING%20EFFECTS%20FOR%20CITIZEN%20COMPETENCE.pdf)//FK>

This is unfortunate insofar as there exists a highly relevant literature in psychology devoted to explaining equivalency framing effects and their limits. While some of this work has failed to replicate classic equivalency framing effects (e.g., Fagley and Miller, 1997, p. 359), the more general lesson is that the effects predictably occur, but only under very specific conditions. These conditions include individual level variables, procedural and problem characteristics, and contextual circumstances. For example, the effects are less likely to occur when the respondent is a male (Fagley and Miller, 1990, 1997), has high cognitive ability (Stanovich and West, 1998), has strongly held attitudes or high personal involvement in the issue at hand (Levin et al., 1998, p. 160), or briefly thinks about his or her decision (Takemura, 1994; also see Kowert and Hermann, 1997, on personality variations). Moreover, framing effects tend to disappear when a decision maker provides a rationale for his or her decision (Fagley and Miller, 1987; Miller and Fagley, 1991; Sieck and Yates,IMPLICATIONS OF FRAMING EFFECTS 237 1997) and also are sensitive to problem details such as specific probabilities, amounts, and task domain (see, e.g., Bohm and Lind, 1992; Levin and Chapman, 1990; Ku¨ hberger, 1995; Ku¨ hberger et al., 1999; Wang, 1996). Interestingly, the wording, probabilities, and amounts used in Tversky and Kahneman’s widely cited Asian disease framing experiment produce one of the strongest framing effects ever documented (Ku¨ hberger, 1998, p. 45; Levin et al., 1998, p. 157). Context also matters. For example, Bless, Betsch and Franzen (1998) replicate the Asian disease experiment when they tell subjects that it is a “medical research” problem, but find no effects when they tell subjects it is a “statistical research” problem (also see Schwarz, 1996). These results reveal the fragility and heterogeneity of equivalency framing effects: they occur less frequently than many believe (Miller and Fagley, 1991, p. 517), and the overall evidence for them is “mixed” (Fagley and Miller, 1997, p. 357; also see Wang, 1996, p. 146). This contradicts many portrayals that treat the effects as “pervasive” (Kahneman and Tversky, 1984, p. 343) and robust across people and issues (Bartels, 1998; Iyengar, 1991, p. 13; also see Sniderman, 2000, p. 76). The implication is that, given the research to date, examples of equivalency framing effects do no more than suggest the possibility of incompetence among some people on some issues in some contexts. General statements about equivalency framing effects and incompetence cannot be supported, at least until a concerted effort is made to directly examine the limits of these effects in political contexts. At this point, the evidence does no more than demonstrate isolated cases of political incompetence. One of the few attempts to theorize about limits to equivalency framing effects in political contexts comes from Sniderman (2000; also see Jackman and Sniderman, 1999). He argues that most political choices fundamentally differ from the typical equivalency framing effect problem, and thus, these effects are not indicative of how people make political decisions (also see Riker, 1995, pp. 33–35; Schattschneider, 1960, p. 134, Wittman, 1995, pp. 41–45). 11 Sniderman (2000) explains that the “decision-theoretic [framing] task conspicuously is complex; the public opinion choice strikingly simplified. What matters as much are the ways public choice is simplified” (p. 77). The basic idea is that many important political choices are clearly defined and simplified by competing political parties or other elite organizations; citizens know which parties support which alternatives. Moreover, many people have well developed preferences towards parties or other elites (e.g., they know which party they prefer). Thus, they are able to make consistent choices and are less susceptible to framing effects—they simply opt for the alternative endorsed by their party. In short, the political context provides people with a few, simple decisionmaking cues that facilitate competent decision-making (i.e., the cues prevent people from basing their preferences on arbitrary information).238 DRUCKMAN To empirically examine this argument, I implemented an experiment to test the hypothesis that the availability of simple cues, such as party endorsements, prevents people from being framed (Druckman, 2001b). The experiment consisted of two questionnaires administered to student respondents. On the first questionnaire, I acquired the respondents’ party identification. On the second questionnaire, administered about three weeks after the first questionnaire, respondents answered either one of the two original Asian disease framing problems, or they answered a variation of that problem. The variation simply replaced the labels of the alternatives so that instead of choosing “Program A” or “Program B” (as in the original problem), respondents chose either the “Democrats’ Program” or the “Republicans’ Program,” for example. Thus, the participants received different endorsements for the programs. These data can be used to examine if people base their preferences on the party cues instead of the arbitrary frames.

# Infrastructure Solves Poverty

**Transportation infrastructure is vital to reducing poverty**

**Fan 04** (Shenggen, June 17-18, “Infrastructure and Pro-poor Growth”, p 3-4. Shenggen Fan is a senior research fellow at the International Food Policy Research Institute in Washington DC.) RYS

How Infrastructure Reduces Rural Poverty In this section we review the state of current knowledge about the linkages between infrastructure and poverty reduction, paying particular attention to the relationship between rural infrastructure and poverty reduction. We do not question the validity of demonstrated relationships between infrastructure investments and economic growth as done by some other scholars (Kessides, 1993; World Bank, 1994; Canning, 1999). Until very recently, the direct impact of infrastructure was not perceived to be an important means for poverty reduction. But infrastructure has multiple links to poverty reduction, as highlighted in the World Bank’s Annual Report 2001. Improved infrastructure helps create jobs and raise worker productivity. It saves time and human effort in transporting water, crops, wood, and other commodities. It also improves health (by reducing indoor air pollution and emissions in urban areas and making clean water available) and education (by expanding access to schools, computers, and lighting). Among all types of rural infrastructure, rural transport is probably the most crucial for the livelihoods of the rural poor. It encompasses transport activities at all levels, whether local, regional or national. It is composed of two elements: (1) rural transport services for passengers and freight by non-motorized and motorized means of transport, and (2) rural transport infrastructure, mainly rural roads, tracks, trails, paths and footbridges, and in some cases rural waterways. An inefficient transport system can act as a significant constraint on agriculture in rural areas, both by raising the costs and effectiveness of inputs in the production process and by delaying the sale of harvested crops. In Africa, increases in agricultural output in some areas were accomplished by increasing the supply of intermediate means of transportation, which increased access and reduced costs of key inputs (Airey, 1992). Additional evidence on the role of non-motorized transport, particularly bicycles, in the transportation of agricultural commodities is to be found in a study in Uganda (Grisley, 1995). Rural children in developing countries face many problems in getting to and staying in school. The relationship between distance and schooling is particularly critical in rural areas where children must walk long distances to reach widely dispersed schools. While studies have shown that social and economic factors contribute to high drop out rates in rural areas, lack of public 4 transportation and inability to pay for private transportation has led many rural children to abandon schooling after a few years (Vasconcellos, 1994). Nonfarm employment provides a large share of the income of the rural poor. But the development of nonfarm employment is often linked with infrastructure development. Rural enterprises are often located in the areas where there is good access to roads, electricity, and telecommunication facilities (Fan and Chan-Kang, 2004). Good infrastructure also provides opportunities for farmers to migrate to urban centers. Several studies have demonstrated the direct link between rural infrastructure and rural poverty. Jalan and Ravallion (2002) find that road density has a significant positive effect on the consumption expenditure of rural farm households in poor regions of China. For every 1% increase in kilometers of roads per capita, household consumption increases by 0.08 percent. Research on Vietnam reveals that poor households living in rural communes with paved roads have a 67 percent higher probability of escaping poverty than those in communes without paved roads (Glewwe et al. 2000). Similarly, an evaluation of a World Bank-funded rural road rehabilitation project in Vietnam finds that the strongest positive impact was for poorest households (van de Walle and Cratty 2002). Escobal (2001) analyzed factors that determine market access for poor rural Peruvian farmers, showing the importance of key public assets such as rural roads in lowering transaction costs and in improving incomes of rural farmers.

**Infrastructure is a key element to reduce poverty**

**Pouliquen 00** (Louis Y., 1/12/2000, “Infrastructure and Poverty”, p. 2, pdf. Louis Y. Pouliquen is an author of two books about poverty.) RYS

ii) Infrastructure is a key element of poverty alleviation. It often acts as a catalyst to development and enhances the impact of interventions to improve the poor’s access to other assets, e. g., human, social, financial, and natural assets. Its impact is felt both on the economic and social sectors. Without roads, the poor are not able to sell their output on the market. In India, it has been shown that roads alone account for seven percent of the growth in aggregate output of the rural areas (paragraph 2.l.2.). Without electricity, the industrialization process, which provides the poor an important source of employment is unlikely to take off. In Costa Rica, a retrospective review of the rural electrification experience through electrification cooperatives indicates that for one of these cooperatives the number of major businesses jumped from 15 to 86 after electrification (paragraph 2.1.4). Without potable water and sanitation health is at risk. The social and economic impact often go hand in hand. The retrospective evaluation of a feeder road project in Morocco shows that beyond its impact on agricultural production, it was associated with a trebling in the enrollment of girls in primary schools. And the use of health care facilities nearly doubled.

**Infrastructure helps improve the quality of life of those in poverty**

**Pouliquen 00** (Louis Y., 1/12/2000, “Infrastructure and Poverty”, p. 9, pdf. Louis Y. Pouliquen is an author of two books about poverty.) RYS

2.2.1. Infrastructure and social development. Perhaps more importantly, the impact of the Morocco project went well beyond agricultural production. The surveys showed that while enrollment in primary education increased throughout all areas covered by the study, the gains in the areas served by the project roads, where enrollment more than doubled between 1985 and 1995, was much higher than in the control roads. In parallel, the quality of education improved, as it became possible to recruit teachers to staff the schools, and absenteeism of both teachers and students dropped. The rural population also nearly doubled its use of hospital and primary care health care facilities, and, similarly with education. The quality of health services was enhanced as the supply of medicines improved, health officials launched a campaign to staff rural health care centers with a doctor, and immunization and other health prevention programs became easier to implement. Some of the social impacts were especially marked for women. Girls’ enrollment in primary education trebled over the period, expanded or new maternal and child care programs were made available and accessible, and the introduction of butane at affordable prices (thanks to the existence of paved roads) dramatically reduced women’s chores of daily collection of fuel wood for cooking and heating. 2.2.2. The link between school attendance and infrastructure is often a matter of time availability. The lack of infrastructure means that the same task takes a lot more time. This is typically the case with water. Where water availability is poor it has to be fetched far away and this is typically the duty of women and young girls. The link with school attendance in Madagascar7 is illustrated in Table 4.

**Our competitiveness discourse is overshadowed by the social impacts of infrastructure**

**Pouliquen 00** (Louis Y., 1/12/2000, “Infrastructure and Poverty”, p. 4, pdf. Louis Y. Pouliquen is an author of two books about poverty.) RYS

xi) The impact of economic shocks on infrastructure is often overshadowed by its social impacts. But, in the long run, it can be significant and have important poverty implications. For example, of all the resource allocation scenarios currently considered by Indonesia to make the best possible use of its road budget, in the best one 70 percent of the district roads will remain in poor or bad condition, in spite of these roads being allocated the largest share of the budget (paragraph 6.3.2). The condition of these roads can be expected to have a very negative impact on rural poverty. There is also a link through public works programs. In periods of crisis, constructing infrastructure through public workfare programs, can be an important poverty alleviation measure as well, through its employment impact. Often when employment creation is the only objective, the resulting infrastructure may neither be of high priority or high quality. But retrospective reviews of these programs have shown that this need not be the case.

**Studies prove infrastructure helps reduce poverty**

**Pouliquen 00** (Louis Y., 1/12/2000, “Infrastructure and Poverty”, p. 6, pdf. Louis Y. Pouliquen is an author of two books about poverty.) RYS

2.1.1. Infrastructure and growth. Creating or improving infrastructure has traditionally been seen as a major contributor to growth and poverty alleviation as a byproduct of growth. The link between infrastructure and growth has been the object of many econometric studies. In a review of the literature on the subject, Ahmed and Donovan1 group these studies into those that look at the impact of infrastructure at the aggregate level, at the village level, and at the farm level. At the aggregate level, as shown in Table 1, on the basis of a study of 58 countries, Binswanger2 showed that roads and irrigation had an important impact on many facets of rural development. A 10 percent increase in the percentage of roads paved (used as a proxy for the quality of infrastructure) leads to a nine percent increase in aggregate output, as does a 10 percent increase in the percentage of the area under irrigation.

# Krugman Votes Aff

**Krugman supports the aff**

**Krugman 09** (Paul, 10/6/09, “Answering Your Questions on the Economy”, The New York Times, http://krugman.blogs.nytimes.com/2009/10/06/krugman-responds-readers-questions/) RYS

Q. Please comment whether and how much Congress should be putting money into a rebirth of the WPA and CCC program, and to also into green energy and transportation systems. — A. Swift A. So: yes, I think such program[s] would make sense – the WPA and CCC provided a lot of jobs at relatively low budget cost, because they paid fairly low wages and didn’t go through middlemen. But I also understand why the Obama administration didn’t include that kind of program in its plans – it’s the politics. Not only would it have been denounced as “socialism”; anything like that would be condemned as waste. Remember, the idea of spending $200 million cleaning up the National Mall was denounced as total waste and fraud, even though that’s America’s front yard. So the times aren’t ready for another WPA.

# Krugman Wrong

**Krugman is wrong- his predictions prove**

**Lott 4/12** (John, 4/12/12, “Krugman's bad predictions”, Fox News, http://www.foxnews.com/opinion/2012/04/12/krugman-bad-prediction/) RYS

Few prominent economists have a worse record predicting the impact of Obama’s economic policies than Paul Krugman. Writing for the New York Times and touting his close “genuine contact” with the “smart” economists and others in the Obama administration and the Democratic congressional leadership, Krugman has been, and remains, Obama’s most important champion. Not only has he been defending Obama’s Keynesian-type deficit-spending, but he has been advocating still more of these same failed policies. The economy just can’t gain ground. Thirty-four months since the "recovery" started in June 2009 and the actual number of jobs have increased by just 0.4%. Hardly making up for the 5.5 percent drop in jobs from the peak. Given Krugman’s continued prominence in supporting Obama during the coming election, the best way of evaluating the advice is going to give voters is to see how accurate his claims have been up to this point. It is important to realize just how terrible Krugman’s record has been. He predicted on CNBC: “I am still guessing that we will peak out at around 9 percent [unemployment] and that would be late this year.” He assured listeners that double-digit unemployment was “not the most likely event” and “Actually, we are already seeing some positive effects [from the Stimulus].” With unemployment peaking at 10.1 percent and still above 9 percent over two-and-a-half years after he predicted it would peak, Krugman was wrong on both counts. Krugman’s predictions were also filled with personal attacks against those with whom he disagreed. In March 2009, when Greg Mankiw, the chair of George W. Bush’s Council of Economic Advisers, and some conservative economists questioned what they called Obama’s “overly optimistic” growth predictions, Paul Krugman questioned their honesty. In a New York Times blog post titled the “Roots of Evil,” Krugman attacked Mankiw as “more than a bit of deliberate obtuseness” and that “we can expect fast growth.” Yet, our economic growth has not even come close to what Obama and Krugman predicted. It has also been much slower than past economic recoveries. This last year Obama predicted that GDP would grow at 4 percent, while in fact it was less than half of that -- just 1.7 percent. Mankiw challenged Krugman to a bet over whether the Obama prediction was right, but, despite all Krugman’s abusive rhetoric, he never responded. Krugman must be glad that he never bet his money to back up his claims of “evil” or “deliberate” misinformation, but he never tempered his rhetoric. Amazingly, despite his track record against conservatives, Krugman didn’t flinch in late 2010 when he claimed: “It’s also worth pointing out that everything the right said about why Obamanomics would fail was wrong.” Krugman’s predictions were no more accurate for other countries. He criticized the reduction in German government spending in June 2010 as a “huge mistake,” and said: “budget cuts will hurt your economy and reduce revenues [by reducing economic growth].” Yet, more than a year later, Germany’s unemployment rate continued falling, dropping by 0.7 percentage points between June 2010 and August 2011. And as of June 2011, German GDP during 2011 grew at 3 percent, almost twice as fast as our own GDP growth. Germany accomplished the lower unemployment and higher growth rates without burdening its children with the massively higher debt that Obama and Krugman advocated. But you get some idea why Krugman predictions have so been consistently wrong by understanding that he just thinks government spending is free. He also thought that the 9/11 attacks “could even do some economic good” by stimulating the economy because “all of a sudden, we need some new office buildings” and “rebuilding will generate at least some increase in business spending.” Let’s the buildings and spend the money on something else. Digging ditches and filling them in again leaves people no better off. Krugman has a different view: “If we discovered that space aliens were planning to attack and we needed a massive buildup to counter the space alien threat and really inflation and budget deficits took secondary place to that, this slump would be over in 18 months. And then if we discovered, oops, we made a mistake, there aren’t any aliens, we’d be better off.” The federal government’s publicly held debt has almost doubled in just over three years. How many more rosy predictions coming from Paul Krugman can we afford?

**Krugman’s ideas are completely flawed**

**Cochrane 09** (John, 9/16/09, “How did Paul Krugman get it so Wrong?”, University of Chicago, http://faculty.chicagobooth.edu/john.cochrane/research/Papers/krugman\_response.htm. John Cochrane is a faculty member of the University of Chicago Booth School of Business.) RYS

Many friends and colleagues have asked me what I think of Paul Krugman’s New York Times Magazine article, “How did Economists get it so wrong?” Most of all, it’s sad. Imagine this weren’t economics for a moment. Imagine this were a respected scientist turned popular writer, who says, most basically, that everything everyone has done in his field since the mid 1960s is a complete waste of time. Everything that fills its academic journals, is taught in its PhD programs, presented at its conferences, summarized in its graduate textbooks, and rewarded with the accolades a profession can bestow, including multiple Nobel prizes, is totally wrong. Instead, he calls for a return to the eternal verities of a rather convoluted book written in the 1930s, as taught to our author in his undergraduate introductory courses. If a scientist, he might be an AIDS-HIV disbeliever, a creationist, a stalwart that maybe continents don’t move after all. It gets worse. Krugman hints at dark conspiracies, claiming “dissenters are marginalized.” Most of the article is just a calumnious personal attack on an evergrowing enemies list, which now includes “new Keynesians” such as Olivier Blanchard and Greg Mankiw. Rather than source professional writing, he plays gotcha with outofcontext second-hand quotes from media interviews. He makes stuff up, boldly putting words in people’s mouths that run contrary to their written opinions. Even this isn’t enough: he adds cartoons to try to make his “enemies” look silly, and puts them in false and embarrassing situations. He accuses us of adopting ideas for pay, selling out for “sabbaticals at the Hoover institution” and fat “Wall street paychecks.” It sounds a bit paranoid. It’s annoying to the victims, but we’re big boys and girls. It’s a disservice to New York Times readers. They depend on Krugman to read real academic literature and digest it, and they get this attack instead. And it’s ineffective. Any astute reader knows that personal attacks and innuendo mean the author has run out of ideas. That’s the biggest and saddest news of this piece: Paul Krugman has no interesting ideas whatsoever about what caused our current financial and economic problems, what policies might have prevented it, or what might help us in the future, and he has no contact with people who do. “Irrationality” and advice to spend like a drunken sailor are pretty superficial compared to all the fascinating things economists are writing about it these days. How sad. That’s what I think, but I don’t expect you the reader to be convinced by my opinion or my reference to professional consensus. Maybe he is right. Occasionally sciences, especially social sciences, do take a wrong turn for a decade or two. I thought Keynesian economics was such a wrong turn. So let’s take a quick look at the ideas. Krugman’s attack has two goals. First, he thinks financial markets are “inefficient,” fundamentally due to “irrational” investors, and thus prey to excessive volatility which needs government control. Second, he likes the huge “fiscal stimulus” provided by multi-trillion dollar deficits. Efficiency. It’s fun to say we didn’t see the crisis coming, but the central empirical prediction of the efficient markets hypothesis is precisely that nobody can tell where markets are going – neither benevolent government bureaucrats, nor crafty hedge-fund managers, nor ivory-tower academics. This is probably the best-tested proposition in all the social sciences. Krugman knows this, so all he can do is huff and puff about his dislike for a theory whose central prediction is that nobody can be a reliable soothsayer. And of course it makes no sense whatsoever to try to discredit efficient markets finance because its followers didn’t see the crash coming. Krugman writes as if the volatility of stock prices alone disproves market efficiency, and efficient marketers just ignored it all these years. This is a canard that Paul knows better than to pass on, no matter how rhetorically convenient. (I can overlook his mixing up the CAPM and Black-Scholes model, but not this.) There is nothing about “efficiency” that promises “stability.” “Stable” growth would in fact be a major violation of efficiency. Efficient markets did not need to wait for “the memory of 1929 … gradually receding,” nor did we fail to read the newspapers in 1987. Data from the great depression has been included in practically all the tests. In fact, the great “equity premium puzzle” is that if efficient, stock markets don’t seem risky enough to deter more people from investing! Gene Fama’s PhD thesis was on “fat tails” in stock returns. It is true and very well documented that asset prices move more than reasonable expectations of future cashflows. This might be because people are prey to bursts of irrational optimism and pessimism.

# ---Roads Specific

**Roads are the vital internal link to helping the poor- empirics and studies prove**

**Ali and Pernia 03** (Ifzal and Ernesto M., January, “Infrastructure and Poverty Reduction: What is the Connection?”, Asian Development Bank, p. 5-6, ERD Policy Brief Series: Number 13, http://www.adb.org/publications/infrastructure-and-poverty-reduction-what-connection. Ifzal Ali is Chief Economist and Ernesto M. Pernia is Lead Economist, Economics and Research Department, Asian Development Bank.) RYS

A number of studies point to a significant impact of roads on poverty reduction through economic growth. Kwon (2000), analyzing Indonesian data, estimates a growth elasticity with respect to poverty incidence of 0.33 for good-road provinces and 0.09 for bad-road provinces. This implies that poverty incidence falls by 0.33% and 0.09%, respectively, for every 1% growth in provincial GDP. Provincial roads also appear to directly improve the wages and employment of the poor, such that a 1% increase in road investment is associated with a 0.3% drop in poverty incidence over five years. Another study on Indonesia, using more disaggregative district evel (kotamadya/kabupaten) data, also reveals a significant effect of roads on the average incomes of the poor via growth, an estimated elasticity of 0.05 (Balisacan, Pernia, and Asra 2002).1 A parallel research on the Philippines, using provincial data, reveals that roads, particularly when complemented by schooling investment, exert significant indirect and direct impacts on the welfare of the poor (Balisacan and Pernia 2002). The elasticities suggest that 1 Current income is proxied by current consumption expenditure that is deemed a better indicator of welfare (or permanent income) and is easier to measure in developing countries where the poor are often self-employed and engaged in agriculture with fluctuating incomes. Typically, the elasticity for income/ consumption expenditure is much smaller than that for poverty incidence. 6 a 1% increase in road access coupled with schooling results in a 0.32% rise, via growth, in the mean incomes of the poor. Similarly, a 1% improvement in roads with schooling is directly associated with a 0.11% increase in the poor’s incomes. A study by Fan et al. (2002), using provincial data, examines the effects of different types of government expenditures on growth and rural poverty in People’s Republic of China (PRC). They find that roads significantly reduce poverty incidence through agricultural productivity and nonfarm employment. The estimated elasticities with respect to road density are 0.08 for agricultural GDP per worker, 0.10 for nonagricultural employment, and 0.15 for wages of nonagricultural workers in rural areas. Among government infrastructure projects, rural roads are found to have the largest impact on poverty incidence: for every 10,000 yuan invested on rural roads, 3.2 poor persons are estimated to be lifted out of poverty. A related research shows that road density has a significant positive effect on the consumption expenditure of rural farm households in poor regions of the PRC (Jalan and Ravallion 2002). For every 1% increase in kilometers of roads per capita, household consumption rises by 0.08 percent. Research on Viet Nam reveals that poor households living in rural communes with paved roads have a 67% higher probability of escaping poverty than those in communes without paved roads (Glewwe et al. 2000). Likewise, an evaluation of a World Bank-funded rural road rehabilitation project in Viet Nam finds that the strongest positive impact was for the poorest households (Van de Walle and Cratty 2002). In particular, the time savings to reach habitual places of destination were highly significant for the poorest 40% of households

# No Link

**No link – modern economies view the world through a strategy game**

**McAfee and McMillan 96 – economists**

(R. Preston, John, “Competition and Game Theory”, guest Editorial, 1996, JSTOR)//FK

The classical theory of perfect competition, as developed by economists from Adam Smith to Alfred Marshall (Stigler 1965), takes a reduced-form approach: It depicts the out­come of competition, but not the activity of competing. Much of what is interesting and important about competi­tion is hidden in the background. The *Oxford English Dictionary* defines competition as “rivalry in the market, striving for custom between those who have the same com­modities to dispose of.” A perfect competitor, as depicted in economics textbooks, does not do any competing according to this definition. “Striving for custom” implies a dynamic process, the action of competing. A perfectly competitive firm does not pay attention to what any of the other firms in the industry are doing. Instead, it passively accepts the going market price. Any “rivalry in the market” is assumed away. The new game-theoretic models, in contrast, view competition as a process of strategic decision making that is performed under uncertainty; they depict people and firms engaged in competition. For example, an important aspect of competition neglected in the models of perfect competi­tion is the public revelation of private information.

**No link – modern international economics does not take a competitive view of the world – rather it endorses a Realist view of strategy**

Krugman 96 – professor of economics and international affairs, Woodrow Wilson School, Princeton University

( Paul R., “Making Sense of the Competitiveness Debate”, Oxfor Review of Economic Policy, Vol. 12, NO. 3, 1996, <http://www.staff.ncl.ac.uk/david.harvey/ACE2006/Competition/KrugmanComp.pdf)//FK>

The Realist is someone who understands both why the classical analysis of international trade refutes crude mercantilist views, and how the qualifications to classical trade theory create new, more subtle arguments for intervention. What distinguishes the Realist from the Strategist are two beliefs. First, the Realist has looked at the practical prospects for strategic trade policy, and found them unimpressive: while markets are indeed imperfect, the potential gains from trying to exploit those imperfections are, he believes, essentially small change. Second, the Realist is cynical about the likelihood that subtle arguments for intervention can be translated into productive policies in the real world. In particular, he suspects that Strategists who think that they can improve on the policy recommendations of Classicists will, in practice, simply provide a bit of intellectual cover for the crudely belligerent ideas of Mercantilists. As a result, the Realist ends up sounding quite a lot like the Classicist: he knows that the classical model is not the whole story, but it is a lot of the story, and he believes that most of those who criticize conventional views of trade do so not because they have transcended the classical model but because they have never understood it in the first place. Obviously, I myself am a Realist—the paragraph above about why the major new trade theorists are not Strategists was a self-portrait. But rather than go straight into a defence of the Realist position, let me work my way there in stages.

**No link – their idea of competitiveness is based on an outdated philosophy of mercantilism**

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( Paul R., “Making Sense of the Competitiveness Debate”, Oxfor Review of Economic Policy, Vol. 12, NO. 3, 1996, <http://www.staff.ncl.ac.uk/david.harvey/ACE2006/Competition/KrugmanComp.pdf)//FK>

The Mercantilist is someone who has no problems at all with the term ‘competitiveness’. To him, it seems obvious that countries compete with each other in the same way that corporations do. He has never heard of comparative advantage or, if he has, he thinks it means the same thing as ‘competitive advantage’. He believes that the purpose of trade is to generate exports, which create jobs; if he has any sympathy for free trade, it is because we can make a deal to accept other countries’ exports if they accept ours. The important thing to understand about the subject of competitiveness is that the vast majority of people who use the term—politicians, business leaders, journalists, best-selling authors on economics—are Mercantilists. Anyone who writes about trade as a global struggle or war; anyone who compares countries to corporations; anyone who says that trade policy is about creating jobs; anyone who talks about ‘high-value’ sectors; all of these people reveal themselves to be Mercantilists. A few of them may try to put an intellectual gloss on their views by citing the works of Strategists, but a Mercantilist uses Strategic ideas as a drunk uses a lamppost—as a source of support, not of illumination. Mercantilists need not be protectionists. Indeed, the relatively liberal trading system we actually was achieved not via an understanding of the economist’s case for free trade, but via the application of a doctrine of enlightened mercantilism, in which countries are willing to lower their trade barriers— to offer ‘concessions’—only in return for access to other countries’ markets. Both NAFTA and the Uruguay Round were sold politically not on the basis of economists’ estimates of the gains from trade, but with the claim that the extra exports thereby generated would add hundreds of thousands of jobs. None the less, even the enlightened Mercantilist’s attachment to free trade is very much conditional—he or she is for ‘free and fair’ trade, not free trade pure and simple.

**No link – normative models of rationality explain competitive action**

**Tversky and Kahneman 86 – cognitive psychologists** ( Amos and Daniel, “The Behavioral Foundations of Economic Theory” The Journal of Business, Vol. 59, No. 4, Part 2, <http://webs.wofford.edu/pechwj/Rational%20Choice%20and%20the%20Framing%20of%20Decisions.pdf>)//FK

The modern theory of decision making under risk emerged from a logical analysis of games of chance rather than from a psychological analysis of risk and value. The theory was conceived as a normative model of an idealized decision maker, not as a description of the behavior of real peo- ple. In Schumpeter's words, it "has a much better claim to being called a logic of choice than a psychology of value" (1954, p. 1058). The use of a normative analysis to predict and explain actual behavior is defended by several arguments. First, people are generally thought to be effective in pursuing their goals, particularly when they have incentives and opportunities to learn from experience. It seems reasonable, then, to describe choice as a maximization process. Second, competition favors rational individuals and organizations. Optimal decisions in-crease the chances of survival in a competitive environment, and a minority of rational individuals can sometimes impose rationality on the Alternative descriptions of a decision problem often give rise to different preferences, contrary to the principle of invariance that underlies the rational theory of choice. Violations of this theory are traced to the rules that govern the framing of decision and to the psychophysical principles of evaluation embodied in prospect theory. Invariance and dominance are obeyed when their application is transparent and often violated in other situations. Because these rules are normatively essential but descriptively invalid, no theory of choice can be both normatively adequate and descriptively accurate.