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## 1NC Shell

#### Auto Industry Improving Now

Dustin Walsh, Dustin Walsh writes for [Automotive News](http://www.autonews.com/), a sister publication of [Workforce Management](http://www.workforce.com/), 7-25-2012, “Auto Industry Execs: We’re Hiring,” Workforce, <http://www.workforce.com/article/20120725/NEWS01/120729976/auto-industry-execs-were-hiring>, OW

In the past year, IAC Group North America, the big interior supplier, has hired about 350 employees at its Belvidere, Illinois, plant to supply interiors for the Dodge Dart and Jeep Patriot and Compass made at Chrysler Group's plant there.¶ IAC also held a job fair this month in the Detroit area in search of more than 20 engineers and technical staff members.¶ Surging North American auto sales are pushing some suppliers to expand and hire more workers*—* steps they have resisted since the recession. Despite worries about declining demand in Europe, U.S. auto executives surveyed by advisory firm KPMG are bullish about their companies' prospects.¶ "The survey results clearly demonstrate a U.S. automotive industry that is regaining confidence," Gary Silberg, KPMG's national auto industry leader, said in a written statement. "Even though the overall economic recovery remains weak, that is not the case in automotive where pent-up demand for vehicles in the U.S. is expected to carry over for years."¶ The evidence is everywhere. Denso International America Inc., the North American unit of Japanese supplier Denso Corp., is hiring at its Maryville, Tennessee, plant, said Art Shimmura, executive vice president.¶ The plant makes starters, alternators and other electronic parts.¶ "What we're seeing right now is opportunity*—*business growth and an increase in sales," Shimmura said.¶ An increasing number of suppliers are running their plants flat out.¶ North American automotive plants are running at 88 percent capacity, industry analyst IHS Automotive Inc. estimates.¶ KPMG estimates that plant-capacity use in the United States will hit 94 percent by 2018.¶ Industry executives have said demand for new cars and trucks should continue to drive sales since the average age of vehicles on U.S. roads is at an all-time high of almost 11 years.¶ Nearly three-quarters of the executives polled by KPMG said their companies will continue to hire people in the coming year, up significantly from the 62 percent in the 2011 survey.¶ In addition, 67 percent of those polled said their companies have significant cash, and almost the same number said they will invest that cash before year end, KPMG said.¶ But the executives surveyed are not predicting an overall economic turnaround for years, KPMG said.¶ More than 80 percent predicted the U.S. economy will remain flat or see only moderate improvement next year, with 60 percent saying a full recovery will not happen until 2014 or later.

#### Public Transit will hurt auto industry- spills over to economy

Kathlyn Ehl, Research Assistant, 2012, “The Cost of Smart Growth in Transportation Planning,” Washington Policy Center, June 2012, <http://www.washingtonpolicy.org/publications/notes/cost-smart-growth-transportation-planning>, OW

Mobility has made large urban areas possible, Cox explained, and it is “the key to metropolitan job growth.” In the past 35 years, virtually all urban growth has been in the suburbs. Locally, 76.3% of Seattle’s metropolitan growth since 2000 has been in suburban areas, specifically Pierce, Snohomish and Kitsap counties. These counties have seen a significant increase in employment over the past 12 years, while King County has actually experienced negative growth.¶ The reason for these trends, Cox postulated, is because increased mobility has continued to make it “possible for people to get further, cities to get larger, and for labor markets to be more efficient.”¶ While smart growth policies try to reduce the time and distance people drive, they can have a detrimental effect on job growth. “Forcing people out of their cars does not improve productivity,” said Cox. A less mobile metropolitan area will have less economic growth.¶ Further, Cox explained that transit is not a viable alternative for the majority of people who need to get to work and move about the city whenever they want. Transit generally is not faster than driving a car, Cox said, and only 6.7% of people can get to work through public transportation in less than 45 minutes. When you increase the distance one is able to travel to work in a set period of time, Cox explained, the better the economic growth will be.¶ He did concede that for people traveling to the core of downtown Seattle, transit can be a good option but “it cannot get you anywhere else.” 87% of jobs are outside of downtown Seattle, but the city accounts for about 60% of transit ridership. Again, he emphasized that forcing people out of their cars and into public transportation is not going to improve job growth, personal mobility or affluence in the Seattle metropolitan area.¶ Cox dismissed one specific argument in favor of transit, regarding low-income people and the assumption that they have a heavy reliance on public transportation. He showed that 73% of low-income residents in the Seattle area get to work by car. Car ownership is simply, “the best way to get low-income people to work,” especially outside of downtown. Because downtown Seattle represents only 13% of jobs in the greater metropolitan area, Cox explained public transportation cannot be a substitute for most low-income individuals to get to work.¶ Cox explained that Washington state’s Growth Management Act has set a goal of regulating housing production and supply, effectively managing the amount of growth and land use to certain areas. He said there are many negative effects associated with these policies, including high housing prices, increased poverty and less economic growth.¶ Cox quoted Don Brash, the governor of the New Zealand Bank, who said, “The affordability of housing is overwhelmingly a function of just one thing: The extent to which governments place artificial restrictions on the supply of residential land.”¶ Cox summarized that when planners in Seattle regulate the use of land, restricting supply, prices go up. “It’s a very basic economic issue.”¶ One idea policymakers and planners have used to combat this, Cox explained, has been to create transit-oriented centers, in effect “balkanizing the city.” The state builds transit centers, encouraging people to ride transit or live in a location where they can walk to work. He suggested this is a “counterproductive kind of program” which would “destroy the very purpose of the urban area” and bring us back to what urban centers looked like before the 19th century.¶ Another problem Cox highlighted about smart growth is the environmental analysis which he argues is incorrect: “There is no reason why we cannot have a sustainable environment and at the same time, continue to have good lives.”¶ Washington state has created benchmarks for reducing Vehicle Miles Traveled (VMT) to cut greenhouse emissions. He suggested a better approach would be to reduce congestion conditions because “a five-mile trip in congested conditions emits the same amount of greenhouse gas emissions as a nine-mile trip in less congested areas.” Thus, it won’t do any good if the total miles traveled are reduced at a cost of increased congestion and reduced speeds. “What it will not do is get the greenhouse reductions we have hoped for,” he said.¶ Overall, Cox wanted the audience to understand that a well-governed city is one in which government officials, policymakers and citizens are concerned about indicators such as the cost of living, access to the labor market and sustainable economic growth.¶ Most importantly, he said, we have choices. Smart growth has significant costs: If we reduce vehicle miles traveled, we are going to hinder job growth; if we restrict the supply of housing, we are going to create a higher cost of living; and if we combine these efforts, we’re going to increase poverty and hurt the overall economy. On the other hand, Cox said, is a situation where people have choices: “Nobody is forced to live in Seattle.”¶ The good news is that regardless of the poor choices city planners around the country are making, and the choices people are being forced to make about living and working conditions, “We are now, I hope, embarking on the long-needed debate on this issue.” He said that there is a lot to be considered about smart growth and how it can impact economic growth in Seattle, but “I’m just hopeful that in the long run that we will see this debate grow. I don’t know what the outcome will be, but these are issues enough to at least be debated objectively.”

#### Auto Industry key to U.S. Economy

Joseph Szczesny, The automotive editor of the Oakland Press in Pontiac, Mich., and veteran automotive journalist, His work is widely read in Detroit and around the auto world. His articles about the industry have appeared in Time Magazine, The Chicago Tribune, Automobile Magazine and other publications, a graduate of Michigan State University. 5-14-2012, “Auto Industry Driving the US Economy, Says GM CEO,” The Detroit Bureau, <http://www.thedetroitbureau.com/2012/05/auto-industry-driving-the-american-economy-says-gm-ceo/>, OW

The auto industry has given the U.S. economy a major lift in recent months, GM chairman and chief executive officer Dan Akerson told new graduates of the Columbia University’s business school.¶ That’s a big shift from just a few years ago, when it was one of the forces of economic decline. And Akerson’s speech clearly was aimed at convincing the best-and-brightest of the school’s students that they should be taking a closer look at Detroit as they begin their promising careers.¶ “The auto industry has gone from being an anchor on the economy to being the wind in its sails… in fact, we’re one of the few bright spots,” said Akerson, who joined GM after it emerged from its 2009 bankruptcy. “We’re adding jobs and [investing](http://www.thedetroitbureau.com/2012/05/auto-industry-driving-the-american-economy-says-gm-ceo/) in America, just as America invested in us.”¶ Since mid-2009, GM has announced [investments](http://www.thedetroitbureau.com/2012/05/auto-industry-driving-the-american-economy-says-gm-ceo/) of more than $7.1 billion in 30 U.S. facilities and created or retained nearly 18,000 American jobs, the executive noted¶ “No one, not even the most enthusiastic supporters, predicted this three years ago: The auto industry is adding jobs and [driving](http://www.thedetroitbureau.com/2012/05/auto-industry-driving-the-american-economy-says-gm-ceo/) the economy again,” Akerson said. “And that’s because two very different Administrations both had the wisdom to understand how important the auto industry is to our economy, and had the courage to act.¶ “Consider these facts, which apply to the auto industry as a whole here in America; 8 million total employees are involved; there are 3.1 million total jobs in this country dependent on automakers and another 3.3 million total jobs are dependent on suppliers to the auto industry and another 1.5 million total jobs are dependent on dealers.¶ Akerson said the auto industry now accounts for 1 in 17 private-sector jobs and those jobs create $500 billion total compensation annually. They generate $70 billion in personal tax revenues annually, which represent 3.0 to 3.5% of this country’s gross domestic product.¶ In addition, 47 different states have at least 10,000 auto-related jobs and in 20 states that jumps to 100,000 or more.¶ “Today, the industry is humming, producing outstanding [vehicles](http://www.thedetroitbureau.com/2012/05/auto-industry-driving-the-american-economy-says-gm-ceo/) in increasing numbers,” said Akerson, a former naval officer who spent most of his career in the telecomm industry.¶ The industry sold 12.5 million [new vehicles](http://www.thedetroitbureau.com/2012/05/auto-industry-driving-the-american-economy-says-gm-ceo/) in the U.S. in 2011, which is a 10% increase over 2010 sales, the executive noted. And sales are surging faster than most observers had expected, demand now likely to push into the low to mid-14 million range for all of 2012.¶ “That’s why this industry is so important. And that’s why it was worth saving – again, thanks to two different administrations,” said Akerson. “Their actions allowed the industry to move forward. Their actions showed real leadership. We need more of that. We need people who are well-educated, talented and motivated,” Akerson said.¶ The message had a double purpose. In recent years, the auto industry has lost the allure that once brought it some of America’s best-and-brightest. Executives like Akerson are now pressing the rebuild the industry’s image to draw the best talent from colleges and universities, rather than losing them to the banking or high-tech worlds.

#### Economic decline causes nuclear war, dictatorship-leads to extinction

Richard C. Cook, 6-14-2007, “It’s Official: The Crash of the U.S. Economy has begun,” Globalresearch.ca, <http://www.globalresearch.ca/index.php?context=va&aid=5964>, OW

Acceptance by the U.S. population of diminished prosperity and a declining role in the world. Grin and bear it. Live with your parents into your 40s instead of your 30s. Work two or three part-time jobs on the side, if you can find them. Die young if you lose your health care. Declare bankruptcy if you can, or just walk away from your debts until they bring back debtor’s prison like they’ve done in Dubai. Meanwhile, China buys more and more U.S. properties, homes, and businesses, as economists close to the Federal Reserve have suggested. If you’re an enterprising illegal immigrant, have fun continuing to jack up the underground economy, avoid business licenses and taxes, and rent out group houses to your friends. ¶ Times of economic crisis produce international tension and politicians tend to go to war rather than face the economic music. The classic example is the worldwide depression of the 1930s leading to World War II. Conditions in the coming years could be as bad as they were then. We could have a really big war if the U.S. decides once and for all to haul off and let China, or whomever, have it in the chops. If they don’t want our dollars or our debt any more, how about a few nukes? Maybe we’ll finally have a revolution either from the right or the center involving martial law, suspension of the Bill of Rights, etc., combined with some kind of military or forced-labor dictatorship. We’re halfway there anyway. Forget about a revolution from the left. They wouldn’t want to make anyone mad at them for being too radical. ¶ ¶

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#### U.S. Auto Industry Recovering in the Squo

Michael Wayland, Automotive reporter for MLive and MLive Media Group, 4-4-2012, “U.S. Auto Industry Recovering Faster than Expected; Could Top 14.5 Million Sales in 2012,” Michigan Live, <http://www.mlive.com/auto/index.ssf/2012/04/us_auto_industry_recovering_fa.html>, OW

The auto industry in 2012 is shifting from first to fourth gear faster than most could have imagined.¶ Through the first three months of the year, industry experts have increased their [sales forecasts from 13.5 million vehicles](http://www.mlive.com/auto/index.ssf/2012/02/2012_us_auto_sales_to_top_14_m.html) to around 14.5 million sold in 2012.¶ “The industry is really coming along,” said Jesse Toprak, vice president of industry trends and insights for [TrueCar.com.](http://www.truecar.com/) “It just shows that the recovery in the first two months of the year and that sets us up nicely for the rest of the year.”¶ According to Toprak, the industry exceeded expectations in the first quarter thanks to numerous factors, including high gas prices driving buyers to [fuel-efficient products,](http://www.mlive.com/auto/index.ssf/2012/04/fuel-efficient_vehicles_drive.html) Wall Street’s performance, strong vehicle lineups and a strengthening economy.¶ Toprak said if the industry continues at its March pace of about 1.4 million units, it should be a prosperous year for the industry, as well as the U.S. economy.¶ “It could actually get a bit higher,” he told [MLive.com](http://www.mlive.com/auto). “In fact, I’d say the forecast has more of an upside potential rather than a downside risk.”¶ Toprak said the "highest correlation" to new vehicle sales is the stock market because that can affect consumer confidence, as well as credit lending and the economy.¶ Earlier this year, Southfield-based research firm [R.L. Polk predicted annual sales](http://www.mlive.com/auto/index.ssf/2012/02/report_average_vehicle_ownersh.html) to hit pre-recession levels of 16 million by 2015.¶ Detroit Three ¶ As gas prices nationally approached $4 a gallon, Detroit’s automakers embraced the opportunity, and all reported at least a 5 percent uptick in March, with help from fuel-efficient truck and car sales, such as the Ford Focus, Fiat 500 and Chevy Sonic, sold very well.¶ Toprak said one of the only sales anomalies last month was [General Motors Co.](http://topics.mlive.com/tag/General%20Motors/index.html), which came in slightly lower than expected, but still saw sales grow 12 percent compared to the year before. ¶ Officials with the Detroit-based automaker touted the company’s [“undeniably stronger” lineup of fuel-efficient vehicles](http://www.mlive.com/auto/index.ssf/2012/04/gm_undeniably_stronger_product.html) for its continued performance over 2011.¶ Through the first quarter of the year, GM sales were up 2.7 percent to 606,320 units, [including a record 100,000 cars and crossovers](http://www.mlive.com/auto/index.ssf/2012/04/gm_fuel-efficient_vehicle_sale.html) last month that achieve an EPA-estimated 30 mpg highway rating or better, compared to the same quarter last year. Chevrolet led the way, up 7.6 percent, followed by GMC up 1.2 percent. Buick was down 16.5 percent and Cadillac was down 23.6 percent.¶ “Since the last time fuel prices spiked, both the economy and GM’s product portfolio are undeniably stronger,” said Don Johnson, vice president, U.S. Sales Operations. We’re now strong across the board in cars, crossovers and trucks.” ¶ Out of the Detroit Three, [Chrysler Group LLC led the pack](http://www.mlive.com/auto/index.ssf/2012/04/chrysler_us_sales_best_since_2.html) in terms of year-over-year sales gains. The Auburn Hills-based automaker posted a 39 percent increase for the first quarter, including a 34 percent uptick in March compared to a year ago.¶ Chrysler sold 398,051 units during the first three months of the year -- its best first quarter results since 2008.¶ “The combination of credit availability, an improving economy, pent-up demand and even high fuel prices encouraging people to acquire newer more fuel-efficient vehicles are all helping to drive industry sales,” said Reid Bigland, President and CEO – Dodge Brand and head of U.S. sales.¶ Ford Motor Co. also attributed its [9 percent sales increase](http://www.mlive.com/auto/index.ssf/2012/04/fuel-efficient_vehicles_drive.html) in the first quarter, including a 5 percent increase year-over-year in March, to high gas process driving customers to fuel-efficient vehicles.¶ The [Ford](http://topics.mlive.com/tag/Ford/index.html) Fusion recorded its best month ever (28,562 units) and Ford Focus and Ford Edge achieved their best March ever, while the F-Series showed the strongest March sales in five years as well.¶ “Fuel economy was the name of the game in March, as it had been in the first quarter,” said Ken Czubay Ford vice president of U.S. Marketing, Sales and Service Dealers during a conference call Tuesday. “Dealers across the country told us that higher fuel prices played a larger role in customers’ purchase decisions no matter what kind of vehicle they were buying – from small cars through full-size pickups.”¶ Retail sales for the Dearborn-based automaker last month were up 11 percent for utility vehicles, 12 percent for pickups and 10 percent for cars compared to March 2011. The Ford brand was led by F-Series at 143,827 units, followed by Focus at 66,043 and Fusion at 63,949.¶ The automaker’s luxury [Lincoln](http://topics.mlive.com/tag/Lincoln/index.html) brand also experienced a small uptick through the first three months of the year, increasing 4.1 percent to 20,836 vehicles sold. The brand was led by the MKZ mid-size sedan at 7,081 units, followed by the MKX at 6,427 and MKS at 3,287.¶ Ford is currently in the midst of redeveloping its Lincoln brand. Earlier this week, the automaker [unveiled a redesigned MKZ](http://www.mlive.com/auto/index.ssf/2012/04/ford_unveils_redesigned_lincol.html), which is expected to be the first of seven new or redesigned vehicles released by 2014.¶

#### Auto Industry in Recovery Mode

Dunstan Prial, Staff Writer for Fox Business, 2-3-2012, “U.S. Auto Industry in Recovery Mode,” Fox Business, <http://www.foxbusiness.com/industries/2012/02/03/us-auto-industry-in-recovery-mode-jd-power-data/>, OW

The U.S. auto industry is showing signs of a full recovery just three years after the financial crisis all but left the sector for dead, according to a presentation Friday by J.D. Power and Associates.¶ Significantly, U.S. consumers are paying historically high prices for their vehicles, J.D. Power revealed.¶ The average price paid for a vehicle by U.S. consumers in 2011 was $28,341, up 11% from $25,505 in 2008, according to J.D. Power’s data. Meanwhile, incentives offered by dealers have slipped. ¶ Perks such as sophisticated entertainment systems have driven the average price of a car higher.¶ “While we are still early in the recovery we are somewhat optimistic about both the future rate of growth as well as the overall health of the industry,” said John Humphrey, senior vice president and general manager for J.D. Power and Associates’ Global Automotive Division.¶ Humphrey spoke at J.D. Power’s International Automotive Roundtable conference in Las Vegas. ¶ The data from J.D. Power suggests that the three-year shake out period between 2008 and 2012 may have benefited the industry as it looks toward the future. In that three-year span, two of the Big Three U.S. auto makers – [Chrysler](http://www.foxbusiness.com/topics/business/automotive/chrysler.htm) and [General Motors](http://www.foxbusiness.com/topics/business/automotive/general-motors.htm) ([GM](http://quote.foxbusiness.com/symbol/GM/snapshot): 19.67, +0.56, +2.93%) – filed for bankruptcy. Since restructuring their massive debt loads and streamlining their operations, the two iconic Detroit car-makers have returned to profitability.¶ Several factors bode well for the future of the sector, according to the J.D. Power presentation: the industry as a whole has put vehicle production into “greater alignment” with actual demand; an aging fleet is creating “pent-up demand”; the car makers have ramped up new products that consumers want; leasing and extended financing programs are on the rise; and credit availability is improving.¶ Humphrey in his presentation warned that the car makers should remain “disciplined” and not get ahead of themselves in terms of production, an issue that contributed to their woes in recent decades. In other words, don’t let production outstrip demand.¶ Another concern is a rise recently in risky borrowers getting approval for car loans. The auto industry resembled the housing industry last decade in that sales and prices were pumped up artificially by giving credit to risky borrowers, many of whom couldn’t pay back their loans.¶

#### Auto Industry Recovering-Car Sales Prove

CNBC, 4-3-2012, “Auto Industry Shows Signs of Recovery as Car Sales Surge,” <http://www.cnbc.com/id/46936876/Auto_Industry_Shows_Signs_of_Recovery_as_Car_Sales_Surge>, OW

U.S. auto sales continued at a robust pace in March, boosted by consumers with more confidence in a recovering economy who want to buy fuel-efficient cars and trucks in the face of rising gasoline prices.

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| http://media.cnbc.com/i/CNBC/Sections/News_And_Analysis/__Story_Inserts/graphics/__TRANSPORTATION/_AUTO/SALES/car_hood_signing_paperwork_200.jpg |

"We feel higher gas prices are accelerating sales, not hurting sales," AutoNation CEO Mike Jackson told CNBC Tuesday. "The industry has gone all-in on efficiency on all vehicles and people are walking in and see they don’t have to give up on size or performance to get 20 percent fuel efficiency."¶ Jackson is so confident about the state of the auto industry he raised his expectations of nationwide sales "sooner than I expected" to 14.5 million for the year from his previous forecast of [14 million](http://www.cnbc.com/id/46604818/).¶ But they can go even higher, perhaps as high as 16 million vehicles sold, if you take into account the number of households being formed needing at least one car, Jackson said.¶ After holding on to their cars for, on average, 10.8 years, there's pent-up customer demand for new vehicles now that it is easier to get credit, Jackson said. ¶ AutoNation's [[AN 40.12 http://media.cnbc.com/i/CNBC/CNBC_Images/componentbacks/watchlist_up.gif0.95 (+2.43%) http://media.cnbc.com/i/CNBC/CNBC_Images/backgrounds/realtime_icon.gif]](http://data.cnbc.com/quotes/AN) March domestic sales rose 15 percent and are up 26 percent from March 2011, he said. Sales were good across the Sunbelt, where AutoNation is based, and across the board from domestic vehicles to imports to luxury brands.¶ [Ford Motor](http://data.cnbc.com/quotes/F) also had a good month, announcing the best March for new-vehicle sales in the U.S. in five years.¶ Ford[[F 9.00 http://media.cnbc.com/i/CNBC/CNBC_Images/componentbacks/watchlist_up.gif0.04 (+0.45%) http://media.cnbc.com/i/CNBC/CNBC_Images/backgrounds/realtime_icon.gif]](http://data.cnbc.com/quotes/F) Americas President Mark Fields told CNBC on Tuesday the sales performance was due to pent-up demand as well as the recent mild weather and demand for fuel-efficient cars.¶ General Motors' [[GM 19.67 http://media.cnbc.com/i/CNBC/CNBC_Images/componentbacks/watchlist_up.gif0.56 (+2.93%) http://media.cnbc.com/i/CNBC/CNBC_Images/backgrounds/realtime_icon.gif]](http://data.cnbc.com/quotes/gm) monthly sales rose 11.8 percent in March, less than the 20.6 percent rise that had been expected. GM's vice president of sales, Don Johnson, told CNBC he is "pretty pleased" with that gain anyway. "Our results are all about Chevrolet and GMC," he said.¶ Toyota [[TM 76.09 http://media.cnbc.com/i/CNBC/CNBC_Images/componentbacks/watchlist_up.gif1.98 (+2.67%) http://media.cnbc.com/i/CNBC/CNBC_Images/backgrounds/realtime_icon.gif]](http://data.cnbc.com/quotes/tm) sales rose 15.4 percent, selling more than 200,000 vehicles for the first time since 2008. Sales of the company's vehicles were previously estimated to rise by 22.1 percent. Toyota's US president, Jim Lentz, told CNBC sales of hybrid vehicles are "outstripping our ability to produce. We're still below in some series, but we're getting very, very close."¶ Nissan Motor Co said its sales in March rose 12.5 percent, and Volkswagen AG said its March sales soared 35 percent — its the best U.S. March sales since 1973.¶ Chrysler's sales increased 34 percent, the best monthly sales in four years. ¶ Hyundai said it had the best monthly U.S. sales on record.¶

#### **Auto Industry Regaining Confidence**

Greg Gardner, Detroit Free Press Business Writer, 7-20-2012, “U.S. Auto Industry Regains Confidence, Survey Shows,” Detroit Free Press, <http://www.freep.com/article/20120720/BUSINESS01/207200354/U-S-auto-industry-regains-confidence-survey-shows>, OW

Despite growing losses in Europe and slowing growth in the U.S., nearly three-quarters of American auto executives plan to hire over the next 12 months, and 83% expect their firm's revenue to be higher a year from now, according to an annual survey by the audit, tax and consulting firm of KPMG.¶ "The survey results clearly demonstrate a U.S. automotive industry that is regaining confidence," said Gary Silberg, leader of KPMG's U.S. automotive practice.¶ The survey reflects responses that 100 senior executives from automakers and suppliers gave in late May.¶ Silberg said the optimism in the U.S. is a reflection of the painful decisions made by General Motors, Chrysler, Ford and the U.S. Treasury during the dark days of 2009.¶ "It was gut-wrenching," Silberg said. "But they had to restructure. As a result, the overall break-even level fell to about 10 million vehicles a year, and the market is now running at an annual selling rate of 14 million. That means the profits are quite strong."¶ In a major change from previous years' results, North America was cited as the primary growth market by the largest majority (63%) of respondents, compared with 44% who see more growth from China.¶ Still, the pace of the recovery is slow. More than 4 out of 5 (82%) said the U.S. economy will remain flat or show only moderate growth in the next year, while 60% said a full economic recovery won't happen before 2014.

#### GM Leading U.S. Auto Industry to Success

Michelle Krebs, Michelle Krebs is a senior analyst for [Edmunds.com](http://www.edmunds.com/) and editor-in-chief of [AutoObserver.com](http://www.autoobserver.com/about.html#michelle-krebs). Michelle has covered the automotive industry for 30 years, having written for publications ranging from the New York Times to Motor Trend, 2-16-2012, “GM Leads the U.S. Auto Industry on Road to Success,” The Guardian, <http://www.guardian.co.uk/commentisfree/cifamerica/2012/feb/16/gm-leads-us-auto-industry>, OW

Exactly three years ago, the just-inaugurated President Barack Obama was confronted with what to do about the US auto industry. No option looked good: either make the unpopular decision to bail out failing [General Motors](http://www.guardian.co.uk/business/generalmotors) and [Chrysler](http://www.guardian.co.uk/business/chrysler), or allow the pair to fall and risk taking down the entire auto industry and pushing the [US economy](http://www.guardian.co.uk/business/useconomy) from recession into depression. ¶ During the ensuing months, [experts on both sides ferociously weighed in](http://www.guardian.co.uk/commentisfree/cifamerica/2012/feb/14/crony-capitalist-auto-bailout-mitt-romney), but the most compelling argument turned out to be the damage not bailing out GM and Chrysler would inflict on the entire economy. The demise of GM and Chrysler would decimate the supplier network, which, in turn, would destroy [Ford](http://www.guardian.co.uk/business/ford) and cripple foreign automakers operating in the United States, some of whom were already having second thoughts about the country at all. Ultimately, the US economy would be in shambles worse than it was, the thinking went.¶ Heeding warnings that if GM and Chrysler went into bankruptcy, they might never come out, the [Obama administration](http://www.guardian.co.uk/world/obama-administration) chose a hybrid solution. GM and Chrysler were forced to file for Chapter 11 reorganization under US bankruptcy laws, and undergo a painful restructuring, but they would merge from the process in short order, funded by loans from US and Canadian taxpayers. ¶ Fast forward three years and the investment to save GM and Chrysler, the full amount of which may never be recovered, continues to be debated. But what can't be argued is that US auto sales are recovering and so, too, are Detroit automakers. When the books closed on 2011, US vehicle sales had risen for the third consecutive year to 12.8m vehicles – from 11.6m in 2010, and 10.4m in 2009, the lowest in 27 years. ¶ In 2011, GM, Chrysler and Ford combined grabbed 47.1% of the American vehicle market, up 1.7 percentage points in a market where tenths of a point are significant. Last year marked the highest combined market share for the Detroit three since 2008, when it was 48.3%.¶ In the past month, the Detroit Three have reported significant profits. Ford earned $20.2bn, its best earnings since 1998 and its second-biggest annual profit in its 109-year history. After losing $652m in 2010, Chrysler made $183m last year, its first full year of positive earnings since 2005 – and that was despite paying off loans to the US and Canadian governments. Of all major automakers selling vehicles in the United States, Chrysler experienced the largest sales increase at 26% from 2010, prompting a gain in market share to 10.5%, from 9.2%. [GM, which last year returned to its perch as world's biggest volume automaker, has posted a record 2011 profit of $7.6bn, Thursday](http://www.guardian.co.uk/business/2012/feb/16/general-motors-posts-record-profit). ¶ The inevitable question for the Detroit three is: will it last? ¶ A year from now, the US auto industry likely will have reported the fourth consecutive year of sales increases, making the US a bright spot in the global economy especially compared with Europe. Analysts put 2012 US vehicle sales at between 13.5m and 14m vehicles; [analysts at car-shopping website Edmunds.com (of which this author is one)](http://www.autoobserver.com/commentary/author/michelle-krebs/) is forecasting 13.6m vehicles will be sold. ¶ The slowly improving economy will give vehicle sales a boost, as will increasingly available credit for car loans. Pent-up demand will be another driver, as the American vehicle fleet achieves a record in terms of age: the typical vehicle on US roads today is nearly 11 years old. Also driving new-car sales is the lack of used cars for consumers to buy. Low new-car sales and a plummet in the number of new cars that were leased and returned to be sold as used cars has caused a dearth of used vehicles; those on dealer lots carry record-high prices.¶ Detroit automakers specifically are in better shape than they have ever been. They have whipped their costs into shape by closing operations, eliminating employees and [negotiating with the United Auto Workers union a two-tier wage structure](http://www.nytimes.com/2011/09/13/business/in-detroit-two-wage-levels-are-the-new-way-of-work.html?pagewanted=all) that allows them to pay new workers about half what they do existing ones.¶ Still, despite favorable factors, Detroit automakers will face increased competitive challenges in 2012. Last year, the trio benefitted from the inability of Toyota and Honda to regain traction quickly after the 11 March earthquake and tsunami in [Japan](http://www.guardian.co.uk/world/japan) that drastically cut their production. Both Toyota and Honda are back in full force in 2012. ¶ And they aren't the only hungry competitors. Korean automakers Hyundai and Kia continue to gain in the United States. [Volkswagen, which opened a Chattanooga, Tennessee plant last year](http://www.msnbc.msn.com/id/43159310/ns/business-autos/t/vw-back-usa-aiming-high-new-plant/), is making a big push to substantially increase sales in the US. Gas prices are another wild card. Though the Detroit three are far better-positioned than before, with a bevy of cars from tiny to large, they still remain heavily dependent on trucks for sales and profits. Truck sales, in turn, are reliant on the housing industry, which is showing little sign of life. They also depend on low, or at least, stable gas prices; troubles in the Middle East are threatening to trigger high gas prices in 2012. Beyond 2012, all automakers doing business in the United States face the challenge of meeting more stringent fuel economy standards in 2016 and even tougher ones by 2025. The challenge is only partly technical. Convincing American consumers to buy the advanced technology vehicles – hybrids, plug-in hybrids, electric vehicles – is another issue. These high-tech vehicles have never accounted for more than 3% of the US market – they were only 2.2% of sales in 2011. Consumers are put off by the premium price – and slow payback of that premium – on high-tech vehicles.¶ At present, hybrids are pricier as they inherently cost automakers more to make because they have two powertrains instead of one, and have expensive batteries. Likewise, electric vehicles are expensive due to the batteries and the immense amount of research and development that went into them. On top of the price issue, electric vehicles have to overcome the issue of "range anxiety" by owners who have a rather limited amount of miles to travel, compared with a gas-powered car, before charging up. And they can't just gas up or top off somewhere but, instead, have to find a charging station for a rather lengthy time. The infrastructure for charging stations is growing, but still, such stations are not ubiquitous.¶ The percentage of alternative fuel vehicles most certainly will rise. Because of a host of new entries, Edmunds.com predicts their sales could account for 7% of all vehicle sales in 2017, a year after the next round of fuel-economy standards go into effect. Still, these vehicles require massive amounts of not only research and development dollars, but also marketing funds especially to educate the public. The meager profit margin on these models – if there is any at all – doesn't come close to the profits automakers earn on trucks and other larger vehicles.¶ So, in the words of actor Clint Eastwood in Chrysler's highly-publicized and controversial Super Bowl ad, this is only half-time. The rest of the game has yet to be played, and it'll be a tough one.

#### Auto Industry Improving-Statistics Prove

Brian Collie, Scott Corwin, and Arjun Kakkar, 6-4-2012, “Optimism Returns to the American Automotive Industry,” Strategy + Business, <http://www.strategy-business.com/article/00115?gko=531e5>, OW

The U.S. auto industry is emerging from one of the darkest periods in its history. Car sales are climbing, and most estimates predict total sales of more than 14 million vehicles in 2012, an increase of nearly 9 percent over 2011. Car manufacturers and suppliers are increasingly profitable, and many automotive industry executives are more bullish about their own prospects, and those of the industry at large, than they have been for years.¶ More than 200 executives from 75 automakers, suppliers, and dealer groups responded to Booz & Company’s annual U.S. Automotive Industry Survey and Confidence Index, conducted in February and March. Ninety-three percent of the survey respondents view the industry as stronger than a year ago. This is in stark contrast to the results from the 2011 survey, when more than half of all respondents said the industry was about the same as or worse than in 2009. (See Exhibit 1.) Unlike housing, which is still searching for a bottom, the automotive industry has emerged from the lows of the 2008–09 recession with a much stronger and more stable foundation for profitable growth.¶ It’s a success story that would have seemed implausible in 2009. The industry’s current strength stems from a combination of external forces and the industry’s own improvement, resulting in a far better alignment between supply and demand. (See Exhibit 2.) On the supply side, 65 percent of respondents cited the auto industry’s restructuring as one of the top three drivers of strong performance. Automotive companies have gone to great lengths to improve balance sheets, remove excess capacity, and reduce costs. These efforts have allowed both suppliers and manufacturers to lower their break-even point, enabling them to turn a profit on a much smaller total industry volume.¶ Better product offerings are a significant factor as well, and new vehicle launches are offering a level of performance, technology, safety features, and fuel efficiency never before seen — giving customers far better value than in the past. Quality ratings for the industry as a whole are continuing to improve, and the gap between domestics and imports has narrowed considerably.¶ Externally, several factors are turning in the industry’s favor. Consumer confidence is increasing and credit is more widely available. Rising fuel prices are prompting some buyers to upgrade to more fuel-efficient models. Pent-up demand is also spurring sales. The average U.S. car today is more than 10 years old and has logged more than 100,000 miles; both numbers are far above historical averages. Many consumers who put off purchasing a new car during the recession have less reason to do so now.¶ The new U.S. auto industry has some major differences from the old one, however. For one thing, the current optimism among executives is noticeably tempered. The industry has expressed a sober consensus that it needs to grow intelligently, preventing capacity from growing faster than natural market demand. Projected industry volume of roughly 14 million cars and light trucks in 2012 still represents a drop of nearly 20 percent from the levels sustained through much of the 2000s, which hovered at 16 million to 17 million. Yet this lower baseline represents a much better equilibrium between supply and demand. Instead of focusing on volume and share, automakers are working to build brand equity with consumers, improve the customer experience, strengthen their cost position, and compete globally. Similarly, suppliers have managed to regain some leverage in their relationships with manufacturers, and they’re working to stretch existing production capacity, rather than invest in new fixed assets. “The industry is the most rational it’s been in my 30 years of experience,” says Dave Cosper, vice chairman and CFO at Sonic Automotive, which has more than 100 dealerships in 15 states and sells 30 makes.¶

## **2NC Links**

#### Mass Transit Trades Off with Auto Industry

J. Edward Anderson, John Edward Anderson, BS ME, MS ME, PhD Astronautics, PE – Professor Emeritus of Mechanical Engineering, University of Minnesota (23 years). Former Professor of Aerospace and Mechanical Engineering, Boston University (8 years). World-renowned expert on Personal Rapid Transit (PRT) systems analysis and design. Chaired four international conferences on PRT, lectured and gave courses widely in the U. S. and abroad on transit systems analysis and design. Founding President and Member, Board of Directors, Advanced Transit Association (ATRA). 10-17-1998, “Personal Rapid Transit and Urban Development,” <http://faculty.washington.edu/jbs/itrans/sprawl.htm>, OW

Now consider [Personal Rapid Transit](http://www.taxi2000.com) . If PRT does influence urban development and redevelopment in significant ways it will first have to be a very successful system in terms that will be reflected in the cost per ride. For many reasons, we believe the cost per ride will be close to if not below a reasonable fare, particularly if the system is used for movement of both people and goods. In the following discussion, it is assumed that this is true and that properly designed overhead guideways will be acceptable at least along major arterial streets, freeways, and rail tracks; since only then can PRT affect development decisions. Only by going to a different level will it be possible the affect congestion. In the downtowns, these guideways may be as close together as two blocks, but in residential areas the lines more likely would be placed along arterials one half to one mile apart. A major point is that the location of the lines should be determined in accordance with an overall development policy and only with concurrence of the affected residents. ¶ If PRT becomes accepted, there will be pressure to extend the lines farther and farther into the suburbs. But, if this is done according to a carefully developed plan, then it need not produce the undesirable features of urban sprawl. Because the system would be designed to be physically attractive and quiet, residential communities could be planned and built near the lines to minimize the walk to the stations. The spaces farthest from the lines could be planned as open spaces for a variety of purposes. Small electric cars and bicycles could provide access for those too far from the lines to walk. With a network of high-capacity PRT lines in the inner city, the use of automobiles would reduce. This would reduce the negative side effects of the auto, i. e., noise, air pollution, physical blight, accidents, excessive land use, etc. Many parking lots could be restored to green areas. Streets could be narrowed and partly converted into linear parks thus further reducing auto traffic and increasing the beauty of the city. The result would be a city that would begin to attract and hold people rather than drive them away. ¶ Downtowns could restrict the use of automobiles without causing economic stagnation because people would have a viable alternative mode of travel, indeed an alternative far more convenient as a means of access to downtown than exists today. With easy access to the downtowns and other major centers, people would go to them because of the attractions they offer. It would thus seem that PRT would satisfy the needs of downtown interests as well as the interests of the community at large. Coupled with other policies, PRT appears capable of producing significant positive influences on the whole community. ¶ I am reminded of a statement by Daniel H. Burnham in the preface of a report of a comprehensive city plan developed for Chicago in the early years of the 20th Century : "Make no little plans; they have no magic to stir men's blood and probably of themselves will not be realized. Make big plans; aim high in hope and work, remembering that a noble, logical diagram once recorded will never die, but long after we are gone will be a living thing, asserting itself with ever-growing insistence. Remember that our sons and grandsons are going to do things that will stagger us. Let your watchword be order and your beacon beauty."

#### Mass Transit Hurts Auto Industry

Todd Lassa, Writer for Motortrend magazine, 2012, “Why Young People Are Driving Less,” Motor Trend, August 2012 Issue, <http://www.motortrend.com/features/auto_news/2012/1208_why_young_people_are_driving_less/>, OW

Automakers pitch new small cars, from the Fiat 500 to the Ford Fiesta and Chevrolet Sonic to the Acura ILX, as models designed to appeal to America's urban-oriented Generation Y. Marketing experts fill product presentations with statistics and anecdotes of how tuned-in youth fetishize smartphones, the Internet, and keeping in touch with friends via Facebook from their loft apartments in "walkable" cities.¶ Cars? Not so much.¶ The problem begins with the assumption that youth moving back to the cities want A- or B-segment hatchbacks, when they're more likely to spend the money on smartphones, tablets, laptops, and $2000-plus bikes.¶ Gen Y has car enthusiasts, of course, just like every other age group. As always, car enthusiasts are a minority. Today's young people appear to have less interest in driving and owning a car than do their mainstream, non-enthusiast older counterparts.¶ The Great Recession's effect on the ability of 16- to 34-year-olds to find a good-paying job has exacerbated this, according to the Frontier Group's study, "Transportation and the New Generation," by Benjamin Davis and Tony Dutzik, released last spring. If the U.S. automotive market has truly recovered from its 10.4-million-unit nadir in 2009 to an expected 13.5- to 14-million this year, it's without much help from the under-35 age group.¶ The share of 14- to 34-year-olds without a driver's license was 26 percent in 2010, up from 21 percent in 2000, the study says, quoting the Federal Highway Administration. In 2009, the 16- to 34-year-old age group took 24-percent-more bike trips than in 2001, even as its population shrank by 2 percent. The same age group walked to more destinations in '09 than in '01, and the distance it traveled by public transit increased 40 percent. ¶ Young people are returning to big cities and to near-urban, walkable suburbs, co-author Dutzik says. Many remain "connected" via smartphone for their entire mass transit commutes to and from work. They also are more interested in saving the planet, he says, though the economy remains the biggest factor. These young non-drivers are weaning themselves from cars, and won't necessarily rush to buy them when the job market improves.¶ "The economics of driving are still going to be different for young people," Dutzik continues, citing Department of Energy projections for future oil prices. While gas prices faithfully deflated after each oil shock we've had since 1973, the Frontier Group doesn't expect gas to come down much below $3.50 per gallon from here on.¶ Besides new mass-transit and proposed rapid-transit projects like controversial high-speed rail, Dutzik points to car-sharing services like ZipCar and smartphone apps that can tell you how long before the next bus arrives at your stop.¶ The Frontier Group's study is designed to "issue a wake-up call for where you spend the money," Dutzik adds. Along with new alternatives, this means reallocating Federal Highway Trust Funds to existing roads that need repair, rather than to expanding roads or building new ones.¶ Our lack of a coherent federal transportation policy and the notion of spending Federal Highway Trust Fund monies on mass transit rather than roads is an age-old political hot button. But the Trust Fund doesn't cover 100 percent of new highway projects. New mass transit projects face strict approval processes, while new highways are easily approved, Dutzik says.¶ "We need a pretty frank and clear debate about what our transportation priorities are," he concludes. If Generation Y has its say, cars and new highways won't be a big part of that priority.

#### Public Transit Hurts Job Market- Especially for the Poor

Peter S. Goodman, Peter S. Goodman is an American economics journalist and author. Goodman worked for the Washington Post and the New York Times and was hired in September 2010 by the Huffington Post. Goodman graduated from Reed College in 1989, 7-11-2012, “Unemployment Problem Includes Public Transit That Separates Poor from Jobs,” Economy in Crisis- America’s Economic Report Daily, <http://economyincrisis.org/content/unemployment-problem-includes-public-transportation-that-separates-poor-from-jobs>, OW

In the two months since he lost his job driving a delivery truck for a door company, Lebron Stinson has absorbed a bitter geography lesson about this riverfront city: The jobs are in one place, he is in another, and the bus does not bridge the divide. Stinson lives downtown, where many of the factories that once employed willing hands have been converted into chic eateries. The majority of jobs are out in the suburbs, in the strip malls, office parks and chain restaurants that stretch eastward. Most of this sprawl lies beyond reach of the public bus system, and Stinson cannot afford a car.¶ Friends have told him about a building materials business that would hire him on the spot, but the company is 26 miles away and over the Georgia state line, reachable only by car. A plywood company would hire him, too, but that job is 30 miles away. Merely getting to the state Career Center to maintain his a $180-a-week unemployment check and search through job listings on a public computer requires a 40-minute bus ride.¶ Lean, able-bodied and proud, Stinson is accustomed to earning his way. He does not want an unemployment check any more than he wants extra time to sit around his cramped apartment watching daytime television. He would much prefer not using the food stamps that have become the only thing sparing him from hunger. He wants what he has had for most of his 49 years: He wants a job.¶ But in Chattanooga, as in much of America, getting a job and getting to a job are two different things.¶ “That’s the thing that hurts me the most, having experience and qualifications, but you can’t get to the destination,” Stinson says. “It’s a painful situation here. I’ll tell you, I’m not one to give up hope, but, man, it makes your self-esteem drop. Your confidence disappears. Sometimes, I just can’t think about it. You get so it’s all that’s in your head. ‘I need a job, but I can’t get there.’ I just want to feel like I’m back, like I’m part of the world again.”¶ Stinson’s challenge underscores a formidable barrier separating millions of poor Americans from the working world, particularly as work continues to shift to the suburbs: Limited public transportation networks reduce the ability of those who need work to actually find it, worsening an already bleak job market.¶ On top of the most catastrophic economic downturn since the Great Depression, the continued impact of automation, and the shift of domestic production to lower-wage nations, here is a less dramatic yet no less decisive constraint that limits opportunities for many working-age Americans: The bus does not go where the paychecks are.¶ Nearly 40 million working-age people now live in parts of major American metropolitan areas that lack public transportation, according to an [analysis by the Brookings Institution’s Metropolitan Policy Program](http://www.brookings.edu/%7E/media/research/files/reports/2011/5/12%20jobs%20and%20transit/0512_jobs_transit.pdf). The consequences of this disconnection fall with particular severity on the poor. One in 10 low-income residents relies on some form of public transportation to get to work, according to the report.¶ In the nation’s 100 largest metropolitan areas, nearly half of all jobs lie more than 10 miles from the downtown core, according to a prior [study by Elizabeth Kneebone](http://www.brookings.edu/%7E/media/research/files/reports/2009/4/06%20job%20sprawl%20kneebone/20090406_jobsprawl_kneebone.pdf), a Brookings researcher. For the typical resident, more than two-thirds of the jobs in the 100 largest metro areas are beyond range of a 90-minute commute using mass transit. A separate Brookings study released this week finds that the typical job in major metro areas is accessible to only 27 percent of all working age adults within an hour-and-a-half commute on public transportation.¶ Many of the country’s best-connected metropolitan areas are in the West and the Northeast, according to Brookings. Despite its notoriety as a car-centric domain, the Los Angeles metro area has a mass transit system that gets within three-quarters of a mile of 96 percent of all working-age residents, the study finds. The San Francisco Bay Area, New York, Miami and Las Vegas are similarly well served. The least-connected urban areas are in the South, among them Nashville, Richmond, and Jackson, Miss.¶ At the bottom of the list is Chattanooga, a metropolitan area with an official labor force of about 262,000 people. Here, only 22.5 percent of working-age residents have access to public transportation.¶ Among urban planners, Chattanooga has developed a reputation as a place that has gotten a lot right in recent times. Its redeveloped waterfront on the banks of the Tennessee River features a pedestrian-only bridge. A free shuttle bus service operates downtown, using a fleet of electric vehicles. Bike rental stations dot denser neighborhoods.¶ But as work has continued its steady march to the suburbs, the transit system has failed to keep pace, limited by what local officials portray as weak public financing. The result is a metropolitan area in which anyone without a car faces severe limits on employment options.

#### HSR Hurts Auto Industry-Ohio Proves

Heather Rutz, Columnist for the Lima News, 3-17-2009, “Jordan on Bankruptcy, Bailouts,” LimaOhio.com, <http://www.limaohio.com/news/jordan-35299-lima-recession.html>, OW

LIMA - Two Washington hot topics are part of a Democratic policy agenda further harming the economy in a recession, U.S. Rep. Jim Jordan said Monday.¶ The Employee Free Choice Act (union-supported card check legislation) and a carbon cap-and-trade system will especially hurt small businesses, Jordan said.¶ In an interview with The Lima News, Jordan, R-Urbana, said he understands the recession is hurting families.¶ "It's tough out there. I understand and we feel for them," Jordan said. "But the answer is not more federal government."¶ Below is a summary of Jordan's answers on topics about the economy, high-speed rail and government help for homeowners and General Motors.¶ Hot topics¶ Cap-and-trade addresses climate change with federal limits on greenhouse gas emissions and allow companies reducing emissions to sell extra permits for cash.¶ Jordan called it the "most dangerous" of Democrats' policy proposals (though Republican presidential candidate John McCain also supported the concept).¶ "This will hurt every single family, make them pay more on their utility bill," Jordan said. "It will disproportionately affect the Midwest because our energy needs are from carbon-based fuel."¶ The United States would be "unilaterally disarming," with cap-and-trade, because competing global economies such as India and China are not limiting themselves, Jordan said.¶ Card check stipulates that if more than half a company's employees sign a card saying they are interested in a union, then a union would automatically be certified. Under current law employers can ask for a secret ballot first.¶ Supported by unions and President Barack Obama, the law change would "take away the rights of employees" to a secret ballot and basic privacy, Jordan said.¶ High-speed rail¶ In the current economy, high-speed rail supporters have a high burden of proof with Jordan, to show economic development benefits, a cost-benefit analysis and that it can sustain itself.¶ He distinguishes between passenger and freight rail, though supporters say the improvements will benefit the freight lines and the Ohio Freight Rail Association supports the state's plan.¶ Passenger rail could also hurt the auto industry, Jordan said.¶ "Here we are asking [automaker employees] to give their tax dollars to something that will directly compete with their industry," Jordan said.¶ Jordan said he is reluctant to pursue an earmark funding an environmental study, saying the few he's championed have been for the Joint Systems Manufacturing Center and emergency flooding help. Without his support, passenger rail supporters believe federal money will go to other projects in other states.

#### **Mass Transit Threatens Auto Industry**

Paul A. Eisenstein, Writer for the Detroit Bureau, 6-28-2012, “Shift to City Living Threatens Auto Industry: Is Momentum Shifting to Mass Transit?” The Detroit Bureau, <http://www.thedetroitbureau.com/2012/06/shift-to-city-living-threatens-auto-industry/>, OW

The growth of the U.S. [auto](http://www.thedetroitbureau.com/2012/06/shift-to-city-living-threatens-auto-industry/) industry closely coincided with another dramatic change in the American landscape, the move by tens of millions of Americans from cities to suburbs.¶ But newly-released U.S. census data show that, for the first time in a century, cities are growing faster than surrounding suburbs. And that, tied to other demographic and psychographic trends could pose potentially serious challenges to automakers desperately seeking further growth.¶ The shift back to urban living is largely being led by the so-called Millennial generation, and research is finding that members of Gen-Y are also far less interested in owning or driving automobiles than those from previous generations who led the tract home migration.¶ “There’s a bigger focus on building residences near transportation hubs, such as a train or subway station, because fewer people want to [travel](http://www.thedetroitbureau.com/2012/06/shift-to-city-living-threatens-auto-industry/) by car for an hour and a half for work anymore,” Royal Shepard, an analyst with S&P Capital IQ in New York, who tracks the residential and commercial real estate market, told the Associated Press.¶ It’s something of a chicken-and-egg situation trying to figure out whether the auto industry led to the building of suburbs or the other way around but it’s indisputable that they went hand-in-hand, and that the major migration coincided with such significant automotive events as Henry Ford’s launch of his first moving assembly line.¶ Other factors kicked in after World War II, including the development of new tract home construction methods, as well as various benefits offered to returning GIs, such as education and mortgage benefits. But perhaps nothing opened the floodgates more effectively than the Interstate Highway program, which allowed American workers to drive to urban job centers in the morning and return to their suburban spreads at the end of the workday.¶ The suburbs aren’t about to shrink away. Preliminary studies of census data by the Brookings Institution and the Federal Reserve show the population growing 1.1% annually in central cities and 0.9% in surrounding communities. But that is a significant shift from a trend many demographers had suggested was never going to reverse just a few years ago as [developers](http://www.thedetroitbureau.com/2012/06/shift-to-city-living-threatens-auto-industry/) pressed further and further out into the countryside before the collapse of the American housing market.¶ Of course, trends have a way of shifting. An unexpected recovery of the housing market could revive suburban growth, but most forecasts indicate that Millennials will be the first generation of Americans to see a decline in their standard of living, which could lead more to rent than buy, itself a major shift.¶ Meanwhile, even among those younger Americans who stay in the suburbs there is an increasingly apparent shift in mindset when it comes to the automobile.¶ Many fall into a category of “new drivers who are really not even interested in getting a license,” according to John Hoffecker, a managing partner with the Detroit financial advisory firm AlixPartners.¶ Some studies find that those now coming of age are six times less likely to rush out and get a driver’s license as Baby Boomers did at a similar age. Other data indicate that Millennials are less likely to buy or lease automobiles – whether because they don’t want them or simply can’t afford them.¶ A shift into urban centers offering mass transportation appears to also be playing a role. Most American cities began scaling back on rail and other mass transit systems as the auto industry began its ascendance but more and more urban centers, such as Seattle, are now adding rail and bus systems – while also expanding [bike](http://www.thedetroitbureau.com/2012/06/shift-to-city-living-threatens-auto-industry/) and pedestrian routes. Even New York City, home to the country’s most extensive mass transit system, is blocking out more areas where cars are banned.¶ “It’s a big challenge,” said Clay Dean, head of advanced research for General Motors, during a conversation with TheDetroitBureau.com earlier this year.¶ Like its competitors, GM is looking for ways to appeal to auto-phobic consumers. It unveiled several concept vehicles pitched directly to Millennials earlier this year, including the Code 130-R. It also is toying with a concept called EN-V 2.0, a rickshaw-like contraption that is powered by electric motors.¶ It’s not alone. BMW is one of many makers betting that the Millennial generation’s focus on the environment is limiting interest in traditional, gas-powered automobiles. The maker will soon launch a line of battery-based models, such as the i3 and i8, through an entirely new sales channel.¶ But urban residents are also discovering other alternatives. Car-sharing programs are rapidly expanding across the country and offer city-dwellers access to a set of wheels when they need them – without the hassle of maintenance or the need to have a garage.¶ Whether such trends will continue to cut into the automobile’s long appeal – or whether young buyers will return to more traditional housing and car buying patterns as they age — remains to be seen¶

## **2NC Internal Links:**

#### Auto industry key to economy-jobs

OICA, no date, “Economic Impact: The Design, Manufacture, and Sale of Automobiles Drive Economies around the World,” OICA, <http://oica.net/category/economic-contributions/>, OW

Automobiles represent freedom and economic growth.¶ Automobiles are a liberating technology for people around the world. The personal automobile allows people to live, work and play in ways that were unimaginable a century ago. Automobiles provide access to markets, to doctors, to jobs. Nearly every car trip ends with either an economic transaction or some other benefit to our quality of life.¶ The auto industry is the single greatest engine of economic growth in the world.¶ The global auto industry is a key sector of the economy for every major country in the world. The industry continues to grow, registering a 30 percent increase over the past decade (1995-2005).¶ Autos create jobs**, jobs, jobs.**¶ Building 60 million vehicles requires the employment of about 9 million people directly in making the vehicles and the parts that go into them. This is over 5 percent of the world’s total manufacturing employment. It is estimated that each direct auto job supports at least another 5 indirect jobs in the community, resulting in more than 50 million jobs owed to the auto industry. Many people are employed in related manufacturing and services. Autos are built using the goods of many industries, including steel, iron, aluminum, glass, plastics, glass, carpeting, textiles, computer chips, rubber and more.

#### It’s the silver lining of a gloomy economy

Paul A. Eisenstein, msnbc.com contributor, 7-3-2012, “Auto Industry the Silver Lining in Gloomy Economy,” MSNBC, <http://bottomline.nbcnews.com/_news/2012/07/03/12547554-auto-industry-the-silver-lining-in-gloomy-economy>, OW

There may be plenty of reasons to worry about the U.S. economy: Weak jobs numbers, poor housing starts and a European economic crisis that threatens to spill across the Atlantic. But based on June sales numbers, the American auto industry is not one of them.¶ Car sales outpaced even the more optimistic forecasts, with several manufacturers setting all-time records. A number of others, notably General Motors, saw demand surge to levels not seen since before the start of the lingering U.S. recession.¶ Significantly, while the industry was clearly pushing hard to sell, sell, sell, industry data suggest automakers didn’t fall into the past trap of buying sales with hefty rebates and other incentives.¶ “The combination of new products, available credit, lower fuel prices and modest economic growth was a stronger influence on consumer behavior than economic and political uncertainty,” said Kurt McNeil, General Motors’ vice president of U.S. sales.¶ GM posted a solid, 16 percent year-over-year gain, June bringing the maker’s best monthly unit sales since September of 2008. ¶ Chrysler, meanwhile, delivered its 27th consecutive monthly year-over-year increase — an increase of 20 percent — making it Chrysler’s best June in five years.¶ Honda had to look back to 2008 for the last time it did so well in June, a month normally buoyed by the so-called Spring buying season. Overall, the Japanese maker gained 48.8 percent, but its struggling luxury division, Acura, gained 76.5 percent — helped by the addition of some critical new products like the entry-luxury ILX. The mainstream Honda division did well, with a 45.6 percent increase despite the fact that its Accord sedan is months away from being replaced by an all-new model.¶ The Japanese did well across the board, Nissan reporting a 28.2 percent jump — its own luxury arm, Infiniti, gaining 66.1 percent for the month.¶ But the real winner was industry giant Toyota. Like its Japanese rivals it suffered severely in spring 2011 as it was forced to close or sharply cut back production at many of its key assembly plants due to the March earthquake and tsunami that devastated Northeast Japan. For June 2012, it saw sales rocket upwards by 60.3 percent — and forecast still better days to come.¶ ¶ “June and first-half sales were driven by consumer interest in our new models including the Prius C … and the Camry,” which was redesigned for the 2012 model-year, noted Toyota division group vice president Bob Carter. “We expect to see continued stability in the automotive market during the second half of 2012,” added Carter, thanks to pent-up demand, low interest rates and a continued influx of new products.”¶ Toyota recently increased its forecast for the full year to 14.5 million vehicles, a figure more and more analysts now agree with. In fact, June’s Seasonally Adjusted Annual Sales Rate, or SAAR, came in at more than 14 million, up from 13.7 million in May.¶ And it did that even though the industry cut back on incentives by 1.6 percent from May to June, to an average $2,187 per vehicle, according to a preliminary estimate by tracking firm Edmunds.com. That was also down 0.8 percent from June 2011.¶ Nonetheless, there are some skeptics who worry that a weak economic recovery and the threat of a worsening crisis in Europe could cause the car market to stutter — or force makers to ramp up spending on givebacks.¶ "There was great pressure from automakers to close June strong, especially after the unexpectedly weak Memorial Day holiday weekend in May,” noted Jessica Caldwell, Edmunds’ chief analyst. “It is the end of a quarter so undoubtedly they wanted to finish big. Two weak months in a quarter would make for unfavorable reporting."¶ If anything, the industry may be suffering from too quick a recovery. Ford Motor Co. sales rose by a relatively modest 7 percent, but the maker has repeatedly warned that the cuts it made during the recession now leave it with a shortage of capacity. Hyundai has issued a similar warning and said it is struggling to break bottlenecks both at its U.S. plant and on assembly plants in Korea.¶ There were a few weak players in June, notably Jaguar which has been struggling to build demand for its flagship XJ resulting from reports of early quality problems (the big sedan getting a clean bill of health in the latest J.D. Power Initial Quality Survey released last month). ¶ Luckily for the Indian-owned carmaker its British sibling Land Rover has scored a big hit with its first-ever crossover vehicle, the Range Rover Evoque. Overall Jaguar Land Rover sales were up a combined 2 percent.¶ A surprisingly weak performance came from BMW, up only 0.4 percent for the month, though its Mini subsidiary gained 14.7 percent — the combined brands collectively picking up 3.2 percent for June.¶ Meanwhile, Mercedes-Benz not only set a June sales record but had its highest-ever U.S. sales for the first half of the year. Porsche picked up 17.9 percent, the brand scoring with new versions of the flagship 911 sedan and smaller Boxster roadster.¶ Volkswagen gained 34.5 percent, steadily gaining momentum with its midsize Passat which was designed specifically for the U.S. market and which is being built at the German maker’s new assembly plant in Chattanooga.¶ VW sales are running at their highest levels since the golden days of the original Beetle. But the maker is targeting a goal of 600,000 vehicles annually before decade’s end, which would require it to double again its current sales.¶ So, like the rest of the industry, the maker is keeping corporate fingers crossed that June’s sales surge wasn’t just a short-term phenomenon.

#### Important to the U.S. Economy

Michelle Harris, Michelle Harris is a Project Consultant, P.E. (Professional Engineer) for CH2M HILL.. She worked with the CH2M HILL team to develop a proprietary target industry analysis model and the very popular target company predictive model, 1-5-2007, “The Automotive Industry: Economic Impact and Location Issues,” Industry Week, <http://www.industryweek.com/articles/the_automotive_industry_economic_impact_and_location_issues_13363.aspx>, OW

The automotive industry is a major industrial and economic force worldwide. It makes 60 million cars and trucks a year, and they are responsible for almost half the world's consumption of oil. The industry employs 4 million people directly, and many more indirectly.¶ Despite the fact that many large companies have problems with overcapacity and low profitability, the automotive industry retains very strong influence and importance. The industry also provides well-paying jobs with good benefits, has heavy linkages with supplier industries (which gives it an oversized role in economic development), and has a strong political influence. ¶ The industry is more than 100 years old. It started in Germany and France, and came of age in the U.S. in the era of mass production. Vehicle volumes, efficiency, safety, features and choice have grown steadily throughout the industry's history. It is so synonymous with 20th century industrial development, and so intertwined with its twin marvels, mass production and mass consumption, that it has been called the "industry of industries."¶ However, all is not well in the automotive world. Worldwide, average margins have fallen from 20% in the 1920s to 5% now, with many companies losing money. This poor profitability performance is reflected in the industry's market capitalization: despite its huge revenues and employment, the automotive industry accounts for only 1.6% of the stock market in Europe, and 0.6% in the U.S. There is a big contrast between the industry's lackluster financial success and its oversized social role, share of employment and political influence.¶ These facts mask a wide range of operational and financial performance. Toyota, the most successful large auto company, has a market value 15 times larger than General Motors.¶ The overall performance of the industry can be traced to overcapacity and mature markets in developed countries. In the U.S., Europe and Japan, which account for 80% of world sales, growth has been stalling for many years. The natural response to slowing growth and increasing productivity is to reduce capacity. However, existing plants are very painful to scrap: mass production confers a strong cost advantage, which has traditionally encouraged very large and expensive plants. The result is excess capacity worldwide. Even continuing consolidation in the industry is not resulting in capacity reduction.¶ Focusing on the U.S., the "Big 3" automakers have been losing market share for three decades, and new plants by non-U.S.-based companies have increased capacity and competition. The two largest domestic U.S. companies are losing money as well as market share. Clearly, this is not a sustainable situation, and the industry is in for very big changes.¶ There are some important differences between "Big 3" plants and "transplants." The "Big 3" tend to be large, designed for mass production, and less flexible. They have unionized, older workforces and are clustered in Michigan, the surrounding states, and southeastern Canada. Because of the geographic distribution of Big 3 plants, location in the I-75/I-65 corridor is particularly important.¶ Transplants, meanwhile, tend to cover a wider spectrum of size, but are designed for flexibility. Toyota, for example, has the largest plants in the world on average, but they are capable of producing many different models. Transplants also have non-unionized, younger workforces, and geographically (with a few exceptions) tend to be in the South. ¶ Beyond assembly plants, parts plants are an even bigger story for economic development. They produce 60% of final vehicle value-added, and employ 3.5 times as many workers as assembly plants. There are many more of them: only about eight assembly plants per decade are built, whereas parts plants number in the hundreds. Parts companies are playing a growing role in subassemblies, research and development, and efficiency (through just-in-time manufacturing). Despite all this, an assembly plant has much larger indirect and induced effect, and is therefore highly sought after by economic development organizations.¶

#### Auto industry key to economy

Daimler, 2011, “Economic significance of the automotive industry,” Daimler, Sustainability Report 2011, <http://sustainability.daimler.com/reports/daimler/annual/2012/nb/English/3560/economic-significance-of-the-automotive-industry.html>, OW

The automotive industry is an important global driver of growth, income, employment, and innovation. The automobile enables a degree of flexibility and mobility that was undreamed of a century ago. Consequently, the automotive sector – and therefore our company as well – impacts global economic activity in a variety of ways.¶ In Germany, the automotive industry is one of the biggest employers, accounting for more than 14 percent of all workers in manufacturing. Employees work not only at the major automakers but also at many family-run and medium-sized companies in the supplier industry. The automotive industry accounts for just under 8 percent of total industrial added value in Germany. This percentage is unusually high by comparison with other industrialized countries. The significance of exports has grown continually in recent years. Today more than three-fourths of the passenger cars produced in Germany are exported. Germany is the world’s fourth-largest auto-producing country after Japan, China, and the U.S.¶ In 2011 the sector’s gross investments in plant and equipment were over €10 billion, which amounts to approximately a fifth of Germany’s total industrial investments. Over the past ten years, more than €100 billion in total was invested in Germany. Over €20 billion is invested annually in research and development by manufacturers and suppliers in the automotive industry – more than any other sector. That amounts to about one third of the total R&D expenditures in Germany (and 40 percent of the expenditures by the manufacturing sector). On average, ten patent applications a day come from the automotive sector, especially in the area of environmentally friendly vehicle technologies. The Daimler Group invested €5.634 billion in R&D activities worldwide in 2011 (2010: €4.849 billion).¶ Above and beyond our core business – the production and sale of automobiles – Daimler also benefits the economy, science, and society in other ways. These include the Group’s provision of financial support to community projects and its promotion of infrastructure services, for example by building its own sports and athletic centers.

#### Key to economy-Michigan proves

City Data, 2010,”Michigan-Industry,” City Data, <http://www.city-data.com/states/Michigan-Industry.html>, OW

Manufacturing, a minor element in Michigan's economy in the mid-19th century, grew rapidly in importance until, by 1900, an estimated 25% of the state's jobholders were factory workers. The rise of the auto industry in the early 20th century completed the transformation of Michigan into one of the most important manufacturing areas in the world. In 1997, the value of shipments totaled $218 billion.¶ Motor vehicles and equipment dominate the state's economy, representing more than one-fourth of the state's manufacturing payroll; the value of shipments by automotive manufacturers was almost half of the total. Production of nonelectrical machinery, primary and fabricated metal products, and metal forgings and stampings was directly related to automobile production.¶ The Detroit metropolitan area is the major industrial region: this area includes not only the heavy concentration of auto-related plants in Wayne, Oakland, and Macomb counties, but also major steel, chemical, and pharmaceutical industries, among others. Flint, Grand Rapids, Saginaw, Ann Arbor, Lansing, and Kalamazoo are other major industrial centers.¶ Because the auto industry's "Big Three"—General Motors (GM), Ford, and Chrysler—have their headquarters in the Detroit area, Michigan has had for many years three of the nation's largest industrial corporations. In 2000, General Motors was the leader among all manufacturers in the world. In 1997, Michigan hosted the headquarters of 14 Fortune 500 companies, including General Motors, Ford, and Chrysler (ranked 1st, 2nd, and 9th, respectively).¶ The auto industry's preponderance in Michigan manufacturing has come to be viewed in recent years as more of a liability than an asset. When times are good, as they were in the 1960s and early 1970s, automobile sales soar to record levels and Michigan's economy prospers. But when the national economy slumps, these sales plummet, pushing the state into a far deeper recession than is felt by the nation as a whole. Michigan is the top vehicle manufacturing state in the nation, accounting for 23% of all US car and truck production in 1998. It made 31% of the automobiles produced for the US that year and 16.5% of the trucks.¶ Earnings of persons employed in Michigan increased from $181.9 billion in 1997 to $192 billion in 1998, an increase of 5.6%. The largest industries in 1998 were durable goods manufacturing, 24.8% of earnings; services, 24.2%; and state and local government, 11.3%. Of the industries that accounted for at least 5% of earnings in 1998, the slowest growing from 1997 to 1998 was nondurable goods manufacturing (6.4% of earnings in 1998), which increased 2.9%; the fastest was construction (5.3% of earnings in 1998), which increased 8.3%.

#### Key to economy and jobs

Brenda Williams, has been an expert author on EzineArticles.com since February 20, 2008 and has 1941 published articles, 2009, “Impact of the Auto Industry on the Economy and the Jobs Market,” Ezine, <http://ezinearticles.com/?Impact-of-the-Auto-Industry-on-the-Economy-and-Job-Market&id=2094372>, OW

The auto industry is a major contributor towards the economy of all the major manufacturing countries worldwide. It not only provides countless job opportunities but also has the economic impact. The global automotive industry is highly diverse and comprises of various product segments like engine parts, drive transmission and steering parts, suspension & braking parts, electrical parts and other auto components.¶ Autos industry covers a vast array of vehicles like luxury cars, passenger cars, specialist vehicles, motorcycles, scooters, mopeds, and off-road vehicles manufacturers & dealers of automobile components and accessories, car-care products, environment and safety equipment, garage and service equipment, moulds and dyes, oils & lubricants, petrol vending machines, tires, batteries and auto electrical, upholsteries and much more. The automobile has enabled people to travel and transport goods farther and faster and has opened wider market areas for business and commerce. The auto industry has also reduced the overall cost of transportation by utilizing methods such as making several products at once, rather than one at a time, selling products nationally rather than locally and globalization of production. In the early days of its inception, this invention had to face many problems. There was no real established industry and the manufacturing processes involved were slow. With the automakers and auto buyers' base expanding globally, auto making became the world's largest manufacturing activity. Now this industry is making approximately 58 million new vehicles each year all across the globe.¶ The diverse mobility offered by the automotive industry allowed remote populations to interact with one another, which increased commerce. The transportation of goods to consumers and consumers to goods has become an industry in itself. The automobile however has also brought related problems, such as air pollution, the emission of greenhouse gases that contribute to global warming, congested traffic, and highway fatalities. Nevertheless, the automobile industry continues to be an important source of employment and transportation for millions of people worldwide. The automobile industry directly influences the economies of the United States and other countries around the world. In a typical year, the U.S. automobile industry generates between 12 and 14 percent of manufacturers' shipments of durable goods. The automobile production consumes large amounts of iron, steel, aluminum, and natural rubber. An interesting fact is that it also consumes more copper, glass, zinc, leather, plastic, lead, and platinum than any other U.S. industry.¶ Automotive parts manufacturers form another large section of the USA auto industry, comprising about 5,000 firms, including Japanese, European, and Canadian companies. These firms supply the original for manufacture and the replacement parts market for maintenance and repair. By some estimates, for every job created in the automobile assembly industry, three to four jobs are created in the automotive parts industry. Numerous other industries support the automobile industry. These include the insurance, security, petroleum, and roadway design and construction industries. Still other industries, such as motels, drive-in theaters, and fast-food restaurants, owe their existence to the mobility provided by the automobile.

## 2NC Impacts

#### Economic collapse has severe consequences

Ricky Kreitner, 8-8-2011, “Serious People Are Starting to Realize We May Be Looking at World War III,” Business Insider, <http://articles.businessinsider.com/2011-08-08/politics/30089820_1_credit-rating-standard-poor-interest-rates>, OW

The [statement](http://www.standardandpoors.com/servlet/BlobServer?blobheadername3=MDT-Type&blobcol=urldata&blobtable=MungoBlobs&blobheadervalue2=inline%3B+filename%3DUS_Downgraded_AA%2B.pdf&blobheadername2=Content-Disposition&blobheadervalue1=application%2Fpdf&blobkey=id&blobheadername1=content-type&blobwhere=1243942957443&blobheadervalue3=UTF-8) released Friday by Standard & Poor's explaining its downgrade of the United States' [credit rating](http://articles.businessinsider.com/2011-08-08/politics/30089820_1_credit-rating-standard-poor-interest-rates) expressed greater concern about the inability of the American political system to handle troublesome economic realities than it did about those economic realities themselves. It read:¶ "The downgrade reflects our view that the effectiveness, stability, and predictability of American policymaking and political institutions have weakened at a time of ongoing fiscal and economic challenges to a degree more than we envisioned when we assigned a negative outlook to the rating on April 18, 2011.¶ "As the experience of the 1930s testified, a prolonged global downturn can have profound political and geopolitical repercussions. In the U.S. and Europe, the downturn has already inspired unsavory, right-wing populist movements. It could also bring about [trade](http://articles.businessinsider.com/2011-08-08/politics/30089820_1_credit-rating-standard-poor-interest-rates) wars and intense competition over natural resources, and the eventual breakdown of important institutions like European Union and the World Trade Organization. Even a shooting war is possible."¶ Daniel Knowles of the Telegraph has noticed a similar trend. In a post titled, "[This Really Is Beginning To Look Like 1931](http://blogs.telegraph.co.uk/news/danielknowles/100099605/this-really-is-beginning-to-look-like-1931/)," Knowles argues that we could be witnessing the transition from recession to global depression that last occurred two years after the 1929 market collapse, and eight years before Germany invaded Poland, triggering the Second World War:¶ "The difference today is that so far, the chain reaction of a default has been avoided by bailouts. Countries are not closing down their borders or arming their soldiers – they can agree on some solution, if not a good solution. But the fundamental problem – the spiral downwards caused by confidence crises and ever rising [interest rates](http://articles.businessinsider.com/2011-08-08/politics/30089820_1_credit-rating-standard-poor-interest-rates) – is exactly the same now as it was in 1931. And as Italy and Spain come under attack, we are reaching the limit of how much that sticking plaster can heal. Tensions between European countries unseen in decades are emerging."¶ Knowles wrote that post three days ago. Since then it has become abundantly obvious that Europe will soon become unwilling or unable to continue bailing out every country with a debt problem. Meanwhile, the U.S. economy continues to chug along, to the extent it is chugging at all, on the false security offered by a collective distaste for one ratings agency and its poor mathematics.¶ That can't continue forever. The next few months will show S&P's downgrade to have been too little and too late, rather than too drastic and too soon. The Eurozone will fall apart. The American political crisis will only worsen; the "super-committee" will utterly fail, true to design. Soon enough, we may all wake up to a "[reckoning](http://topics.nytimes.com/top/news/business/series/the_reckoning/index.html)" truly deserving of the name.

#### Economic collapse leads to World War III

Guy McPherson, 8-20-2011, “Three paths to near-term human extinction,” Nature Bats Last, <http://guymcpherson.com/2011/08/three-paths-to-near-term-human-extinction/>, OW

The [Securities and Exchange Commission is busily covering up Wall Street crimes](http://globaleconomicanalysis.blogspot.com/2011/08/sec-destroys-9000-fraud-files-involving.html), just as they did during the last presidential administration. And, as it turns out, they’ve been performing [this trick for two decades](http://content.usatoday.com/communities/ondeadline/post/2011/08/report-sec-has-destroyed-wall-street-probe-records-for-20-years/1?csp=34news&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+usatoday-NewsTopStories+%28News+-+Top+Stories%29). Finally, though, the [S&P is taking the U.S. to the woodshed](http://www.zerohedge.com/news/sp-slashes-us-growth-forecast-says-current-crisis-worse-2008-us-risk-default-ridicules-transito).¶ The S&P knows what the media and politicians know: U.S. national debt isn’t really $14 trillion and change, as we’ve been led to believe. In fact, it [exceeds $200 trillion](http://www.npr.org/2011/08/06/139027615/a-national-debt-of-14-trillion-try-211-trillion?ft=1&f=1001). And, back when it was a mere $10.5 trillion, [it exceeded the value of all circulating currencies as well as all the gold ever mined](http://dollardaze.org/blog/?post_id=00555#fn00555_1). It cannot be paid off, ever. The response will be default. With luck, it’ll happen quickly and completely, thus sending us directly to the new dark age (with the post-industrial Stone Age soon to follow).¶ The ongoing crash of the stock markets differs from prior events because, for one thing, the [Fed is about out of ammunition](http://www.businessinsider.com/heres-the-problem-with-this-market-crash-2011-8). At this juncture, there are no easy solutions. In fact, there are no solutions at all. We have [just about used up all our “rabbits in the hat” as far as fiscal and monetary policy are concerned](http://www.businessinsider.com/the-beginning-of-the-endgame-2011-8). Economics pundit Graham Summers agrees: The [Fed is about to find itself completely powerless](http://www.zerohedge.com/contributed/fed-will-soon-find-itself-snbs-shoes-powerless) as [2008 redux appears](http://macrostory.com/?p=6484). [The great collapse, for which 2008 was merely a warm-up act, is under way](http://www.zerohedge.com/contributed/great-collapse-has-officially-begun).¶ Think of 2008 as an economic teddy bear, and 2011 as a grizzly. And I think I mentioned this one already: The hunters are out of bullets.¶ The all-too-expected political response from the final remaining superpower: [ratchet up covert wars](http://www.alternet.org/story/151904/our_commando_war_in_120_countries:_uncovering_the_military%27s_secret_operations_in_the_obama_era/?page=1). Maybe, while we’re at it, [launch another World War](http://www.businessinsider.com/serious-people-are-starting-to-realize-that-we-may-be-looking-at-world-war-iii-2011-8).

These 3 cards are from the Spending DA file:

#### Economic decline results in extinction

Lt. Col, Tom Bearden, PhD Nuclear Engineering, April 25, 2000, <http://www.cheniere.org/correspondence/042500%20-%20modified.htm>

Just prior to the terrible collapse of the World economy, with the crumbling well underway and rising, it is inevitable that some of the [wmd] weapons of mass destruction will be used by one or more nations on others. An interesting result then---as all the old strategic studies used to show---is that everyone will fire everything as fast as possible against their perceived enemies. The reason is simple: When the mass destruction weapons are unleashed at all, the only chance a nation has to survive is to desperately try to destroy its perceived enemies before they destroy it. So there will erupt a spasmodic unleashing of the long range missiles, nuclear arsenals, and biological warfare arsenals of the nations as they feel the economic collapse, poverty, death, misery, etc. a bit earlier. The ensuing holocaust is certain to immediately draw in the major nations also, and literally a hell on earth will result. In short, we will get the great Armageddon we have been fearing since the advent of the nuclear genie. Right now, my personal estimate is that we have about a 99% chance of that scenario or some modified version of it, resulting.

#### Economic decline causes extinction

Phil Kerpen, National Review Online, October 29, 2008, Don't Turn Panic Into Depression, http://www.cbsnews.com/stories/2008/10/29/opinion/main4555821.shtml

It’s important that we avoid all these policy errors - not just for the sake of our prosperity, but for our survival. The Great Depression, after all, didn’t end until the advent of World War II, the most destructive war in the history of the planet. In a world of nuclear and biological weapons and non-state terrorist organizations that breed on poverty and despair, another global economic breakdown of such extended duration would risk armed conflicts on an even greater scale.

#### Econ decline causes war

Earl Tilford, PhD in history from George Washington University and served for thirty-two years as a military officer and analyst with the Air Force and Army, 2008, “Critical Mass: Economic Leadership or Dictatorship,” The Cedartown Standard, Lexis

Could it happen again? Bourgeois democracy requires a vibrant capitalist system. Without it, the role of the individual shrinks as government expands. At the very least, the dimensions of the U.S. government economic intervention will foster a growth in bureaucracy to administer the multi-faceted programs necessary for implementation. Bureaucracies, once established, inevitably become self-serving and self-perpetuating. Will this lead to “socialism” as some conservative economic prognosticators suggest? Perhaps. But so is the possibility of dictatorship. If the American economy collapses, especially in wartime, there remains that possibility. And if that happens the American democratic era may be over. If the world economies collapse, totalitarianism will almost certainly return to Russia, which already is well along that path in any event. Fragile democracies in South America and Eastern Europe could crumble.  A global economic collapse will also increase the chance of global conflict. As economic systems shut down, so will the distribution systems for resources like petroleum and food. It is certainly within the realm of possibility that nations perceiving themselves in peril will, if they have the military capability, use force, just as Japan and Nazi Germany did in the mid-to-late 1930s. Every nation in the world needs access to food and water. Industrial nations—the world powers of North America, Europe, and Asia—need access to energy. When the world economy runs smoothly, reciprocal trade meets these needs. If the world economy collapses, the use of military force becomes a more likely alternative. And given the increasingly rapid rate at which world affairs move; the world could devolve to that point very quickly.