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## Thumpers

### Thumper – Fiscal Cliff

#### Fiscal cliff crushes the recovery

Jim Puzzanghera, business correspondent for the LA Times, 7-3-2012, “IMF calls U.S. recovery tepid, warns of 'fiscal cliff' ahead,” LA Times, http://www.latimes.com/business/money/la-fi-mo-imf-us-economy-fiscal-cliff-20120703,0,2885830.story

But uncertainty about Washington's plans to address the nation's fiscal problems also loom over the recovery. The so-called "fiscal cliff" at the end of the year -- the expiration of the George W. Bush-era tax breaks combined with deep automatic spending cuts -- would threaten the U.S. recovery. If Congress and the White House don't find a way to avoid the double-whammy of tax increases and spending cuts, annual growth could drop to well below 1% in 2013. The U.S. economy would actually contract early next year, causing "significant negative repercussions on an already fragile world economy," the IMF said. Adding to the uncertainty is the need for the U.S. to raise the national debt ceiling in early 2013. A standoff between congressional Republicans and the Obama administration over the debt ceiling last summer shook financial markets and caused Standard & Poor's to lower the U.S. credit rating. "It is critical to remove the uncertainty created by the 'fiscal cliff' as well as promptly raise the debt ceiling, pursuing a pace of deficit reduction that does not sap the economic recovery," the IMF said.

#### Destroys the recovery

Salim Furth, Ph.D in economics and research fellow for the Heritage Foundation, 7-7-2012, “Forecast: Taxmageddon Would Cause Another Recession,” The Foundry, http://blog.heritage.org/2012/07/07/forecast-taxmageddon-would-cause-another-recession/

Speaking this week at the Western Economic Association International, economic forecaster Allen Sinai talked about the damage the “fiscal cliff” of 2013 will cause the economy. Sinai concludes that a recession is unavoidable if Congress does not act to fix the fiscal cliff. The fiscal cliff has two components: (1) Taxmageddon, a $494 billion per year increase in tax increases set to take effect on January 1, 2013, and (2) federal spending cuts of about $135 billion. In the large-scale economic model that Sinai’s Decision Economics Inc. uses to predict economic growth and fluctuations, the fiscal cliff has catastrophic consequences, but those consequences are not symmetric. In Sinai’s model, a $350 billion tax increase—Sinai’s analysis shows that even a modest estimate of the 2013 tax increases has a huge, negative economic impact—would lower growth in 2013 by two percentage points and by more than two percentage points in 2014. The negative effects would persist until the long-run trend aspects of the model outweigh the effects of current policy. Given that growth in the U.S. has hovered around 2 percent throughout the recovery-less recovery, a $350 billion tax increase alone would reduce growth to zero for years.

#### No agreement coming – status quo cuts and debt reduction ends the recovery

Veronica Smith, economics writer for AFP, 7-4-2012, “IMF warns US recovery at risk if ‘fiscal cliff’ ignored,” Business Day, http://www.businessday.co.za/articles/Content.aspx?id=175549

The fiscal cliff is the result of Congress’s failure to agree on a deficit reduction plan, resulting in mandated tax increases and spending cuts to take effect by January 1 next year. Congress remains dangerously deadlocked over how to avoid the mandated measures, and the political impasse was not expected to lift before the November 6 presidential election. The IMF warned that leaving the measures to take effect could force a contraction early next year and "significant negative repercussions on an already fragile world economy". It noted the nation’s debt ceiling would need to be raised early next year, after a historic battle in Congress last year that roiled markets and cost the US its coveted triple-A rating for the first time. The growing need to raise the limit was "bringing back the risk of heightened uncertainty and financial market disruption", the Washington-based institution said. The IMF criticised President Barack Obama’s proposed fiscal 2013 budget, which calls for reducing the deficit by three percentage points to about 5,5% of gross domestic product (GDP). Even if as expected the deficit cutting comes in at less than three points, the IMF warned that "this smaller reduction would be too rapid, given the weak economy".

#### No agreement – lawmakers don’t care

Kim Dixon and Richard Cowan, congressional correspondents for Reuters, 7-1-2012, “Analysis: Jumping off the fiscal cliff,” Reuters, http://www.reuters.com/article/2012/07/01/us-usa-taxes-fiscalcliff-idUSBRE86002320120701

(Reuters) - Members of Congress from both parties are increasingly mulling the unthinkable: going home in December without acting to avoid the $4 trillion in tax hikes and deep spending cuts known as the fiscal cliff. Neither Democrats nor Republicans claim this is their preferred option, as it could rattle global financial markets badly and anger their constituents. But as they circle each other in an ever-more partisan atmosphere they see little prospect for a settlement acceptable to both parties in the lame duck session of Congress after the November 6 election. That is when they confront the wave of fiscal cliff decisions including how to handle expiration of temporary tax cuts that originated during the presidency of George W. Bush, $1.2 trillion in automatic spending cuts and the need to raise the debt ceiling again. Some members and partisan strategists are concluding that they might be better off doing nothing. They would come back in January with a new Congress relatively flush with cash - at least on paper - from the impact of the tax hikes; hit reset and start over to structure a new series of tax cuts. Call them the "Obama tax cuts" or "Romney tax cuts," depending on the victor in the November election. The risk of shaking the markets is always there. But they could mitigate that by telegraphing to voters and Wall Street in advance that they definitely intend to write some new tax cuts into law. It could take a couple months, or maybe even all of 2013 and beyond, but they promise they will do it and they promise they will make the tax cuts retroactive to January 1, 2013. "My preference would not be to accept a lesser solution than you could get in February and March just to say that you got it done before the end of the year," Senator Roy Blunt, a member of Republican leadership and congressional liaison to Republican presidential nominee Mitt Romney, told the 2012 Washington Reuters Summit last week. Representative Chris Van Hollen of Maryland, a member of the Democratic leadership in the House of Representatives, said that if Republicans continue to demand a tax plan with breaks for the wealthy, Democrats should "take the question to the American people" in January by allowing historically low rates from the Bush years to expire. "If they refuse, if the Republican position remains as it is today - which is, they are going to insist on holding tax relief for 99 percent of the American people hostage - I think we should just take that debate into next year," Van Hollen said.

#### Compromise later doesn’t solve – uncertainty means we don’t have to go over the cliff

Stephen Gandel, senior editor for CNN Money, citing Ethan Harris, top economist for Bank of America, 6-20-2012, “Fiscal cliff could be worse than many think,” CNN Money, http://finance.fortune.cnn.com/2012/06/20/fiscal-cliff/?section=money\_topstories&utm\_source=feedburner&utm\_medium=feed&utm\_campaign=Feed%3A+rss%2Fmoney\_topstories+%28Top+Stories%29

But Harris says Europe was only half of his reason for his downbeat forecast. The other is the fiscal cliff. He says, unless Washington strikes a deal to roll back some of the cuts soon, it almost doesn't matter if we avoid the fiscal cliff or not. Put a range of options on the table in front of a CEO and if at least one of them is recession, he is going to act with caution. The closer we get to January 1, the more cautious CEOs will become. By the time Washington reaches a deal, which many guess might not happen until after the election, the economy is likely to have already stalled.

### Thumper – Eurozone

#### Eurozone collapse kills the recovery

International Monetary Fund, 7-3-2012, “Concluding Statement of the 2012 Article IV Mission to The United States of America,” IMF, http://www.imf.org/external/np/ms/2012/070312.htm

The United States remains vulnerable to contagion from an intensification of the euro area debt crisis. U.S. financial institutions have limited direct claims on the euro area periphery, but strong financial linkages with the core euro area. Financial stresses in the region may affect the United States mainly via a generalized increase in risk aversion and lower asset prices (including for U.S. multinational firms with substantial sales in the euro area) even though safe haven flows would likely reduce yields on safe assets, notably U.S. Treasuries. Lower demand in the euro area would reduce U.S. exports to the region, while U.S. dollar appreciation on safe haven flows would hurt exports more generally.

### Thumper – Budget Crisis

#### Fiscal crisis kills the global recovery in 2013 without the plan

International Monetary Fund, 7-3-2012, “Concluding Statement of the 2012 Article IV Mission to The United States of America,” IMF, http://www.imf.org/external/np/ms/2012/070312.htm

On the domestic front, failure to reach an agreement on near-term tax and spending policies would trigger a severe fiscal tightening in 2013, threatening the recovery. A fiscal consolidation of around 4 percent of GDP in 2013 (in line with current law) could reduce annual growth to well below 1 percent, with negative growth early next year and significant negative repercussions on an already fragile world economy. Meanwhile, the federal debt ceiling will need to be raised in early 2013, bringing back the risk of heightened uncertainty and financial market disruption.

## Uniqueness

### AT: Uniqueness – No Recovery

#### No recovery – huge alt causes

International Monetary Fund, 7-3-2012, “Concluding Statement of the 2012 Article IV Mission to The United States of America,” IMF, http://www.imf.org/external/np/ms/2012/070312.htm

1. The U.S. recovery remains tepid. After rebounding in the second half of 2011, growth slowed to around 2 percent in the first half of this year. Strong headwinds persist on private consumption, as households continue to deleverage. Residential investment has picked up and house prices have stabilized recently, but remain at depressed levels. Job creation has slowed since early 2012, and the employment-to-population ratio remains substantially below pre-recession levels. Business fixed investment also seems to have lost some momentum, despite favorable financial conditions for the cash-rich corporate sector—large firms can tap bond markets at low rates and enjoy easy access to bank credit. In contrast, access to mortgage credit is still tight for households, notwithstanding historically low rates. Exports have been a bright spot in the recovery but have recently been hampered by some slowdown in foreign demand, particularly in Europe.

### AT: Uniqueness – Fiscal Discipline – No

#### Fiscal discipline is the whopper of the year

Charles Krauthammer, nationally syndicated Washington analyst, 5-24-2012, “Krauthammer: Obama Claim Of Fiscal Discipline "Whopper Of The Year"” RealClearPolitics, http://www.realclearpolitics.com/video/2012/05/24/krauthammer\_obama\_claim\_of\_fiscal\_discipline\_is\_whopper\_of\_the\_year.html

"That is what makes it whopper of the year," syndicated columnist Charles Krauthammer says of a report that federal spending, under the Obama administration, has risen at the lowest pace in 60 years. "This is an unbelievable distortion of the truth. If you compare it to what was spent in the Bush years, particularly if you take out the emergency spending that the two administrations agreed on in the end -- the bailouts -- then you have an 8% increase, which is historic. You had it in 2009 alone, increases in the agencies of 20% and 50% in some of the agencies. Historically high and Obama increased it year after year." "So what he is talking about really is a false impression. There was no intention ever by any administration of repeating the bailouts that you have to have in September, October, and November of 2008 and then the beginning of 2009. And if you count it in it's deliberately distorting the facts. And I'm not sure if there is anybody who believes it because it's so obvious, If an administration starts with the largest stimulus spending bill in galactic history, it obviously is not cost-cutting administration," he said.

## Stimulus Good

### Stimulus Good – Growth

#### Infrastructure stimulus is key to economic growth—multiple reasons.

New American Foundation, nonprofit nonpartisan think tank, 2-23-2010, “The Case for an Infrastructure-Led Jobs and Growth Strategy,” NAF, http://www.newamerica.net/publications/policy/the\_case\_for\_an\_infrastructure\_led\_jobs\_and\_growth\_strategy

As the Senate takes up a greatly scaled down $15 billion jobs bill stripped of all infrastructure spending, the nation should consider the compelling case for public infrastructure investment offered by Governors Arnold Schwarzenegger (R-CA) and Ed Rendell (D-PA). Appearing on ABC’s "This Week" on Sunday, the bipartisan Co-Chairs of Building America's Future explained why rebuilding America’s infrastructure is the key to both job creation in the short and medium term and our prosperity in the longer term. Rather than go from one negligible jobs bill to the next, the administration and Congress should, as the governors suggest, map out a multi-year plan of infrastructure investment and make it the centerpiece of an ongoing economic recovery program. Here is why: With American consumers constrained by high household debt levels and with businesses needing to work off overcapacity in many sectors, we need a new, big source of economic growth that can replace personal consumption as the main driver of private investment and job creation. The most promising new source of growth in the near to medium term is America’s pent-up demand for public infrastructure improvements in everything from roads and bridges to broadband and air traffic control systems to a new energy grid. We need not only to repair large parts of our existing basic infrastructure but also to put in place the 21st-century infrastructure for a more energy-efficient and technologically advanced society. This project, entailing billions of dollars of new government spending over the next five to ten years, would generate comparable levels of private investment and provide millions of new jobs for American workers. More specifically, public infrastructure investment would have the following favorable benefits for the economy: Job Creation. Public infrastructure investment would directly create jobs, particularly high-quality jobs, and thus would help counter the 8.4 million jobs lost since the Great Recession began. One study estimates that each billion dollars of spending on infrastructure can generate up to 17,000 jobs directly and up to 23,000 jobs by means of induced indirect investment. If all public infrastructure investment created jobs at this rate, then $300 billion in new infrastructure spending would create more than five million jobs directly and millions more indirectly, helping to return the economy to something approaching full employment. A Healthy Multiplier Effect. Public infrastructure investment not only creates jobs but generates a healthy multiplier effect throughout the economy by creating demand for materials and services. The U.S. Department of Transportation estimates that, for every $1 billion invested in federal highways, more than $6.2 billion in economic activity is generated. Mark Zandi, chief economist at Moody’s Economy.com, offers a more conservative but still impressive estimate of the multiplier effect of infrastructure spending, calculating that every dollar of increased infrastructure spending would generate a $1.59 increase in GDP. Thus, by Zandi’s conservative estimates, $300 billion in infrastructure spending would raise GDP by nearly $480 billion (close to 4 percent). A More Productive Economy. Public infrastructure investment would not only help stimulate the economy in the short term but help make it more productive over the long term, allowing us to grow our way out of the increased debt burdens resulting from the bursting of the credit bubble. As numerous studies show, public infrastructure increases productivity growth, makes private investment more efficient and competitive, and lays the foundation for future growth industries. In fact, many of the new growth sectors of the economy in agriculture, energy, and clean technology require major infrastructure improvements or new public infrastructure. Needed Investments that Will Pay for Themselves. New infrastructure investment can easily be financed at historically low interest rates through a number of mechanisms, including the expansion of Build America Bonds and Recovery Zone bonds (tax-credit bonds that are subsidized by favorable federal tax treatment) and the establishment of a National Infrastructure Bank. Public infrastructure investment will pay for itself over time as a result of increased productivity and stronger economic growth. Several decades of underinvestment in public infrastructure has created a backlog of public infrastructure needs that is undermining our economy’s efficiency and costing us billions in lost income and economic growth. By making these investments now, we would eliminate costly bottlenecks and make the economy more efficient, thereby allowing us to recoup the cost of the investment through stronger growth and higher tax revenues.

#### Infrastructure investment stimulates the economy—empirical evidence of both short-term and long-term growth.

Heather Boushey, senior economist at the Center for American Progress, 9-22-2011, “Now Is the Time to Fix Our Broken Infrastructure,” Center for American Progress, http://www.americanprogress.org/issues/2011/09/aja\_infrastructure.html

Investing in infrastructure creates jobs and yields lasting benefits for the economy, including increasing growth in the long run. Upgrading roads, bridges, and other basic infrastructure creates jobs now by putting people to work earning good, middle-class incomes, which expands the consumer base for businesses. These kinds of investments also pave the way for long-term economic growth by lowering the cost of doing business and making U.S. companies more competitive. There is ample empirical evidence that investment in infrastructure creates jobs. In particular, investments made over the past couple of years have saved or created millions of U.S. jobs. Increased investments in infrastructure by the Department of Transportation and other agencies due to the American Recovery and Reinvestment Act saved or created 1.1 million jobs in the construction industry and 400,000 jobs in manufacturing by March 2011, according to San Francisco Federal Reserve Bank economist Daniel Wilson.[1] Although infrastructure spending began with government dollars, these investments created jobs throughout the economy, mostly in the private sector.[2] Infrastructure projects have created jobs in communities nationwide. Recovery funds improved drinking and wastewater systems, fixed bridges and roads, and rehabilitated airports and shipyards across the nation. Some examples of high-impact infrastructure projects that have proceeded as a result of Recovery Act funding include: \* An expansion of a kilometer-long tunnel in Oakland, California, that connects two busy communities through a mountain.[3] \* An expansion and rehabilitation of the I-76/Vare Avenue Bridge in Philadelphia and 141 other bridge upgrades that supported nearly 4,000 jobs in Pennsylvania in July 2011.[4] \* The construction of new railway lines to serve the city of Pharr, Texas, as well as other infrastructure projects in that state that have saved or created more than 149,000 jobs through the end of 2010.[5] Infrastructure investments are an especially cost-effective way to boost job creation with scare government funds. Economists James Feyrer and Bruce Sacerdote found for example that at the peak of the Recovery Act’s effect, 12.3 jobs were created for every $100,000 spent by the Department of Transportation and the Department of Energy—much of which was for infrastructure.[6] These two agencies spent $24.7 billion in Recovery dollars through September 2010, 82 percent of which was transportation spending. This implies a total of more than 3 million jobs created or saved.

#### Now is the key time for infrastructure investment—it is vital to long-term growth.

Heather Boushey, senior economist at the Center for American Progress, 9-22-2011, “Now Is the Time to Fix Our Broken Infrastructure,” Center for American Progress, http://www.americanprogress.org/issues/2011/09/aja\_infrastructure.html

Infrastructure is a good investment now because it will get people to work, and at this point, given the lingering high unemployment, we shouldn’t be too concerned if projects take a bit of time to get up and running. As Mark Zandi said in August 2011: Infrastructure development has a large bang for the buck, particularly now when there are so many unemployed construction workers. It also has the potential for helping more remote hard-pressed regional economies and has long-lasting economic benefits. It is difficult to get such projects up and running quickly—“shovel ready” is in most cases a misnomer—but given that unemployment is sure to be a problem for years to come, this does not seem in the current context as significant a drawback.[16] We can create jobs. With nearly 14 million Americans unemployed, now is the time to make long-lasting investments in infrastructure that will not only get people to work today but pave the way for long-term economic growth. Repairing potholes, upgrading an elementary school’s aging furnace, and replacing old water mains are all infrastructure investments. These are repairs that must be done and are often cheaper to do as maintenance than waiting to repair a totally failed system. Now is the right time for America to invest in maintaining and upgrading our infrastructure. We have millions of American workers who want to get off the unemployment queue and into a job and borrowing costs at decade lows, making it extraordinarily cost effective to make big investments today.

#### Infrastructure investment is uniquely effective at stimulating the economy—studies prove.

Heather Boushey, senior economist at the Center for American Progress, 9-22-2011, “Now Is the Time to Fix Our Broken Infrastructure,” Center for American Progress, http://www.americanprogress.org/issues/2011/09/aja\_infrastructure.html

The value of infrastructure spending

Analysis of all fiscal stimulus policies shows a higher “multiplier” from infrastructure spending than other kinds of government spending, such as tax cuts, meaning that infrastructure dollars flow through the economy and create more jobs than other kinds of spending. Economist Mark Zandi found, for example, that every dollar of government spending boosts the economy by $1.44, whereas every dollar spent on a refundable lump-sum tax rebate adds $1.22 to the economy.[7] In a separate study conducted before the Great Recession, economists James Heintz and Robert Pollin of the University of Massachusetts, Amherst, found that infrastructure investment spending in general creates about 18,000 total jobs for every $1 billion in new investment spending. This number include jobs directly created by hiring for the specific project, jobs indirectly created by supplier firms, and jobs induced when workers go out and spend their paychecks and boost their local economy.[8]

### Stimulus Good – Short Term

#### Infrastructure spending boosts the economy in the short term

Pamela Perlich et al, senior research economist in the Bureau of Economic and Business Research at the University of Utah, Arthur Nelson, Director of the Metropolitan Research Center and adjunct professor of Finance at the University of Utah, Red Ewing, Professor City & Metropolitan Planning at the University of Utah, Thomas Sanchez, Chair City and Metropolitan Planning at University of Utah, and Keith Bartholomew, Associate Professor of Urban Planning at the University of Utah, April 2009, “ECONOMIC STIMULUS THROUGH CONSTRUCTION AND REPAIR OF TRANSPORTATION INFRASTRUCTURE,” Smart Growth for America, http://www.smartgrowthamerica.org/documents/thebeststimulus.pdf

It is clear that spending on infrastructure in general and transportation projects in particular, does generate significant short run economic impacts. Once these projects are initiated, there is a short lag time to employment creation. Employment and income impacts of transportation projects are relatively large as compared to many other spending alternatives for two reasons: First, heavy construction jobs generate relatively high wages. Second, there is an extensive domestic supply chain of required inputs that generates significant demand from manufacturing and other sectors. Among transportation infrastructure projects, mass transit projects generated the greatest short run economic impacts. Repair of existing roads and bridges results in higher short run economic impacts than new road construction.

### Stimulus Good – Multiplier

#### Infrastructure investment is uniquely effective at stimulating the economy—highest multiplier effect.

Xue Han, visiting scholar at Global Infrastructure Asset Management, February 2012, “Why Invest In Infrastructure? Necessities and Benefits of Infrastructure Investments,” Global Infrastructure Asset Management, http://www.globalinfrastructurellc.com/pdfs/Why\_Invest\_in\_Infrastructure-Necessities\_and\_Benefits\_of\_Infrastructure\_Investments.pdf

With the economy still in the prolonged slump after the financial crisis in 2008, the stimulating effects of infrastructure investments on economic growth becomes even more important for speeding up the recovery. Infrastructure investments‘ contribution to economic growth come from two aspects: improvement of productivity and relatively larger multiplier effects. Firstly, both fundamental theories and statistical evidences tell us that investments in public infrastructure improve private-sector productivity, leading to a “crowding-in” instead of “crowding-out” of private investments. More specifically, as suggested by Heintz, Pollin and Peltier, a sustained one-percentage point increase in the growth rate of core public economic infrastructure leads to an increase in the growth rate of private sector GDP of 0.6 percentage points. Secondly, due to its relatively larger multiplier effects than that of other types of spending, infrastructure investment still has a strong stimulus on economic growth even without consideration of its productivity improving effects, which serves as the more ultimate reason. Using the reliable estimates on employment generated from a Input-Output model in How infrastructure investment support the U.S. economy (Heintz, Pollin and Peltier, 2009) and a solid assumption on the relationship between GDP increase and employment effects made by Romer and Bernstein, the multiplier effect featured by investment specifically in infrastructure is estimated as 2.8, a lot bigger compared to the general fiscal multiplier of all types of government spending at 1.88, as estimated in my previous research Deficit Reduction and Multiplier Effects.

#### Infrastructure investment has the highest multiplier effect—studies prove.

Xue Han, visiting scholar at Global Infrastructure Asset Management, February 2012, “Why Invest In Infrastructure? Necessities and Benefits of Infrastructure Investments,” Global Infrastructure Asset Management, http://www.globalinfrastructurellc.com/pdfs/Why\_Invest\_in\_Infrastructure-Necessities\_and\_Benefits\_of\_Infrastructure\_Investments.pdf

Besides its improving effects on productive capacity as the major reason for the infrastructure investment‘s contribution to the economic growth, a second reason is its relatively larger multiplier effects on the overall economy compared to other types of investment of the same amount. The multiplier effect refers to the dollar amount impact on the economy, measured as GDP, that each dollar of spending could generate; since the effect of each dollar of spending is usually beyond itself – i.e. larger than 1 – due to its stimulating effects on other components of the GDP, such as consumption, investment and net exports, it is often referred to as the multiplier effects. There is more than one kind of multiplier effect based on different investments, but in most studies and ours as well, we are specifically interested in and refer to the fiscal multiplier, that is the dollar amount impact on the economy for each dollar of government spending. As discussed in details in a previous research of mine on the subject of the Automatic Budget Enforcement Procedures, the size of the multiplier under current circumstances is estimated to be 1.88, with the interest rate at the zero lower bound taken into account in illustrations of a series of Keynesian models. With regards to the fact that multiplier specifically for infrastructure investments is larger than other types of investments and thus the general average fiscal multiplier, the theoretical reasons behind are quite easy to understand. The two major reasons infrastructure spending are: (1) less leakage to imports and (2) stronger stimulus in consumption compared to other types of spending such as tax cuts, where a higher proportion of the additional money is saved or spent on imported goods and services. In order to estimate the size of multiplier specifically for infrastructure investments, we utilize the employment effects estimated using the Input-Output Model in the research How Infrastructure Investments Support the U.S. Economy: Employment, Productivity and Growth (Heintz, Pollin and Peltier, 2009). According to their research, for each $1 billion infrastructure investment made, an average of 18,681 jobs will be created in core economic infrastructure through direct, indirect and induced effects. As of December 2010, the total employment in the U.S. was 130.26 million, which translates an increase of 18,681 jobs into a percentage increase of 0.0143%. From there, based on the solid basic assumption on the relationship between employment and GDP increases that was used by Romer and Bernstein in their paper The Job Impact of the American Recovery and Reinvestment Act (Romer and Bernstein, 2009), we can trace back to a reliable estimate of GDP increase in dollar amount for each $1 billion investments in infrastructure, and thus an infrastructure multiplier. The assumption made by Romer and Bernstein and also agreed by Heintz, Pollin and Peltier is that employment will rise by 0.75% for every 1% increase in GDP. Therefore, the 0.0143% increase in employment generated per $1 billion infrastructure investment can be translated as a 0.0191% increase in GDP. With a GDP of $14,660.2 billion in 2010, such percentage increase is equivalent to a dollar amount increase of [end page 18] $2.8 billion in GDP. That said, the conclusion is that, for each $1 billion spending on infrastructure, an increase of approximately $2.8 billion in GDP can be observed, meaning that the multiplier for infrastructure investments specifically is about 2.8, much larger than the average size of 1.88 for all types of investments as estimated in previous study. This well established larger multiplier effects of infrastructure investments become particularly important due to the slow economic recovery we have faced since the crisis. Even without the more influential and fundamental effects of infrastructure investments on productivity improvement, the larger multiplier such investments have is a strong enough reason to call for more spending, or at least less cuts, on infrastructure projects.

### AT: Crowd-Out

#### No “crowd out”—doesn’t apply to the current economy.

Xue Han, visiting scholar at Global Infrastructure Asset Management, February 2012, “Why Invest In Infrastructure? Necessities and Benefits of Infrastructure Investments,” Global Infrastructure Asset Management, http://www.globalinfrastructurellc.com/pdfs/Why\_Invest\_in\_Infrastructure-Necessities\_and\_Benefits\_of\_Infrastructure\_Investments.pdf

The one most important reason for the tremendous benefits that infrastructure investment would bring along is its effects on expanding the economy‘s long-term productive capacity. In order to see this fact, let‘s start with probably the single most common and influential argument against increasing the level of public investment, that is it will “crowd out” private investment – i.e. an increase in public infrastructure spending will be associated with an equivalent decline in private investment. To test the validity of this argument, let‘s first understand the two kinds of resources required by investments in infrastructure: real economic resources – materials, equipment and people‘s labor, and financial resources – money coming either from tax revenues or government borrowing. The “crowding out” argument assumes that when the public sector consumes more of [end page 15] these real and financial resources, it necessarily diminishes the amount available to the private sector. Therefore, an increase in public capital expenditures results in less private sector production. In other words, the “economic pie” is fixed. When the government takes a bigger slice, it leaves less for the private economy. However, even at the level of simple logic, the crowding out argument only holds under a specific set of narrow economic circumstances. These circumstances would be when: 1) all the economy‘s real resources are being fully utilized, i.e. workers are fully employed, and the existing productive apparatus is being run full-tilt; 2) the economy‘s financial resources are similarly already being fully used up in financing productive investment projects; and 3) new public investment spending makes no contribution toward expanding the economy‘s productive capacity—i.e. it is not succeeding in its purpose of increasing the overall size of the economic pie. In the current economic crisis, unemployment is rising toward its highest level in a generation and financial institutions are providing almost no loans for private investment, preferring instead to hoard huge cash reserves and to purchase U.S. Treasury bonds, the single safest asset available on financial markets. Under these circumstances, there is no possibility of public investment projects bidding resources away from the private sector. Rather, higher rates of public infrastructure will increase the total number of people who can find employment, and it will put to good use the financial resources flowing into the U.S. Treasury. But these are of course extraordinary circumstances. It is also important to recognize that crowding out need not occur even when the economy is booming and unemployment is low. This is because public infrastructure investments will expand the economy‘s long-term productive capacity, with benefits flowing primarily to the private sector. Because public infrastructure investment actually increases the overall size of the economic pie, both the public and the private sectors can expand together through a complimentary, mutually-supportive growth path. More specifically, public spending provides goods and services essential for private production, including roads, bridges, energy, water, aviation, and water transport. Infrastructure improvements can increase labor productivity—e.g. more efficient transportation systems to and from work reduce wasted time. Better infrastructure can also reduce fossil fuel consumption specifically, and overall energy consumption more generally. This reduces greenhouse gas emissions, and thus the environmental barriers to economic growth.

## AT: Impact

### AT: Econ Collapse => War

#### ( ) No wars from econ collapse.

Morris Miller, Winter 2000, Interdisciplinary Science Reviews, “Poverty as a cause of wars?” V. 25, Iss. 4, p pq

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

#### no impact—recession proves economic decline has no effect on world stability

Barnett 2009 – WPR columnist and editor for Esquire, senior managing director of Enterra Solutions (8/24, Thomas, World Politics Review, “The New Rules: Security Remains Stable Amid Financial Crisis”, http://www.worldpoliticsreview.com/articles/4213/the-new-rules-security-remains-stable-amid-financial-crisis)

When the global financial crisis struck roughly a year ago, the blogosphere was ablaze with all sorts of scary predictions of, and commentary regarding, ensuing conflict and wars -- a rerun of the Great Depression leading to world war, as it were. Now, as global economic news brightens and recovery -- surprisingly led by China and emerging markets -- is the talk of the day, it's interesting to look back over the past year and realize how globalization's first truly worldwide recession has had virtually no impact whatsoever on the international security landscape. None of the more than three-dozen ongoing conflicts listed by GlobalSecurity.org can be clearly attributed to the global recession. Indeed, the last new entry (civil conflict between Hamas and Fatah in the Palestine) predates the economic crisis by a year, and three quarters of the chronic struggles began in the last century. Ditto for the 15 low-intensity conflicts listed by Wikipedia (where the latest entry is the Mexican "drug war" begun in 2006). Certainly, the Russia-Georgia conflict last August was specifically timed, but by most accounts the opening ceremony of the Beijing Olympics was the most important external trigger (followed by the U.S. presidential campaign) for that sudden spike in an almost two-decade long struggle between Georgia and its two breakaway regions. Looking over the various databases, then, we see a most familiar picture: the usual mix of civil conflicts, insurgencies, and liberation-themed terrorist movements. Besides the recent Russia-Georgia dust-up, the only two potential state-on-state wars (North v. South Korea, Israel v. Iran) are both tied to one side acquiring a nuclear weapon capacity -- a process wholly unrelated to global economic trends. And with the United States effectively tied down by its two ongoing major interventions (Iraq and Afghanistan-bleeding-into-Pakistan), our involvement elsewhere around the planet has been quite modest, both leading up to and following the onset of the economic crisis: e.g., the usual counter-drug efforts in Latin America, the usual military exercises with allies across Asia, mixing it up with pirates off Somalia's coast). Everywhere else we find serious instability we pretty much let it burn, occasionally pressing the Chinese -- unsuccessfully -- to do something. Our new Africa Command, for example, hasn't led us to anything beyond advising and training local forces. So, to sum up: \*No significant uptick in mass violence or unrest (remember the smattering of urban riots last year in places like Greece, Moldova and Latvia?); \*The usual frequency maintained in civil conflicts (in all the usual places); \*Not a single state-on-state war directly caused (and no great-power-on-great-power crises even triggered); \*No great improvement or disruption in great-power cooperation regarding the emergence of new nuclear powers (despite all that diplomacy); \*A modest scaling back of international policing efforts by the system's acknowledged Leviathan power (inevitable given the strain); and \*No serious efforts by any rising great power to challenge that Leviathan or supplant its role. (The worst things we can cite are Moscow's occasional deployments of strategic assets to the Western hemisphere and its weak efforts to outbid the United States on basing rights in Kyrgyzstan; but the best include China and India stepping up their aid and investments in Afghanistan and Iraq.) Sure, we've finally seen global defense spending surpass the previous world record set in the late 1980s, but even that's likely to wane given the stress on public budgets created by all this unprecedented "stimulus" spending. If anything, the friendly cooperation on such stimulus packaging was the most notable great-power dynamic caused by the crisis. Can we say that the world has suffered a distinct shift to political radicalism as a result of the economic crisis? Indeed, no. The world's major economies remain governed by center-left or center-right political factions that remain decidedly friendly to both markets and trade. In the short run, there were attempts across the board to insulate economies from immediate damage (in effect, as much protectionism as allowed under current trade rules), but there was no great slide into "trade wars." Instead, the World Trade Organization is functioning as it was designed to function, and regional efforts toward free-trade agreements have not slowed. Can we say Islamic radicalism was inflamed by the economic crisis? If it was, that shift was clearly overwhelmed by the Islamic world's growing disenchantment with the brutality displayed by violent extremist groups such as al-Qaida. And looking forward, austere economic times are just as likely to breed connecting evangelicalism as disconnecting fundamentalism. At the end of the day, the economic crisis did not prove to be sufficiently frightening to provoke major economies into establishing global regulatory schemes, even as it has sparked a spirited -- and much needed, as I argued last week -- discussion of the continuing viability of the U.S. dollar as the world's primary reserve currency. Naturally, plenty of experts and pundits have attached great significance to this debate, seeing in it the beginning of "economic warfare" and the like between "fading" America and "rising" China. And yet, in a world of globally integrated production chains and interconnected financial markets, such "diverging interests" hardly constitute signposts for wars up ahead. Frankly, I don't welcome a world in which America's fiscal profligacy goes undisciplined, so bring it on -- please! Add it all up and it's fair to say that this global financial crisis has proven the great resilience of America's post-World War II international liberal trade order. Do I expect to read any analyses along those lines in the blogosphere any time soon? Absolutely not. I expect the fantastic fear-mongering to proceed apace. That's what the Internet is for.

### AT: Econ Collapse Kills Heg

#### Economic decline doesn’t kill heg—military and political power outweigh and one decline isn’t enough to kill heg

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Powerful as this sense of decline may be, however, it deserves a more rigorous examination. Measuring changes in a nation’s relative power is a tricky business, but there are some basic indicators: the size and the influence of its economy relative to that of other powers; the magnitude of military power compared with that of potential adversaries; the degree of political influence it wields in the international system—all of which make up what the Chinese call “comprehensive national power.” And there is the matter of time. Judgments based on only a few years’ evidence are problematic. A great power’s decline is the product of fundamental changes in the international distribution of various forms of power that usually occur over longer stretches of time. Great powers rarely decline suddenly. A war may bring them down, but even that is usually a symptom, and a culmination, of a longer process. The decline of the British Empire, for instance, occurred over several decades. In 1870, the British share of global manufacturing was over 30 percent. In 1900, it was 20 percent. By 1910, it was under 15 percent—well below the rising United States, which had climbed over the same period from more than 20 percent to more than 25 percent; and also less than Germany, which had lagged far behind Britain throughout the nineteenth century but had caught and surpassed it in the first decade of the twentieth century. Over the course of that period, the British navy went from unchallenged master of the seas to sharing control of the oceans with rising naval powers. In 1883, Britain possessed more battleships than all the other powers combined. By 1897, its dominance had been eclipsed. British officials considered their navy “completely outclassed” in the Western hemisphere by the United States, in East Asia by Japan, and even close to home by the combined navies of Russia and France—and that was before the threatening growth of the German navy. These were clear-cut, measurable, steady declines in two of the most important measures of power over the course of a half-century. SOME OF THE ARGUMENTS for America’s relative decline these days would be more potent if they had not appeared only in the wake of the financial crisis of 2008. Just as one swallow does not make a spring, one recession, or even a severe economic crisis, need not mean the beginning of the end of a great power. The United States suffered deep and prolonged economic crises in the 1890s, the 1930s, and the 1970s. In each case, it rebounded in the following decade and actually ended up in a stronger position relative to other powers than before the crisis. The 1910s, the 1940s, and the 1980s were all high points of American global power and influence.

### Econ Resilient

#### The economy is resilient – Great Power peace, declining inflation and tech connectivity

Fareed Zakaria, Editor of Newsweek International, 12-21-2009, “The Secrets of Stability,” Newsweek, http://www.newsweek.com/id/226425

Others predicted that these economic shocks would lead to political instability and violence in the worst-hit countries. At his confirmation hearing in February, the new U.S. director of national intelligence, Adm. Dennis Blair, cautioned the Senate that "the financial crisis and global recession are likely to produce a wave of economic crises in emerging-market nations over the next year." Hillary Clinton endorsed this grim view. And she was hardly alone. Foreign Policy ran a cover story predicting serious unrest in several emerging markets. Of one thing everyone was sure: nothing would ever be the same again. Not the financial industry, not capitalism, not globalization. One year later, how much has the world really changed? Well, Wall Street is home to two fewer investment banks (three, if you count Merrill Lynch). Some regional banks have gone bust. There was some turmoil in Moldova and (entirely unrelated to the financial crisis) in Iran. Severe problems remain, like high unemployment in the West, and we face new problems caused by responses to the crisis—soaring debt and fears of inflation. But overall, things look nothing like they did in the 1930s. The predictions of economic and political collapse have not materialized at all. A key measure of fear and fragility is the ability of poor and unstable countries to borrow money on the debt markets. So consider this: the sovereign bonds of tottering Pakistan have returned 168 percent so far this year. All this doesn't add up to a recovery yet, but it does reflect a return to some level of normalcy. And that rebound has been so rapid that even the shrewdest observers remain puzzled. "The question I have at the back of my head is 'Is that it?' " says Charles Kaye, the co-head of Warburg Pincus. "We had this huge crisis, and now we're back to business as usual?" This revival did not happen because markets managed to stabilize themselves on their own. Rather, governments, having learned the lessons of the Great Depression, were determined not to repeat the same mistakes once this crisis hit. By massively expanding state support for the economy—through central banks and national treasuries—they buffered the worst of the damage. (Whether they made new mistakes in the process remains to be seen.) The extensive social safety nets that have been established across the industrialized world also cushioned the pain felt by many. Times are still tough, but things are nowhere near as bad as in the 1930s, when governments played a tiny role in national economies. It's true that the massive state interventions of the past year may be fueling some new bubbles: the cheap cash and government guarantees provided to banks, companies, and consumers have fueled some irrational exuberance in stock and bond markets. Yet these rallies also demonstrate the return of confidence, and confidence is a very powerful economic force. When John Maynard Keynes described his own prescriptions for economic growth, he believed government action could provide only a temporary fix until the real motor of the economy started cranking again—the animal spirits of investors, consumers, and companies seeking risk and profit. Beyond all this, though, I believe there's a fundamental reason why we have not faced global collapse in the last year. It is the same reason that we weathered the stock-market crash of 1987, the recession of 1992, the Asian crisis of 1997, the Russian default of 1998, and the tech-bubble collapse of 2000. The current global economic system is inherently more resilient than we think. The world today is characterized by three major forces for stability, each reinforcing the other and each historical in nature. The first is the spread of great-power peace. Since the end of the Cold War, the world's major powers have not competed with each other in geomilitary terms. There have been some political tensions, but measured by historical standards the globe today is stunningly free of friction between the mightiest nations. This lack of conflict is extremely rare in history. You would have to go back at least 175 years, if not 400, to find any prolonged period like the one we are living in. The number of people who have died as a result of wars, civil conflicts, and terrorism over the last 30 years has declined sharply (despite what you might think on the basis of overhyped fears about terrorism). And no wonder—three decades ago, the Soviet Union was still funding militias, governments, and guerrillas in dozens of countries around the world. And the United States was backing the other side in every one of those places. That clash of superpower proxies caused enormous bloodshed and instability: recall that 3 million people died in Indochina alone during the 1970s. Nothing like that is happening today. Peace is like oxygen, Harvard's Joseph Nye has written. When you don't have it, it's all you can think about, but when you do, you don't appreciate your good fortune. Peace allows for the possibility of a stable economic life and trade. The peace that flowed from the end of the Cold War had a much larger effect because it was accompanied by the discrediting of socialism. The world was left with a sole superpower but also a single workable economic model—capitalism—albeit with many variants from Sweden to Hong Kong. This consensus enabled the expansion of the global economy; in fact, it created for the first time a single world economy in which almost all countries across the globe were participants. That means everyone is invested in the same system. Today, while the nations of Eastern Europe might face an economic crisis, no one is suggesting that they abandon free-market capitalism and return to communism. In fact, around the world you see the opposite: even in the midst of this downturn, there have been few successful electoral appeals for a turn to socialism or a rejection of the current framework of political economy. Center-right parties have instead prospered in recent elections throughout the West. The second force for stability is the victory—after a decades-long struggle—over the cancer of inflation. Thirty-five years ago, much of the world was plagued by high inflation, with deep social and political consequences. Severe inflation can be far more disruptive than a recession, because while recessions rob you of better jobs and wages that you might have had in the future, inflation robs you of what you have now by destroying your savings. In many countries in the 1970s, hyperinflation led to the destruction of the middle class, which was the background condition for many of the political dramas of the era—coups in Latin America, the suspension of democracy in India, the overthrow of the shah in Iran. But then in 1979, the tide began to turn when Paul Volcker took over the U.S. Federal Reserve and waged war against inflation. Over two decades, central banks managed to decisively beat down the beast. At this point, only one country in the world suffers from -hyperinflation: Zimbabwe. Low inflation allows people, businesses, and governments to plan for the future, a key precondition for stability. Political and economic stability have each reinforced the other. And the third force that has underpinned the resilience of the global system is technological connectivity. Globalization has always existed in a sense in the modern world, but until recently its contours were mostly limited to trade: countries made goods and sold them abroad. Today the information revolution has created a much more deeply connected global system. Managers in Arkansas can work with suppliers in Beijing on a real-time basis. The production of almost every complex manufactured product now involves input from a dozen countries in a tight global supply chain. And the consequences of connectivity go well beyond economics. Women in rural India have learned through satellite television about the independence of women in more modern countries. Citizens in Iran have used cell phones and the Internet to connect to their well-wishers beyond their borders. Globalization today is fundamentally about knowledge being dispersed across our world. This diffusion of knowledge may actually be the most important reason for the stability of the current system. The majority of the world's nations have learned some basic lessons about political well-being and wealth creation. They have taken advantage of the opportunities provided by peace, low inflation, and technology to plug in to the global system. And they have seen the indisputable results. Despite all the turmoil of the past year, it's important to remember that more people have been lifted out of poverty over the last two decades than in the preceding 10. Clear-thinking citizens around the world are determined not to lose these gains by falling for some ideological chimera, or searching for a worker's utopia. They are even cautious about the appeals of hypernationalism and war. Most have been there, done that. And they know the price. In fact, the most remarkable development in the last few years has been the way China, India, Brazil, and other emerging markets have managed their affairs prudently, taming growth by keeping interest rates up and restricting credit in the middle of the bubble—just as an economics textbook (and common sense) would advise. Instead it was the advanced industrial world, which had always lectured everyone else about good political and economic management, that handled its affairs poorly, fueling bubble after bubble, being undisciplined in the boom, and now suffering most during the bust. The data reflect this new reality. By 2014 the debt of the rich countries in the G20 will be 120 percent of GDP, three times the level of debt in the big emerging-market countries. The students of the global system are now doing better than their teachers. Among the many realities that have become apparent in the last year, this is perhaps the most consequential. People in the West were quick to write off the developing nations after the crash, sure that they could not survive a recession in the centers of the global economy. But the strongest of the emerging markets have actually emerged. They have become large, mature, and connected enough that while affected by the West, their fortunes are not entirely dependent on it.

#### No global economic collapse and it wouldn’t cause conflict

Daniel Drezner, professor of international politics at the Fletcher School of Law and Diplomacy at Tufts University, 8-12-2011, “Please come down off the ledge, dear readers,” Foreign polivy, http://drezner.foreignpolicy.com/

So, when we last left off this debate, things were looking grim. My concern in the last post was that the persistence of hard times would cause governments to take actions that would lead to a collapse of the open global economy, a spike in general riots and disturbances, and eerie echoes of the Great Depression. Let's assume that the global economy persists in sputtering for a while, because that's what happens after major financial shocks. Why won't these other bad things happen? Why isn't it 1931? Let's start with the obvious -- it's not gonna be 1931 because there's some passing familiarity with how 1931 played out. The Chairman of the Federal Reserve has devoted much of his academic career to studying the Great Depression. I'm gonna go out on a limb therefore and assert that if the world plunges into a another severe downturn, it's not gonna be because central bank heads replay the same set of mistakes. The legacy of the Great Depression has also affected public attitudes and institutions that provide much stronger cement for the current system. In terms of publuc attitudes, compare the results of this mid-2007 poll with this mid-2010 poll about which economic system is best. I'll just reproduce the key charts below: The headline of the 2010 results is that there's eroding U.S. support for the global economy, but a few other things stand out. U.S. support has declined, but it's declined from a very high level. In contrast, support for free markets has increased in other major powers, such as Germany and China. On the whole, despite the worst global economic crisis since the Great Depression, public attitudes have not changed all that much. While there might be populist demands to "do something," that something is not a return to autarky or anything so drastc. Another big difference is that multilateral economic institutions are much more robust now than they were in 1931. On trade matters, even if the Doha round is dead, the rest of the World Trade Organization's corpus of trade-liberalizing measures are still working quite well. Even beyond the WTO, the complaint about trade is not the deficit of free-trade agreements but the surfeit of them. The IMF's resources have been strengthened as a result of the 2008 financial crisis. The Basle Committee on Banking Supervision has already promulgated a plan to strengthen capital requirements for banks. True, it's a slow, weak-assed plan, but it would be an improvement over the status quo. As for the G-20, I've been pretty skeptical about that group's abilities to collectively address serious macroeconomic problems. That is setting the bar rather high, however. One could argue that the G-20's most useful function is reassurance. Even if there are disagreements, communication can prevent them from growing into anything worse. Finally, a note about the possibility of riots and other general social unrest. The working paper cited in my previous post noted the links between austerity measures and increases in disturbances. However, that paper contains the following important paragraph on page 19: [I]n countries with better institutions, the responsiveness of unrest to budget cuts is generally lower. Where constraints on the executive are minimal, the coefficient on expenditure changes is strongly negative -- more spending buys a lot of social peace. In countries with Polity-2 scores above zero, the coefficient is about half in size, and less significant. As we limit the sample to ever more democratic countries, the size of the coefficient declines. For full democracies with a complete range of civil rights, the coefficient is still negative, but no longer significant. This is good news!! The world has a hell of a lot more democratic governments now than it did in 1931. What happened in London, in other words, might prove to be the exception more than the rule. So yes, the recent economic news might seem grim. Unless political institutions and public attitudes buckle, however, we're unlikely to repeat the mistakes of the 1930's. And, based on the data we've got, that's not going to happen.