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### Plan – 1AC

**The United States Federal Government should create a National Transportation Infrastructure Financing Authority to extend targeted loans and limited loan guarantees to its transportation infrastructure investment**

### State Budget Advantage – 1AC

#### Advantage one: State Budgets

#### States are stuck in a cycle of budget crises, forcing them to cut critical programs – Federal action is key to solve

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In states facing budget gaps, the consequences are severe in many cases — for residents as well as the economy. To date, budget difficulties have led at least 46 states to reduce services for their residents, including some of their most vulnerable families and individuals. [4] More than 30 states have raised taxes to at least some degree, in some cases quite significantly.

If revenue remains depressed, as is expected in many states, additional spending and service cuts are likely. Indeed a number of states that budget on a two-year basis have already made substantial cuts to balance their budgets for fiscal year 2013. Budget cuts often are more severe later in a state fiscal crisis, after largely depleted reserves are no longer an option for closing deficits.

Spending cuts are problematic during an economic downturn because they reduce overall demand and can make the downturn deeper. When states cut spending, they lay off employees, cancel contracts with vendors, eliminate or lower payments to businesses and nonprofit organizations that provide direct services, and cut benefit payments to individuals. In all of these circumstances, the companies and organizations that would have received government payments have less money to spend on salaries and supplies, and individuals who would have received salaries or benefits have less money for consumption. This directly removes demand from the economy.

Tax increases also remove demand from the economy by reducing the amount of money people have to spend. However to the extent these increases are on upper-income residents, that effect is minimized. This is because these residents tend to save a larger share of their income, and thus much of the money generated by a tax increase on upper income residents comes from savings and so does not diminish economic activity. At the state level, a balanced approach to closing deficits — raising taxes along with enacting budget cuts — is needed to close state budget gaps in order to maintain important services while minimizing harmful effects on the economy.

Ultimately, the actions needed to address state budget shortfalls place a considerable number of jobs at risk.

The roughly $49 billion shortfall that states are facing for fiscal year 2013 equals about 0.32 percent of GDP. Assuming that economic activity declines by one dollar for every dollar that states cut spending or raise taxes, and based on a rule of thumb that a one percentage point loss of GDP costs the economy 1 million jobs, the state shortfalls projected to date could prevent the creation of 320,000 public- and private-sector jobs next year.

The Role of the Federal Government

Federal assistance lessened the extent to which states needed to take actions that further harmed the economy. The American Recovery and Reinvestment Act (ARRA), enacted in February 2009, included substantial assistance for states. The amount in ARRA to help states maintain current activities was about $135 billion to $140 billion over a roughly 2½-year period — or between 30 percent and 40 percent of projected state shortfalls for fiscal years 2009, 2010, and 2011. Most of this money was in the form of increased Medicaid funding and a "State Fiscal Stabilization Fund." (There were also other streams of funding in the Recovery Act flowing through states to local governments or individuals, but these will not address state budget shortfalls.) This money reduced the extent of state spending cuts and state tax and fee increases.

In addition, H.R. 1586 — the August 2010 jobs bill — extended enhanced Medicaid funding for six months, through June 2011, and added $10 billion to the State Fiscal Stabilization Fund. Even with this extension, federal assistance largely ended before state budget gaps had fully abated. The Medicaid funds expired in June 2011, the end of the 2011 fiscal year in most states,[5] and states had drawn down most of their State Fiscal Stabilization Fund allocations by then as well. So even though significant budget gaps remained in 2012, there was little federal money available to close them. Partially as a result, states' final 2012 budgets contain some of the deepest spending cuts since the start of the recession.

One way to avert these kinds of cuts, as well as additional tax increases, would have been for the federal government to reduce state budget gaps by extending the Medicaid funds for as long as state fiscal conditions are expected to be problematic.

But far from extending this aid, federal policymakers are moving ahead with plans to cut ongoing federal funding for states and localities, thereby making state fiscal conditions even worse. The federal government has already cut non-defense discretionary spending by nine percent in real terms since 2010. Discretionary spending caps established in the federal debt limit deal this past summer will result in an additional six percent cut by the end of the next decade. The additional cut by the end of the next decade would grow to 11 percent if sequestration — the automatic, across the board cuts also established in the debt limit deal — is allowed to take effect.

Fully *one-third* of non-defense discretionary spending flows through state and local governments in the form of funding for education, health care, human services, law enforcement, infrastructure, and other services that states and localities administer. Large cuts in federal funding to states and localities would worsen state budget problems, deepen the size of cuts in spending, increase state taxes and fees, and thus slow economic recovery even further than is already likely to occur.

#### Scenario 1: Education

#### State budget crisis forces cuts in technical K-12 and university education

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Since states spend more of their budgets on education and health care than anything else, lawmakers imposing large spending cuts are hard-pressed to avoid cutting back on these essential public services. Many states also will lay off state employees or cut their pay and benefits. These actions, coming on top of deep cuts that states have already made over the last three years, place a drag on the nation’s economic recovery. Elementary and Secondary Education At least 23 states have made identifiable cuts in support for public schools. In many cases, these cuts undermine school finance systems that are intended to reduce disparities between high-wealth and low-wealth school districts, so the largest impacts may be felt in communities that are least able to compensate for the loss of funds from their own resources. Arizona is cutting $183 million from K-12 education spending in the coming year and continues another $377 million in cuts that were implemented over the previous three years, bringing the total cut relative to pre-recession levels to $560 million, or $530 per pupil. Colorado is cutting state spending on K-12 education by $347 per pupil compared to last school year. Florida is cutting spending on K-12 education by $542 per pupil compared with last year. The state also has cut $13 million from the state’s school readiness program that gives low-income families access to high quality early care for their children. The cut means over 15,000 children currently participating in the program will no longer be served. Florida also reduced by 7 percent the per-student allocation to providers participating in the state’s universal prekindergarten program for 4-year-olds, which will mean that classrooms have more children per teacher. Georgia cut state and lottery funds for pre-kindergarten by 15 percent, which will mean shortening the pre-K school year from 180 to 160 days for 86,000 four-year-olds, increasing class sizes from 20 to 22 students per teacher, and reducing teacher salaries by 10 percent. Iowa reduced state funding for its statewide pre-kindergarten program for four-year-olds by 9 percent from last year. Schools serving these children will now receive fewer dollars per child and may have to make up for lost funds with reduced enrollment or higher property taxes. The state is also cutting back support for a community-based early childhood program that provides resources to parents with children from birth to age 5, including a cut of nearly 30 percent to preschool tuition assistance. Illinois is cutting general state aid for public schools by $152 million, on top of a loss of $415 million in expired federal recovery dollars — a total decrease of 11 percent. The budget takes $17 million from the state fund that supports early childhood education efforts, which may result in an estimated 4,000 fewer children receiving preschool services and 1,000 fewer at-risk infants and toddlers receiving developmental services. The budget also eliminates state funding for advanced placement courses in school districts with large concentrations of low-income students, mentoring programs for teachers and principals, and an initiative providing targeted, research-based instruction to students with learning difficulties. Kansas cut the basic funding formula for K-12 schools by $232 per-pupil, bringing this funding nearly 6 percent below fiscal year 2011 budgeted levels. For the third year in a row, Louisiana will fail to fund K-12 education at the minimum amount required to ensure adequate funding for at-risk and special needs students, as determined by the state’s education finance formula. Per student spending will be $215 below the level set out by the finance formula for FY12. Michigan is cutting K-12 education spending by $470 per student. Mississippi, for the fourth year in a row, will fail to meet the state’s statutory obligation to support K-12 schools, underfunding school districts by 10.5 percent or $236 million. The statutory school funding formula is designed to ensure adequate funding for lower-income and underperforming schools. According to the Mississippi Department of Education, the state’s failure to meet that requirement over the past three years has resulted in 2,060 school employee layoffs (704 teachers, 792 teacher assistants, 163 administrators, counselors, and librarians, and 401 bus drivers, custodians, and clerical personnel).[11] Missouri is freezing funding for K-12 education at last year’s levels. This means that for the second year in a row, the state has failed to meet the statutory funding formula established to ensure equitable distribution of state dollars to school districts. Nebraska altered its K-12 school aid funding formula to freeze state aid to schools in the coming year and allow very small increases thereafter, resulting in a cut of $410 million over two years. New Mexico cut K-12 spending by $42 million (1.7 percent). The governor is requiring school districts to spare “classroom spending” from the cuts, which means greater proportional cuts to other areas of K-12 education like school libraries and guidance counseling. The operating budget of the state education department is being cut by more than 25 percent. New York cut education aid by $1.3 billion, or 6.1 percent. This cut will delay implementation of a court order to provide additional education funding to under-resourced school districts for the third year in a row. Beyond cutting the level of education aid in FY12, the budget limits the rate at which education spending can grow in future years to the rate of growth in state personal income. North Carolina cut nearly half of a billion dollars from K-12 education in each year of the biennium compared to the amount necessary to provide the same level of K-12 education services in 2012 as in 2011. Both the state-funded prekindergarten program for at risk 4-year-olds and the state’s early childhood development network that works to improve the quality of early learning and child outcomes were cut by 20 percent. The budget also reduces by 80 percent funds for textbooks; reduces by 5 percent funds for support positions, like guidance counselors and social workers; reduces by 15 percent funds for non-instructional staff; and cuts by 16 percent salaries and benefits for superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors, among others. Ohio is cutting state K-12 education funding 7.5 percent this year, a cut of $400 per student and equivalent to nearly 14,000 teachers’ salaries. Oklahoma is cutting funding for school districts by 4.5 percent, and makes additional cuts to the Department of Education’s budget. The Department of Education has voted to eliminate adult education programs, math labs in middle school, and stipends for certified teachers, among other things. Pennsylvania cut K-12 education aid by $422 million, or 7.3 percent, bringing funding down nearly to FY2009 levels. The budget also cuts $429 million dollars in additional funding that the state provides to school districts to implement effective educational practices (such as high quality pre-kindergarten programs) and maintain tutoring programs, among other purposes. Overall state funding for school districts was cut by $851 million or 13.5 percent, a cut of $485 per student. South Dakota cut K-12 education by 6.4 percent, next year, an amount equal to $416 per student, and 8.8 percent in 2013. Texas eliminated state funding for pre-K programs that serve around 100,000 mostly at-risk children, or more than 40 percent of the state’s pre-kindergarten students. The budget also reduces state K-12 funding to 9.4 percent below the minimum amount required by the state law. Texas already has below-average K-12 education funding compared to other states, and this cut would depress that low level even further at a time when the state’s school enrollment is growing. This would likely force school districts to lay off large numbers of teachers, increase class sizes, eliminate sports programs and other extracurricular activities, and take other measures that undermine the quality of education. Utah cut K-12 education by 5 percent, or $303, per pupil from the prior year’s levels. Washington is taking over $1 billion from state K-12 education funds designed to reduce class size, extend learning time, and provide professional development for teachers — a cut equal to $1,100 per student. Wisconsin reduced state aid designed to equalize funding across school districts by $740 million over the coming two-year budget cycle, a cut of 8 percent. The budget also reduces K-12 funds for services for at-risk children, school nursing, and alternative education. Higher Education At least 25 states have made large, identifiable cuts in funding for state colleges and universities, with direct impacts on students. Arizona cut funding for public universities by nearly one-quarter, or $200 million. This would add to deep previous cuts: from 2008 through 2011, state support for universities fell by $230 million, resulting in the elimination of more than 2,100 positions (an 11 percent reduction in the workforce). Universities have raised tuition significantly, closed eight extended campuses, and merged, consolidated, or disestablished 182 colleges, schools, programs, and departments. Combined with those previous cuts, the FY12 reduction brings per-student state funding down to 50 percent below pre-recession levels.[12] Arizona also cut community college funding for operating expenses by about $73 million. The cut amounts to 6.2 percent of total community college operating revenues and half of all state support for community colleges. California is increasing fees at community colleges starting this fall by 38 percent; for the average student, this means an annual fee increase of $300. The state also is reducing funding for the University of California (UC) and the California State University (CSU) systems by $1.3 billion ($650 million each). Since FY2008 California has cut funding for the UC system by 27 percent and has cut funding for the CSU system by almost 28 percent. In response to cuts in funding, the CSU will increase annual tuition by 29 percent, or $1,242 for full time undergraduate students (relative to the tuition rate that was in place at the beginning of last school year). UC will increase annual tuition by 18 percent, or over $1,800 for resident undergraduate students. UC tuition has grown by more than 80 percent since the 2007-08 academic year. Colorado cut state university spending by 11.5 percent over the prior year, which is expected to be offset with tuition increases of 9 percent, on average. The budget also cuts a means-tested stipend program for undergraduate students by 21 percent from what was budgeted for the current year. Florida cut state higher education spending and raised state university tuition for undergraduates by 8 percent. State universities are increasing tuition by another 7 percent to offset cuts in funding. This comes on the heels of tuition hikes equaling over 30 percent since the 2009-10 school year. The state has also cut a university merit-based scholarship program by 20 percent. Georgia cut funding for a popular merit-based college scholarship program serving hundreds of thousands of students by about one-fifth, university funding by 10 percent, and funding for technical colleges by 4 percent. Iowa is cutting state funding for public universities by $20 million, or around 4 percent. This brings state support below fiscal year 2007 levels. Louisiana enacted a 10 percent tuition increase for the state university system, or an average increase of around $600 more per year per student, in order to make up for the loss of federal and state dollars. Technical colleges will raise tuition by an average of $700 for full-time students. Massachusetts cut funding for higher education by $64 million, or 6.3 percent. Since FY2009, after adjusting for inflation, the state has cut funding by $185 million, or 16.3 percent. Michigan cut by 15 percent state support for public universities, and will increase the cut to about 20 percent for universities that raise tuition by more than 7 percent. Universities are already announcing tuition increases just under that limit, amounting to $600 - $900 tuition increases for in-state undergraduate students. The state also cut funding for community colleges by 4 percent. Minnesota is cutting state funding for higher education 12 percent below 2011 levels. This includes a $194 million cut to the University of Minnesota system and a $170 million cut to the Minnesota State Colleges and Universities system. Missouri cut state support for higher education by 7 percent. The cuts continue a trend of declining state support for Missouri’s universities and community colleges; over the last decade, state support for universities has fallen by 28 percent per student and support for community colleges has fallen by 12 percent. Nevada reduced state funding for the higher education system by 15 percent, which will result in an increase in undergraduate tuition of 13 percent in FY12 and an increase in graduate school tuition of 5 percent in FY12 and again in FY13. New Hampshire cut support for the university system almost in half in a single year, from $100 million to $52 million. University officials have announced that they will raise tuition 8.7 - 9.7 percent, eliminate around 200 positions, reduce employee benefits, dip into reserves, and take other measures as a result. Community colleges also face a 37 percent cut and will raise tuition 6.5 percent for the coming year, which will cost full time students up to $360 per year. New Mexico reduced by 8 percent state funding for public universities, which will result in a 5.5 percent tuition increase ($304 per student). New York cut state funding for the State University of New York (SUNY) by 7.6 percent, and reduces state funding for the City University of New York (CUNY) by 4.4 percent. To help them absorb the funding cuts, the legislature passed a bill that allows SUNY and CUNY to raise tuition by about 30 percent over the next five years. These tuition increases would affect 220,000 students in the SUNY system and 137,000 in the CUNY system and come on top of increases already imposed since the recession began. At SUNY, for example, substantial reductions in state support resulted in a 14 percent tuition increase in 2009. North Carolina cut nearly half of a billion dollars from higher education in each year of the biennium compared to the amount necessary to provide the same level of higher education services in 2012 as in 2011. The cuts mean that full-time resident community college students could see their tuition increase to $2,128 in FY12 and $2,208 in FY13 from the current $1,808 per year. Funds for community college basic education courses were cut by 12 percent. North Carolina is also forcing the university system to find more than $330 million in savings in each year of the biennium. The state also is reducing by 59 percent (or $26 million each year) the state subsidy to university hospitals to offset the costs of uncompensated care, which the hospital system estimates at $300 million this year. Oklahoma is cutting state funding for higher education by nearly 6.7 percent. Partially as a result, tuition and fees were increased by an average of 5.9 percent, or about $225 per student. The budget also cuts a career and technical education training program by about 6.5 percent. Ohio cut higher education funding 10 percent for FY12, amounting to $590 per student. Students at public universities face a 7 percent tuition increase as well as an undetermined (and uncapped) amount of fee increases. Pennsylvania cut funding for the state’s system of higher education by $91 million, or 18 percent. The budget also cuts funding for the state’s four “state related” universities (Penn State, the University of Pittsburgh, Temple, and Lincoln University) by roughly 20 percent. As a result, the University of Pittsburgh will increase in-state tuition by 8.5 percent and Temple University will increase in-state tuition by almost ten percent. Other state universities will see tuition increases of 7.5 percent. South Dakota cut higher education (and most other agencies) by 10 percent. The Board of Regents voted to raise tuition by 6.9 percent, or $490 per student, on average. The tuition increase covers only part of the loss of state funding, and each university has to determine how it will make up for the remaining loss of funds. Tennessee cut funds for the University of Tennessee system by 25 percent compared to 2011. Tuition within the system will rise 6 to 10 percent. Texas reduced general revenue spending on higher education by 9 percent over two years. This includes a cut of 5 percent to college and university formula spending, a cut of 10 percent in formula spending for health institutions, such as nursing schools, and a cut of 25 percent to funds for university research centers, graduate programs, and other non-operations spending. Enrollment growth is not funded for any higher education institution. The budget also cuts by 10 percent financial aid awards under the Texas grant program, which combines state and institutional money to cover tuition and fees for public school students with financial need and good academic records. The cut will likely result in smaller awards. Utah is cutting its higher education budget by about 1 percent below last year’s level, bringing the total decline in state spending to 2 percent since 2009. These funding cuts come despite rapidly rising enrollment. For example, enrollment in Utah’s system of higher education in the spring 2011 semester was 4 percent above enrollment the previous year. The failure of state funding to keep up with enrollment growth will result in an average tuition increase of 7.5 percent. Washington is cutting state funding for colleges and universities by more than $500 million and raising tuition in the upcoming school year by anywhere from 11 percent to 16 percent compared with last year. Wisconsin is cutting $250 million from the state university system, with nearly $100 million of that cut coming from funds for UW-Madison. The budget freezes financial aid at current levels despite expected tuition increases of 5.5 percent system-wide and a recently approved tuition increase of 8.3 percent for UW-Madison, creating an even larger funding gap that students and their families will have to fill. The budget also cuts state support for technical colleges by about $70 million over the biennium, or 25 percent, and places a two-year freeze on local property tax levies that allow communities to raise funds for technical colleges.

#### That destroys American primacy

NAS ‘7 (Committee on Prospering in the Global Economy of the 21st Century: An Agenda for American Science and Technology Committee on Science, Engineering, and Public Policy, “RISING ABOVE THE GATHERING STORM Energizing and Employing America for a Brighter Economic Future”, National Academy of Sciences, National Academy of Engineering, Institute of Medicine, July, http://www.nap.edu/catalog/11463.html)

China and India indeed have low wage structures, but the United States has many other advantages. These include a better science and technology infrastructure, stronger venture-capital markets, an ability to attract talent from around the world, and a culture of inventiveness. Comparative advantage shifts from place to place over time and always has; the earth cannot really be flattened. The US response to competition must include proper retraining of those who are disadvantaged and adaptive institutional and policy responses that make the best use of opportunities that arise. India and China will become consumers of those countries’ products as well as ours. That same rising middle class will have a stake in the “frictionless” flow of international commerce—and hence in stability, peace, and the rule of law. Such a desirable state, writes Friedman, will not be achieved without problems, and whether global flatness is good for a particular country depends on whether that country is prepared to compete on the global playing field, which is as rough and tumble as it is level. Friedman asks rhetorically whether his own country is proving its readiness by “investing in our future and preparing our children the way we need to for the race ahead.” Friedman’s answer, not surprisingly, is no. This report addresses the possibility that our lack of preparation will reduce the ability of the United States to compete in such a world. Many underlying issues are technical; some are not. Some are “political”—not in the sense of partisan politics, but in the sense of “bringing the rest of the body politic along.” Scientists and engineers often avoid such discussions, but the stakes are too high to keep silent any longer. Friedman’s term quiet crisis, which others have called a “creeping crisis,” is reminiscent of the folk tale about boiling a frog. If a frog is dropped into boiling water, it will immediately jump out and survive. But a frog placed in cool water that is heated slowly until it boils won’t respond until it is too late.Our crisis is not the result of a one-dimensional change; it is more than a simple increase in water temperature. And we have no single awakening event, such as Sputnik. The United States is instead facing problems that are developing slowly but surely, each like a tile in a mosaic. None by itself seems sufficient to provoke action. But the collection of problems reveals a disturbing picture—a recurring pattern of abundant short-term thinking and insufficient long-term investment. Our collective reaction thus far seems to presuppose that the citizens of the United States and their children are entitled to a better quality of life than others, and that all Americans need do is circle the wagons to defend that entitlement. Such a presupposition does not reflect reality and neither recognizes the dangers nor seizes the opportunities of current circumstances. Furthermore, it won’t work. In 2001, the Hart–Rudman Commission on national security, which foresaw large-scale terrorism in America and proposed the establishment of a cabinet-level Homeland Security organization before the terrorist attacks of 9/11, put the matter this way:4 The inadequacies of our system of research **and education pose a greater threat to U.S. national security over the next quarter century than any potential** conventional **war that we might imagine**. President George W. Bush has said “Science and technology have never been more essential to the defense of the nation and the health of our economy.”5 US Commission on National Security. Road Map for National Security: Imperative for Change. Washington, DC: US Commission on National Security, 2001. A letter from the leadership of the National Science Foundation to the President’s Council of Advisors on Science and Technology put the case even more bluntly:6 Civilization is on the brink of a new industrial order. The big winners in the increasingly fierce global scramble for supremacy will not be those who simply make commodities faster and cheaper than the competition. They will be those who develop talent, techniques and tools so advanced that there is no competition.

#### Great power wars

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Over the past two decades, no other state has had the ability to seriously challenge the US military. Under these circumstances, motivated by both opportunity and fear, many actors have bandwagoned with US hegemony and accepted a subordinate role. Canada, most of Western Europe, India, Japan, South Korea, Australia, Singapore and the Philippines have all joined the US, creating a status quo that has tended to mute great power conflicts.

However, as the hegemony that drew these powers together withers, so will the pulling power behind the US alliance. The result will be an international order where power is more diffuse, American interests and influence can be more readily challenged, and conflicts or wars may be harder to avoid.

As history attests, power decline and redistribution result in military confrontation. For example, in the late 19th century America’s emergence as a regional power saw it launch its first overseas war of conquest towards Spain. By the turn of the 20th century, accompanying the increase in US power and waning of British power, the American Navy had begun to challenge the notion that Britain ‘rules the waves.’ Such a notion would eventually see the US attain the status of sole guardians of the Western Hemisphere’s security to become the order-creating Leviathan shaping the international system with democracy and rule of law.

Defining this US-centred system are three key characteristics: enforcement of property rights, constraints on the actions of powerful individuals and groups and some degree of equal opportunities for broad segments of society. As a result of such political stability, free markets, liberal trade and flexible financial mechanisms have appeared. And, with this, many countries have sought opportunities to enter this system, proliferating stable and cooperative relations.

However, what will happen to these advances as America’s influence declines? Given that America’s authority, although sullied at times, has benefited people across much of Latin America, Central and Eastern Europe, the Balkans, as well as parts of Africa and, quite extensively, Asia, the answer to this question could affect global society in a profoundly detrimental way.

Public imagination and academia have anticipated that a post-hegemonic world would return to the problems of the 1930s: regional blocs, trade conflicts and strategic rivalry. Furthermore, multilateral institutions such as the IMF, the World Bank or the WTO might give way to regional organisations.

For example, Europe and East Asia would each step forward to fill the vacuum left by Washington’s withering leadership to pursue their own visions of regional political and economic orders. Free markets would become more politicised — and, well, less free — and major powers would compete for supremacy.

Additionally, such power plays have historically possessed a zero-sum element. In the late 1960s and 1970s, US economic power declined relative to the rise of the Japanese and Western European economies, with the US dollar also becoming less attractive. And, as American power eroded, so did international regimes (such as the Bretton Woods System in 1973).

A world without American hegemony is one where great power wars re-emerge, the liberal international system is supplanted by an authoritarian one, and trade protectionism devolves into restrictive, anti-globalisation barriers. This, at least, is one possibility we can forecast in a future that will inevitably be devoid of unrivalled US primacy.

#### Scenario 2: Bioterrorism

#### State budget cuts destroys bioterror responsiveness

AHLERS ’11- senior producer, transportation and regulation, for CNN (Mike M., “Bioterror security at risk”, December 20, http://security.blogs.cnn.com/2011/12/20/bioterror-security-at-risk/)

Recent and proposed budget cuts at all levels of government are threatening to reverse the significant post-9/11 improvements in the nation's ability to respond to natural diseases and bioterror attacks, according to a report released Tuesday. "We're seeing a decade's worth of progress eroding in front of our eyes," said Jeff Levi, executive director of the Trust for America's Health, which published the report with the Robert Wood Johnson Foundation. Budget cuts already have forced state and local health departments to cut thousands of health officials, the report says. Cuts are jeopardizing the jobs of federal investigators who help states hunt down diseases, threatening the capabilities at all 10 "Level 1" state labs that conduct tests for nerve agents or chemical agents such as mustard gas, and may hurt the ability of many cities to rapidly distribute vaccines during emergencies, it says. The "upward trajectory" of preparedness, fueled by more than $7 billion in federal grants to cities and states in the past 10 years, is leveling off, and the gains of the last decade are "at risk," the report says. The 2011 report departs slightly in tone from the nine previous reports prepared by the two health advocacy groups. Earlier reports, while focusing on gaps in the nation's preparedness for pandemics and bioterror attacks, showed a "steady progression of improvement," said Levi. "Our concern this year is that because of the economic crisis... we may not be as prepared today as we were a couple of years ago," he said. Once lost, medical capabilities take time and money to rebuild, the report says. "It would be like trying to hire and train firefighters in the middle of a fire," Levi said. "You don't do that for fire protection, and we shouldn't be doing that for public health protection." There are few expressions of assurance or optimism in the 2011 report. The report says: – In the past year, 40 states and the District of Columbia have cut funds to public health. – Since 2008, state health agencies have lost 14,910 people through layoffs or attrition; local health departments have lost 34,400. – Federal PHEP grants - Public Health Emergency Preparedness grants - were cut 27 percent between fiscal 2005 and 2011, when adjusted for inflation. – Some 51 cities are at risk for elimination of Cities Readiness Initiative funds, which support the rapid distribution of vaccinations and medications during emergencies. "Two steps forward, three steps back," said Dr. F. Douglas Scutchfield of the University of Kentucky College of Public Health, in an essay accompanying the study. "As certain as the sun will rise in the east, we will experience another event that will demonstrate our inability to cope, as the resources for public health are scarce, and it will prompt the cycle of build-up, neglect, event, build-up, etc." Federal aid to state and local governments for health preparedness peeked in 2002 at about $1.7 billion, and fell to $1.3 billion in fiscal 2012, Levi said. But the impact of cuts were masked when Congress allocated more than $8 billion in emergency funds to fight the H1N1 flu in 2009, Levi said. "Now that money is gone. And so we're seeing the real impact of these cuts," he said. The TFAH report comes just two months after another report concluded that the United States is largely unprepared for a large-scale bioterror attack or deadly disease outbreak.

#### Minimizing the death toll is crucial – large casualties ensure nuclear retaliation

CONLEY ‘3 (Lt Col Harry W. is chief of the Systems Analysis Branch, Directorate of Requirements, Headquarters Air Combat Command (ACC), Langley AFB, Virginia. Air & Space Power Journal – Spring, http://www.airpower.maxwell.af.mil/airchronicles/apj/apj03/spr03/conley.html)

The number of American casualties suffered due to a WMD attack may well be the most important variable in determining the nature of the US reprisal. A key question here is how many Americans would have to be killed to prompt a massive response by the United States. The bombing of marines in Lebanon, the Oklahoma City bombing, and the downing of Pan Am Flight 103 each resulted in a casualty count of roughly the same magnitude (150–300 deaths). Although these events caused anger and a desire for retaliation among the American public, they prompted no serious call for massive or nuclear retaliation. The body count from a single biological attack could easily be one or two orders of magnitude higher than the casualties caused by these events. Using the rule of proportionality as a guide, one could justifiably debate whether the United States should use massive force in responding to an event that resulted in only a few thousand deaths. However, what if the casualty count was around 300,000? Such an unthinkable result from a single CBW incident is not beyond the realm of possibility: “According to the U.S. Congress Office of Technology Assessment, 100 kg of anthrax spores delivered by an efficient aerosol generator on a large urban target would be between two and six times as lethal as a one megaton thermo-nuclear bomb.”46 Would the deaths of 300,000 Americans be enough to trigger a nuclear response? In this case, proportionality does not rule out the use of nuclear weapons. Besides simply the total number of casualties, the types of casualties- predominantly military versus civilian- will also affect the nature and scope of the US reprisal action. Military combat entails known risks, and the emotions resulting from a significant number of military casualties are not likely to be as forceful as they would be if the attack were against civilians. World War II provides perhaps the best examples for the kind of event or circumstance that would have to take place to trigger a nuclear response. A CBW event that produced a shock and death toll roughly equivalent to those arising from the attack on Pearl Harbor might be sufficient to prompt a nuclear retaliation. President Harry Truman’s decision to drop atomic bombs on Hiroshima and Nagasaki- based upon a calculation that up to one million casualties might be incurred in an invasion of the Japanese homeland47- is an example of the kind of thought process that would have to occur prior to a nuclear response to a CBW event. Victor Utgoff suggests that “if nuclear retaliation is seen at the time to offer the best prospects for suppressing further CB attacks and speeding the defeat of the aggressor, and if the original attacks had caused severe damage that had outraged American or allied publics, nuclear retaliation would be more than just a possibility, **whatever promises had been made.”**48

#### Nuclear war

**IRC ‘1** (11-20-1, “How should the U.S. prepare for possible attacks using biological and chemical weapons?” IRC, <http://www.fpif.org/faq/0111bioterror.html>)

Nuclear deterrence is a leading U.S. strategy to counter threats of biological and chemical warfare. The U.S. has adopted a nuclear weapons use doctrine based on the principles of deterrence capacity and the pre-emptive destruction of chemical or biological weapons and facilities of an enemy nation or non-state actor. This policy was most recently updated in Presidential Decision Directive 60 (PDD60), which was signed by President Clinton in late 1997. This document confirmed a policy that was in place as early as 1994. Detailed scenarios for nuclear operations by forces in the European theater (from where, for example, an assault on Libya would be launched) were enshrined in a "Silver Book" in 1994. Planning for this eventuality had begun as early as 1990, when the Pentagon began searching for new missions to justify the retention of nuclear forces following the end of the cold war. The policy now in place allows for nuclear weapons to be used in response to a chemical or biological weapons attack; against facilities for chemical and biological weapons (CBW) production or storage; or against an enemy thought to be preparing a CBW attack. This is part of a policy called counterproliferation, a military response to the spread of weapons of mass destruction (WMD). There is strong pressure from the Department of Energy weapons labs, from some officials in the administration, and a small number of military personnel for the development of new, smaller nuclear weapons that could be used for such counterproliferation missions. If the U.S. suffers a large number of casualties in a biological attack, the probability of nuclear retaliation would be high.If the administration would declare, for example, that the recent anthrax attacks were criminal or terrorist actions and could then trace them back to the bin Laden network, this would permit U.S. forces to attack Afghanistan with nuclear weapons, if a target requiring nuclear weapons to destroy it could be found. The same would be true with Iraq. If the U.S. suffers a large number of casualties in a biological attack, the probability of nuclear retaliation would be high. The problems with this strategy are manifold: First, if the country hosting the WMD terrorists is a non-nuclear weapon state, then the U.S. has promised not to use nuclear weapons against it unless it attacks the U.S. in alliance with a nuclear weapon state. In the case of Africa, South America, and other nuclear weapon free zones (NWFZ), those promises are legally enshrined in protocols to NWFZ treaties--the U.S. action would therefore be illegal. Second, the human and environmental cost of such action across generations would far exceed any damage done to the U.S., and there would be no way to ensure that fallout would be contained within the country attacked. Third, the development of new nuclear weapons would likely require a return to nuclear testing, killing any chance that the Comprehensive Nuclear Test Ban Treaty (CTBT) could come into force, and probably spurring new weapons developments in China, India, and Pakistan. Finally, there is no support for this U.S. policy, even among U.S. allies. NATO has adopted a watered-down version of the U.S. nuclear doctrine, but has been unable to agree on any guidance for military planners to operationalize the policy. Using nuclear weapons would make the U.S. a pariah state.

#### Federal infrastructure bank is key – coordination is crucial for business confidence and state budget

COEA ‘12 - Council of Economic Advisers, Department of Treasury (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, March 23, http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf)

President Obama’s FY 2013 Budget proposes a bold plan to renew and expand America’s infrastructure. This plan includes a $50 billion up-front investment connected to a six-year $476 billion reauthorization of the surface transportation program and the creation of a National Infrastructure Bank. The President’s plan would significantly increase investment in surface transportation by approximately 80 percent when compared to previous federal investment. The plan seeks not only to fill a long overdue funding gap, but also to reform how Federal dollars are spent so that they are directed to the most effective programs. This report contributes to the ongoing policy dialogue by summarizing the evidence on the economic effects of investments in transportation infrastructure.

Public infrastructure is an essential part of the U.S. economy. This has been recognized since the founding of our nation. Albert Gallatin, who served as President Jefferson’s Treasury Secretary, wrote: “The early and efficient aid of the *Federal* Government [emphasis in article] is recommended by still more important considerations. The inconveniences, complaints, and perhaps dangers, which may result from a vast extent of territory, can no otherwise be radically removed or prevented than by opening speedy and easy communications through all its parts. Good roads and canals will shorten distances, facilitate commercial and personal intercourse, and unite, by a still more intimate community of interests, the most remote quarters of the United States. **No** other single **operation, within the power of Government, can more effectually tend to strengthen and perpetuate that Union** which secures external independence, domestic peace, and internal liberty.” 1

 Gallatin spoke in terms of infrastructure shortening distances and easing communications, even when the only means to do so were roads and canals. Every day, Americans use our nation’s transportation infrastructure to commute to work, visit their friends and family, and travel freely around the country. Businesses depend on a well-functioning infrastructure system to obtain their supplies, manage their inventories, and deliver their goods and services to market. This is true for companies whose businesses rely directly on the infrastructure system, such as shippers like UPS and BNSF, as well as others whose businesses indirectly rely on the infrastructure system, such as farmers who use publicly funded infrastructure to ship crops to buyers, and internet companies that send goods purchased online to customers across the world. A modern transportation infrastructure network is necessary for our economy to function, and is a prerequisite for future growth. President Eisenhower’s vision is even more relevant today than it was in 1955, when he said in his State of the Union Address, "A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security." Today, that vision would include making not only our highways, but our nation’s entire infrastructure system more efficient and effective.

Our analysis indicates that further infrastructure investments would be highly beneficial for the U.S. economy in both the short and long term. First, estimates of economically justifiable investment indicate that American transportation infrastructure is not keeping pace with the needs of our economy. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; **the Federal government has a constructive role to play by stepping up to address the anticipated shortfall and providing more efficient financing mechanisms**, such as Build America Bonds. The third key finding is that investing in infrastructure benefits the middle class most of all. Finally, there is considerable support for greater infrastructure investment among American consumers and businesses.

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short-term and long-term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also a more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as to establish a National Infrastructure Bank, which would leverage private and other non-Federal government resources to make wise investments in projects of regional and national significance.

In this report, we begin by reviewing factors that should influence investment in infrastructure. We review the economic literature regarding returns to infrastructure investment. Next, we consider the specific condition of our economy and labor market, including the availability of workers with the requisite skills, which suggest that now is a particularly favorable time to initiate these investments. Then we analyze the benefits derived by American families and companies from well-functioning infrastructure systems and the costs associated with poor infrastructure systems. Finally, we review public and business sentiment regarding infrastructure investment.

#### Strong federal signal is critical to boost states’ confidence and solve the budget crisis

JOHNSON ET AL ‘10 - Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development. AND\*\*\* Iris J. Lav- created the State Fiscal Analysis Initiative, a network of nonprofit organizations that work on state budget issues. The SFAI network began with 11 state organizations in 1993 and now operates in 31 states with groups in seven other states under development. In 1999, she received the Steven D. Gold award for contributions to state and local fiscal policy. Holds an MBA from George Washington University and an AB from the University of Chicago. AND\*\*\* Elizabeth McNichol- M.A. in Political Science University of Chicago. Senior Fellow specializing in state fiscal issues including methods of examining state budget processes and long-term structural reform of state budget and tax systems, served as Assistant Research Director of the Service Employees International Union in Washington, D.C. was a staff member of the Joint Finance Committee for the State of Wisconsin Legislature specializing in property taxes and state aid to local governments (Nicholas, Iris J. Lav,Elizabeth McNichol, “ Additional Federal Fiscal Relief Needed to Help States Address Recession’s Impact “, March 1, http://www.cbpp.org/cms/index.cfm?fa=view&id=2988)

There are a number of reasons for these lags in state fiscal recovery.

 In the last two recessions, the unemployment rate continued climbing for 15 to 19 months after the recession ended and then remained high for a considerable period of time after that. That hampers the ability of state revenues to recover strongly; high unemployment reduces both income tax and consumption tax revenues. In the current economic downturn, unemployment is projected to continue rising in calendar year 2010 and to remain relatively high through 2012 or 2013. Mark Zandi forecasts that the unemployment rate will peak at 10.5 percent in the late spring of 2010 and not fall back to a rate consistent with full employment until 2013. Goldman-Sachs forecasts the unemployment rate to continue to rise throughout calendar year 2010, reaching 10.5 percent in the fourth quarter.[11]

 High unemployment also affects state expenditures, as Medicaid rolls remain swollen with residents who have lost their jobs, income, and health insurance.

 As states strive to balance their budgets while doing the least harm to their economies and their residents, they initially draw down rainy day funds and other reserves, sell assets, and postpone payments. The use of these strategies, however, creates holes in future-year budgets that have to be filled. When unemployment remains high in the years immediately after a recession ends, state revenue growth generally is not strong enough to fill these gaps.

 The tax increases that states enact during recessions often are temporary and expire before fiscal conditions have fully recovered.

Timing of Action

Because of state budget calendars, it would not be effective for the Administration and Congress to wait until the fall of 2010 to consider additional aid to the states for state fiscal year 2011.

In most states, the governor’s proposed budget for fiscal year 2011[12] is being developed this fall. At the end of calendar 2009 or the beginning of calendar 2010, governors will submit their budgets to their legislatures, to be considered between January and June 2010. Final budgets for fiscal year 2011 will be adopted at some point during that period. Some states, particularly those with short legislative sessions, require the adoption of budgets by March or April.

States budget for their fiscal years as a whole, not for six-month periods. The spending cuts and tax increases that states will institute in order to balance their 2011 budgets will be determined based on the state’s budget projections for all of fiscal year 2011. Those projections will include a significant drop-off in ARRA funds for the final half of the state fiscal year (i.e., after December 2010).

Accordingly, many of the actions that states will take to balance their 2011 budgets will be implemented next summer (or in some cases even earlier if budget gaps have reopened for the current fiscal year). To gain maximum revenue, states that plan to adopt tax increases to help address their looming fiscal year 2011 shortfalls may want to put them in place as quickly as possible. The same applies to spending reductions; for example, many cuts in education spending are likely to take effect next summer, at the start of the 2010-2011 school year.

The bottom line is that **unless states know that additional aid is coming** — even if they do not actually receive the dollars until calendar year 2011 — they will institute large new budget cuts and/or tax increases by next summer to close the shortfalls in their fiscal 2011 budgets.

Conclusion

State fiscal assistance under ARRA will end or largely be exhausted by the end of calendar year 2010. Unfortunately, big state deficits are expected to continue through state fiscal year 2012 — that is, for another 18 months or so after 2010 ends. If states do not receive additional federal assistance beyond the scheduled expiration of such aid, they will be forced to institute further deep budget cuts and/or substantial tax increases. Such actions would place a drag on the U.S. economy, impeding the recovery and costing many jobs. Such measures also could cause serious hardship for many families and individuals that have lost their jobs and are relying on Medicaid and other key state services to make it through this unusually painful economic downturn.

### Growth Advantage – 1AC

#### Advantage two: Growth

#### We’re at the brink of double dip recession – creating a Federal Infrastructure Bank is key to solve

MARHSALL & THOMASSON ‘11 - president and founder of the Progressive Policy Institute (PPI); found the Democratic Leadership Council, serving as its first policy director; AND\*\*\* Scott Thomasson - director of economic and domestic policy for the Progressive Policy Institute and manages PPI's Innovative Economy Project and E3 Initiative (Will, Scott Thomasson, “Sperling on “Deferred Maintenance””, October 7, <http://progressivepolicy.org/sperling-on-%E2%80%9Cdeferred-maintenance%E2%80%9D>)

It’s hard to imagine a more myopic example of the right’s determination to impose premature austerity on our frail economy. From Lincoln to Teddy Roosevelt to Eisenhower, the Republicans were once a party dedicated to internal nation building. Today’s GOP is gripped by a raging anti-government fever which fails to draw elementary distinctions between consumption and investment, viewing all public spending as equally wasteful.

But as the White House’s Gene Sperling said yesterday, Republicans can’t claim credit for fiscal discipline by blocking long overdue repairs of in the nation’s transport, energy and water systems. There’s nothing fiscally responsible about “deferring maintenance” on the U.S. economy.

Sperling, chairman of the president’s National Economic Council, spoke at a PPI forum on Capitol Hill on “Infrastructure and Jobs: A Productive Foundation for Economic Growth.” Other featured speakers included Sen. Mark Warner, Rep. Rosa DeLauro, Dan DiMicco, CEO of Nucor Corporation, Daryl Dulaney, CEO of Siemens Industry and Ed Smith, CEO of Ullico Inc., a consortium of union pension funds.

Fiscal prudence means foregoing consumption of things you’d like but could do without if you can’t afford them – a cable TV package, in Sperling’s example. But if a water pipe breaks in your home, deferring maintenance can only lead to greater damage and higher repair costs down the road.

As speaker after speaker emphasized during yesterday’s forum, that’s precisely what’s happening to the U.S. economy. Thanks to a generation of underinvestment in roads, bridges, waterways, power grids, ports and railways, the United States faces a $2 trillion repair bill. Our inadequate, worn-out infrastructure costs us time and money, lowering the productivity of workers and firms, and discouraging capital investment in the U.S. economy.

Deficient infrastructure, Dulaney noted, has forced Siemens to build its own rail spurs to get goods to market. That’s something smaller companies can’t afford to do. They will go to countries – like China, India and Brazil – that are investing heavily in building world-class infrastructure.

As Nucor’s DiMicco noted, a large-scale U.S. infrastructure initiative would create lots of jobs while also abetting the revival of manufacturing in America. He urged the Obama administration to think bigger, noting that a $500 billion annual investment in infrastructure (much of the new money would come from private sources rather than government) could generate 15 million jobs.

The enormous opportunities to deploy more private capital were echoed from financial leaders in New York, including Jane Garvey, the North American chairman of Meridiam Infrastructure, a private equity fund specializing in infrastructure investment. Garvey warned that what investors need from government programs is more transparent and consistent decision making, based on clear, merit-based criteria, and noted that an independent national infrastructure bank would be the best way to achieve this. Bryan Grote, former head of the Department of Transportation’s TIFIA financing program, which many describe as a forerunner of the bank approach, added that having a dedicated staff of experts in an independent bank is the key to achieving the more rational, predictable project selection that investors need to see to view any government program as a credible partner.

Tom Osborne, the head of Americas Infrastructure at UBS Investment Bank, agreed that an independent infrastructure bank like the version proposed by Senators Kerry, Hutchison and Warner, would empower private investors to fund more projects. And contrary to arguments that a national bank would centralize more funding decisions in Washington, Osborne explained that **states and local governments would also be more empowered by the bank to pursue new projects with flexible financing options**, knowing that the bank will evaluate projects based on its economics, not on the politics of the next election cycle.

Adding urgency to the infrastructure push was Fed Chairman Ben Bernanke’s warning this week that the recovery is “close to faltering.” Unlike short-term stimulus spending, money invested in modernizing infrastructure would create lasting jobs by expanding our economy’s productive base.

Warning that America stands on the precipice of a “double dip” recession, Sperling said it would be “inexcusable” for Congress to fail to act on the president’s job plan. He cited estimates by independent economic experts that the plan would boost GDP growth in 2012 from 2.4 to 4.2 percent, and generate over three million more jobs.

#### It’ll kill resiliency

RAMPELL ’11 – economics reporter for The New York Times; wrote for the Washington Post editorial pages and financial section (Catherine, “Second Recession in U.S. Could Be Worse Than First”. August 7. http://www.nytimes.com/2011/08/08/business/a-second-recession-could-be-much-worse-than-the-first.html?pagewanted=all)

If the economy falls back into recession, as many economists are now warning, the bloodletting could be a lot more painful than the last time around.

Given the tumult of the Great Recession, this may be hard to believe. But the economy is much weaker than it was at the outset of the last recession in December 2007, with most major measures of economic health — including jobs, incomes, output and industrial production — worse today than they were back then. And growth has been so weak that almost no ground has been recouped, even though a recovery technically started in June 2009.

“It would be disastrous if we entered into a recession at this stage, given that we haven’t yet made up for the last recession,” said Conrad DeQuadros, senior economist at RDQ Economics.

When the last downturn hit, the credit bubble left Americans with lots of fat to cut, but a new one would force families to cut from the bone. Making things worse, policy makers used most of the economic tools at their disposal to combat the last recession, and have few options available.

Anxiety and uncertainty have increased in the last few days after the decision by Standard & Poor’s to downgrade the country’s credit rating and as Europe continues its desperate attempt to stem its debt crisis.

President Obama acknowledged the challenge in his Saturday radio and Internet address, saying the country’s “urgent mission” now was to expand the economy and create jobs. And Treasury Secretary Timothy F. Geithner said in an interview on CNBC on Sunday that the United States had “a lot of work to do” because of its “long-term and unsustainable fiscal position.”

But he added, “I have enormous confidence in the basic regenerative capacity of the American economy and the American people.”

Still, the numbers are daunting. In the four years since the recession began, the civilian working-age population has grown by about 3 percent. If the economy were healthy, the number of jobs would have grown at least the same amount.

Instead, the number of jobs has shrunk. Today the economy has 5 percent fewer jobs — or 6.8 million — than it had before the last recession began. The unemployment rate was 5 percent then, compared with 9.1 percent today.

Even those Americans who are working are generally working less; the typical private sector worker has a shorter workweek today than four years ago.

Employers shed all the extra work shifts and weak or extraneous employees that they could during the last recession. As shown by unusually strong productivity gains, companies are now squeezing as much work as they can from their newly “lean and mean” work forces. Should a recession return, it is not clear how many additional workers businesses could lay off and still manage to function.

With fewer jobs and fewer hours logged, there is less income for households to spend, creating a huge obstacle for a consumer-driven economy.

Adjusted for inflation, personal income is down 4 percent, not counting payments from the government for things like unemployment benefits. Income levels are low, and moving in the wrong direction: private wage and salary income actually fell in June, the last month for which data was available.

Consumer spending, along with housing, usually drives a recovery. But with incomes so weak, spending is only barely where it was when the recession began. If the economy were healthy, total consumer spending would be higher because of population growth.

And with construction nearly nonexistent and home prices down 24 percent since December 2007, the country does not have a buffer in housing to fall back on.

Of all the major economic indicators, industrial production — as tracked by the Federal Reserve — is by far the worst off. The Fed’s index of this activity is nearly 8 percent below its level in December 2007.

Likewise, and perhaps most worrisome, is the track record for the country’s overall output. According to newly revised data from the Commerce Department, the economy is smaller today than it was when the recession began, despite (or rather, because of) the feeble growth in the last couple of years.

If the economy were healthy, it would be much bigger than it was four years ago. Economists refer to the difference between where the economy is and where it could be if it met its full potential as the “output gap.” Menzie Chinn, an economics professor at the University of Wisconsin, has estimated that the economy was about 7 percent smaller than its potential at the beginning of this year.

Unlike during the first downturn, there would be few policy remedies available if the economy were to revert back into recession.

Interest rates cannot be pushed down further — they are already at zero. The Fed has already flooded the financial markets with money by buying billions in mortgage securities and Treasury bonds, and economists do not even agree on whether those purchases substantially helped the economy. So the Fed may not see much upside to going through another politically controversial round of buying.

“There are only so many times the Fed can pull this same rabbit out of its hat,” said Torsten Slok, the chief international economist at Deutsche Bank.

Congress had some room — financially and politically — to engage in fiscal stimulus during the last recession.

But at the end of 2007, the federal debt was 64.4 percent of the economy. Today, it is estimated at around 100 percent of gross domestic product, a share not seen since the aftermath of World War II, and there is little chance of lawmakers reaching consensus on additional stimulus that would increase the debt.

“There is no approachable precedent, at least in the postwar era, for what happens when an economy with 9 percent unemployment falls back into recession,” said Nigel Gault, chief United States economist at IHS Global Insight. “The one precedent you might consider is 1937, when there was also a premature withdrawal of fiscal stimulus, and the economy fell into another recession more painful than the first.”

#### Scenario 1: Recovery

#### US crisis tanks the global economy

RAHMAN ‘11 - former Ambassador and Chairman of the Centre for Foreign Affairs Studies. (Ashfaqur . “Another global recession?”. August 21. http://www.thedailystar.net/newDesign/news-details.php?nid=199461)

Several developments, especially in Europe and the US, fan this fear. First, the US recovery from the last recession has been fragile. Its economy is much more susceptible to geopolitical shocks. Second there is a rise in fuel prices. The political instability in the Middle East is far from over. This is causing risks for the country and the international economy. Third, the global food prices in July this year is markedly higher than a year ago, almost 35% more. Commodities such as maize (up 84%), sugar (up 62%), wheat (up 55%), soybean oil (up 47%) have seen spike in their prices. Crude oil prices have also risen by 45%, affecting production costs. In the US, even though its debt ceiling has been raised and the country can now continue to borrow, credit agencies have downgraded its credit rating and therefore its stock markets have started to flounder. World Bank President Zoellick recently said: "There was a convergence of some events in Europe and the US that has led many market participants to lose confidence in economic leadership of the key countries." He added: "Those events, combined with other fragilities in the nature of recovery, have pushed US into a new danger zone." Employment in the US has, therefore, come near to a grinding halt. Prices of homes there continue to slide. Consumer and business spending is slowing remarkably. So, when the giant consumer economy slows down, there would be less demand for goods she buys from abroad, even from countries like Bangladesh. This would lead to decline in exports from such countries to the US. Then these economies would start to slide too, leading to factory closures and unemployment on a large scale. There would be less money available for economic development activities. Adding to the woes of the US economy are the travails of European economies. There, countries like Greece and Portugal, which are heavily indebted, have already received a first round of bailout. But this is not working. A second bailout has been given to Greece. But these countries remain in deep economic trouble. Bigger economies like Spain and Italy are also on the verge of bankruptcy. More sound economies like France and Germany are unwilling to provide money through the European Central Bank to bail them out. A proposal to issue Euro bonds to be funded by all the countries of the Euro Zone has also not met with approval. A creeping fear of the leaders of such big economies is that their electorate is not likely to agree to fund bankruptcies in other countries through the taxes they pay. Inevitably, they are saying that these weaker economies must restrain expenditures and thereby check indebtedness and live within their means. Thus, with fresh international bailouts not in the horizon and with possibilities of a debt default by countries like Greece, there is a likelihood of a ripple going through the world's financial system. Now what is recession and especially one with a global dimension ? There is no commonly accepted definition of a recession or for that matter of a global recession. The International Monetary Fund (IMF) regards periods when global growth is less than 3% to be a global recession. During this period, global per capita output growth is zero or negative and unemployment and bankruptcies are on the rise. Recession within a country implies that there is a business cycle contraction. It occurs when "there is a widespread drop in spending following an adverse supply shock or the bursting of an economic bubble." The most common indicator is "two down quarters of GDP." That is, when GDP of a country does not increase for six months. When recession occurs there is a slowdown in economic activity. Overall consumption, investment, government spending and net exports fall. Economic drivers such as employment, household savings, corporate investments, interest rates are on the wane. Interestingly, recession can be of several types. Each type may be literally of distinctive shapes. Thus V-shaped, or a short and sharp contraction, is common. It is usually followed by a rapid and sustained recovery. A U-shaped slump is a prolonged recession. The W-shaped slowdown of the economy is a double dip recession. There is also an L-shaped recession when, in 8 out of 9 three-monthly quarters, the economy is spiraling downward. So what type of recession can the world expect in the next quarter? Experts say that it could be a W-shaped one, known as a double dip type. But let us try to understand why the world is likely to face another recession, when it has just emerged from the last one, the Great Recession in 2010. Do not forget that this recession had begun in 2007 with the "mortgage and the derivative" scandal when the real estate and property bubble burst. Today, many say that the last recession had never ended. Despite official data that shows recovery, it was only a modest recovery. So, when the recession hit the US in 2007 it was the Great Recession I. The US government fought it by stimulating their economy with large bailouts. But this time, for the Great Recession II, which we may be entering, there is a completely different response. Politicians are squabbling over how much to cut spending. Therefore, we may be in a new double dip or W-shaped recession.

#### Double-dip risks nuclear war

FORDHAM ‘10(Tina Fordham, “Investors can’t ignore the rise of geopolitical risk”, Financial Times, 7-17-2010, <http://www.ft.com/cms/s/0/dc71f272-7a14-11df-9871-00144feabdc0.html>)

Geopolitical risk is on the rise after years of relative quiet – potentially creating further headwinds to the global recovery just as fears of a double-dip recession are growing, says Tina Fordham, senior political analyst at Citi Private Bank. “Recently, markets have been focused on problems within the eurozone and not much moved by developments in North Korea, new Iran sanctions, tensions between Turkey and Israel or the unrest in strategically significant Kyrgyzstan,” she says. “But taken together, we don’t think investors can afford to ignore the return of geopolitical concerns to the fragile post-financial crisis environment.” Ms Fordham argues the end of post-Cold War US pre-eminence is one of the most important by-products of the financial crisis. “The post-crisis world order is shifting. More players than ever are at the table, and their interests often diverge. Emerging market countries have greater weight in the system, yet many lack experience on the global stage. Addressing the world’s challenges in this more crowded environment will be slower and more complex. This increases the potential for proliferating risks: most notably the prospect of politically and/or economically weakened regimes obtaining nuclear weapons; and military action to keep them from doing so. “Left unresolved, these challenges could disrupt global stability and trade. This would be a very unwelcome time to see the return of geopolitical risk.”

#### Scenario 2: Protectionism

#### Unemployment causes backlash against free trade and China bashing

JIMENEZ ‘12 - Master's student at Georgetown University; degree in political science and international relations from CIDE, Mexico City. (“Protectionism Makes Comeback As Recovery Stalls”, http://atlanticsentinel.com/2012/01/protectionism-makes-comeback-as-recovery-stalls/)

As a result, protectionism could gain weight in the upcoming months and while it may be vilified by conventional wisdom which rightfully points out the benefits of free trade, there is a “human face” which legitimizes it.

Supporters of protectionism tend to justify their demands through what they regard as the direct negative effects of trade with other countries. Some of these effects are caused by the “unfair” practices of governments as China’s. Others are due to the abundance of cheap labor in countries as Mexico.

Whatever the reason, according to protectionists unchecked trade liberalization causes unemployment and income inequality. America’s disturbing trade deficit with China is one of the favorite arguments of trade critics in the United States. These opinions have a considerable impact in various segments of the population. The 2008 financial crisis only helped enforce the notion that Americans industry ought to be protected from unfair competition overseas.

According to theory, trade liberalization benefits an economy by expanding its production capabilities and diversifying the goods it can consume. Trade dynamics promoted by international competition lead to a decrease in prices, benefiting consumers and producers alike.

It also expands the labor pool, thereby reducing costs. Trade leads to specialization. Every country has a comparative advantage in producing certain type of goods due to its factor endowment. An economy will specialize in the production of goods which uses intensively its relative abundant factor. Thus, Germany, which is relatively abundant in high skill labor, specializes in the production of high end goods (computers, pharmaceuticals, etc.), while Vietnam, which is relatively abundant in low skill labor, specializes in the production of basic goods (agricultural products, clothes).

Through specialization, countries are able to increase their respective national income because they produce what they are more efficient in producing and trade it to the world. But then, what happens to those industries in which a nation is inefficient? Herein lays the main dilemma of trade which can fuel protectionism—specialization leads to the disappearance of inefficient industries. Theoretically, this should not be a problem, since workers in these industries will gravitate to other industries which are succeeding. Reality is more complex.

Skill biased technological change has made it very difficult for job displacement to occur. All types of jobs have modified their requirements in line with technological chance. A laid off worker will struggle to find another job because he doesn’t have the required set of skills. Retraining could take years. The protectionists argue that this is exactly why the state must design and implement policies to offset those effects of liberalization.

It’s easy for Americans to blame the Chinese for their trade deficit, to propose to punish China by turning its currency manipulation into an illegal subsidy and disregard recommendations to change domestic consumption patterns which, in fact, makes American society the main actor responsible for their current situation.

A more effective way to enable economic growth than either raise or reduce trade tariffs may be the implementation of an industrial policy. This refers to measures introduced by governments to channel resources into sectors which they view as critical to future economic growth. It implies benefiting some by hurting others (the financial resources have to come from somewhere else). Consequently, industrial policy should only be deployed to counter market failures and externalities which prevent the industries in which a country has comparative advantage from naturally becoming as efficient as they should be.

The successful examples of Japan, South Korea and the Southeast Asian “tiger” economies encourage governments around the world to intervene in their industries through subsidies, tariffs, taxes, etc. so as to increase their profitability. The idea is to benefit those sectors that the state believes have a comparative advantage over those of other countries and create national champions

There are problems with this analysis. Japan and South Korea both had the overt support of the United States which, due to Cold War dynamics, prevented their experiments from failing. For their part, the tigers, except Hong Kong, had authoritarian governments that facilitated the implementation of policies and they, too, enjoyed American support.

There are examples that demonstrate both successes and failures but, to be fair, the outcomes were contingent upon other variables which require closer analysis. China’s is the most recent case of an industrial policy, and, so far, it seems it has been successful.

This has caused alarm in the United States where China’s success is increasingly perceived as coming at the expense of American workers. The politicization of industrial policy that aims to “correct” market imbalances unfortunately often leads democratic governments to privilege certain interest groups, whether they’re corporations or unions, at the expense of their economy’s competitiveness as a whole. Perhaps, in this sense, China’s comparative advantage is its very authoritarianism?

#### Protectionism snowballs and causes nuclear war

**Panzner 8** – faculty at the New York Institute of Finance, 25-year veteran of the global stock, bond, and currency markets who has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank, and JPMorgan Chase (Michael, “Financial Armageddon: Protect Your Future from Economic Collapse,” p. 136-138)

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross-border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt, and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity, be acquired from less-than-friendly nations. Whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to full-scale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part, may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation” between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

#### China bashing causes war with China

REUTERS ‘11 (“Analysis: Obama to challenge China on trade as election nears”, http://www.reuters.com/article/2011/10/13/us-usa-china-trade-idUSTRE79C72820111013)

Analysts cautioned the highly charged political atmosphere in Washington -- as Republicans and Democrats struggle for position ahead of presidential and congressional elections in 2012 -- could be misread by Beijing. China faces a leadership succession of its own in 2012-13, adding to the potential for tensions between the two countries to worsen. "We've been seeing for some time in (the United States) a serious flirtation with increased protectionism," said Doug Paal, a China expert and vice president for studies at the Carnegie Endowment for International Peace. "I have been telling the Chinese that they should take this seriously, but I've been warning them that next year is the one that they're really going to have to worry about." Eswar Prasad, a senior fellow at the Washington-based Brookings Institution, said any tit-for-tat measures had the potential to blow up into something much more serious. "There is a real and present danger that symbolic measures initiated by either side spiral into a more serious trade conflict as both sides strive to flex their muscles for the benefit of domestic audiences," Prasad said. "Much acrimony lies ahead but the big question is whether it will spill over into open warfare that could be mutually harmful."

#### Extinction

Cheong ’00(Ching, 6-25, Lexis, No one gains in war over Taiwan)

THE DOOMSDAY SCENARIO THE high-intensity scenario postulates a cross-strait war escalating into a full-scale war between the US and China. If Washington were to conclude that splitting China would better serve its national interests, then a full-scale war becomes unavoidable. Conflict on such a scale would embroil other countries far and near and -- horror of horrors -- raise the possibility of a nuclear war. Beijing has already told the US and Japan privately that it considers any country providing bases and logistics support to any US forces attacking China as belligerent parties open to its retaliation. In the region, this means South Korea, Japan, the Philippines and, to a lesser extent, Singapore. If China were to retaliate, east Asia will be **set on fire**. And the conflagration may not end there as opportunistic powers elsewhere may try to overturn the existing world order. With the US distracted, Russia may seek to redefine Europe's political landscape. The balance of power in the Middle East may be similarly upset by the likes of Iraq. In south Asia, hostilities between India and Pakistan, each armed with its own nuclear arsenal, could enter a new and dangerous phase. Will a full-scale Sino-US war lead to a nuclear war? According to General Matthew Ridgeway, commander of the US Eighth Army which fought against the Chinese in the Korean War, the US had at the time thought of using nuclear weapons against China to save the US from military defeat. In his book The Korean War, a personal account of the military and political aspects of the conflict and its implications on future US foreign policy, Gen Ridgeway said that US was confronted with two choices in Korea -- truce or a broadened war, which could have led to the use of nuclear weapons. If the US had to resort to nuclear weaponry to defeat China long before the latter acquired a similar capability, there is little hope of winning a war against China 50 years later, short of using nuclear weapons. The US estimates that China possesses about 20 nuclear warheads that can destroy major American cities. Beijing also seems prepared to go for the nuclear option. A Chinese military officer disclosed recently that Beijing was considering a review of its "non first use" principle regarding nuclear weapons. Major-General Pan Zhangqiang, president of the military-funded Institute for Strategic Studies, told a gathering at the Woodrow Wilson International Centre for Scholars in Washington that although the government still abided by that principle, there were strong pressures from the military to drop it. He said military leaders considered the use of nuclear weapons mandatory if the country risked dismemberment as a result of foreign intervention. Gen Ridgeway said that should that come to pass, we would see the **destruction of civilisation**. There would be no victors in such a war. While the prospect of a **nuclear** **Armaggedon** over Taiwan might seem inconceivable, it cannot be ruled out entirely, for China puts sovereignty above everything else.

#### Scenario 3: Capitalist Leadership

#### Strong US growth is key to promoting an American economic model – the alternative is mercantilism, which destroys economic cooperation

**POSEN ‘9** - Deputy director and senior fellow of the Peterson Institute for International Economics (Adam, “Economic leadership beyond the crisis,” http://clients.squareeye.com/uploads/foresight/documents/PN%20USA\_FINAL\_LR\_1.pdf)

In the postwar period, US power and prestige, beyond the nation's military might, have been based largely on American relative economic size and success. These facts enabled the US to promote economic openness and buy-in to a set of economic institutions, formal and informal, that resulted in increasing international economic integration. With the exception of the immediate post-Bretton Woods oil-shock period (1974-85), this combination produced generally growing prosperity at home and abroad, and underpinned the idea that there were benefits to other countries of following the American model and playing by American rules. Initially this system was most influential and successful in those countries in tight military alliance with the US, such as Canada, West Germany, Japan, South Korea, and the United Kingdom. With the collapse of Soviet communism in 1989, and the concomitant switch of important emerging economies, notably Brazil, China, India, and Mexico, to increasingly free-market capitalism, global integration on American terms through American leadership has been increasingly dominant for the last two decades. The global financial crisis of 2008-09, however, represents a challenge to that world order. While overt financial panic has been averted, and most economic forecasts are for recovery to begin in the US and the major emerging markets well before end of 2009 (a belief I share), there remain significant risks for the US and its leadership. The global financial system, including but not limited to US-based entities, has not yet been sustainably reformed. In fact, financial stability will come under strain again when the current government financial guarantees and public ownership of financial firms and assets are unwound over the next couple of years. The growth rate of the US economy and the ability of the US government to finance responses to future crises, both military and economic, will be meaningfully curtailed for several years to come. Furthermore, the crisis will accelerate at least temporarily two related long-term trends eroding the viability of the current international economic arrangements. First, perhaps inevitably, the economic size and importance of China, India, Brazil, and other emerging markets (including oil-exporters like Russia) has been catching up with the US, and even more so with demographically and productivity challenged Europe and northeast Asia. Second, pressure has been building over the past fifteen years or so of these developing countries' economic rise to give their governments more voice and weight in international economic decision-making. Again, this implies a transfer of relative voting share from the US, but an even greater one from over-represented Western Europe. The near certainty that Brazil, China, and India, are to be less harmed in real economic terms by the current crisis than either the US or most other advanced economies will only emphasise their growing strength, and their ability to claim a role in leadership. The need for capital transfers from China and oil-exporters to fund deficits and bank recapitalisation throughout the West, not just in the US, increases these rising countries' leverage and legitimacy in international economic discussions. One aspect of this particular crisis is that American economic policymakers, both Democratic and Republican, became increasingly infatuated with financial services and innovation beginning in the mid-1990s. This reflected a number of factors, some ideological, some institutional, and some interest group driven. The key point here is that export of financial services and promotion of financial liberalisation on the US securitised model abroad came to dominate the US international economic policy agenda, and thus that of the IMF, the OECD, and the G8 as well. This came to be embodied by American multinational commercial and investment banks, in perception and in practice. That particular version of the American economic model has been widely discredited, because of the crisis' apparent origins in US lax regulation and over-consumption, as well as in excessive faith in American-style financial markets. Thus, American global economic leadership has been eroded over the long-term by the rise of major emerging market economies, disrupted in the short-term by the nature and scope of the financial crisis, and partially discredited by the excessive reliance upon and overselling of US-led financial capitalism. This crisis therefore presents the possibility of the US model for economic development being displaced, not only deservedly tarnished, and the US having limited resources in the near-term to try to respond to that challenge. Additionally, the US' traditional allies and co-capitalists in Western Europe and Northeast Asia have been at least as damaged economically by the crisis (though less damaged reputationally). Is there an alternative economic model? The preceding description would seem to confirm the rise of the Rest over the West. That would be premature. The empirical record is that economic recovery from financial crises, while painful, is doable even by the poorest countries, and in advanced countries rarely leads to significant political dislocation. Even large fiscal debt burdens can be reined in over a few years where political will and institutions allow, and the US has historically fit in that category. A few years of slower growth will be costly, but also may put the US back on a sustainable growth path in terms of savings versus consumption. Though the relative rise of the major emerging markets will be accelerated by the crisis, that acceleration will be insufficient to rapidly close the gap with the US in size, let alone in technology and well-being. None of those countries, except perhaps for China, can think in terms of rivaling the US in all the aspects of national power. These would include: a large, dynamic and open economy; favorable demographic dynamics; monetary stability and a currency with a global role; an ability to project hard power abroad; and an attractive economic model to export for wide emulation. This last point is key. In the area of alternative economic models, one cannot beat something with nothing - communism fell not just because of its internal contradictions, or the costly military build-up, but because capitalism presented a clearly superior alternative. The Chinese model is in part the American capitalist (albeit not high church financial liberalisation) model, and is in part mercantilism. There has been concern that some developing or small countries could take the lesson from China that building up lots of hard currency reserves through undervaluation and export orientation is smart. That would erode globalisation, and lead to greater conflict with and criticism of the US-led system. While in the abstract that is a concern, most emerging markets - and notably Brazil, India, Mexico, South Africa, and South Korea - are not pursuing that extreme line. The recent victory of the incumbent Congress Party in India is one indication, and the statements about openness of Brazilian President Lula is another. Mexico's continued orientation towards NAFTA while seeking other investment flows (outside petroleum sector, admittedly) to and from abroad is a particularly brave example. Germany's and Japan's obvious crisis-prompted difficulties emerging from their very high export dependence, despite their being wealthy, serve as cautionary examples on the other side. So unlike in the1970s, the last time that the US economic performance and leadership were seriously compromised, we will not see leading developing economies like Brazil and India going down the import substitution or other self-destructive and uncooperative paths. If this assessment is correct, the policy challenge is to deal with relative US economic decline, but not outright hostility to the US model or displacement of the current international economic system. That is reassuring, for it leaves us in the realm of normal economic diplomacy, perhaps to be pursued more multilaterally and less high-handedly than the US has done over the past 20 years. It also suggests that adjustment of current international economic institutions is all that is required, rather than desperately defending economic globalisation itself. For all of that reassurance, however, the need to get buy-in from the rising new players to the current system is more pressing on the economic front than it ever has been before. Due to the crisis, the ability of the US and the other advanced industrial democracies to put up money and markets for rewards and side-payments to those new players is also more limited than it has been in the past, and will remain so for at least the next few years. The need for the US to avoid excessive domestic self-absorption is a real concern as well, given the combination of foreign policy fatigue from the Bush foreign policy agenda and economic insecurity from the financial crisis. Managing the post-crisis global economy Thus, the US faces a challenging but not truly threatening global economic situation as a result of the crisis and longer-term financial trends. Failure to act affirmatively to manage the situation, however, bears two significant and related risks: first, that China and perhaps some other rising economic powers will opportunistically divert countries in US-oriented integrated relationships to their economic sphere(s); second, that a leadership vacuum will arise in international financial affairs and in multilateral trade efforts, which will over time erode support for a globally integrated economy. Both of these risks if realised would diminish US foreign policy influence, make the economic system less resilient in response to future shocks (to every country's detriment), reduce economic growth and thus the rate of reduction in global poverty, and conflict with other foreign policy goals like controlling climate change or managing migration and demographic shifts. If the US is to rise to the challenge, it should concentrate on the following priority measures.

#### Multilateral economic cooperation solves key global threats – especially warming

MATTHEWS ‘7 - president of the Carnegie Endowment for International Peace (Jessica, "Europe and the US: Confronting Global Challenges," 11/8, http://www.carnegieendowment.org/files/transcript\_mandelson.pdf)

 Now, the question I want to answer today is, how do we do this and to what purpose? Firstly, fundamentally, we must engage with economic globalization, accept it, shape it. **We’re not going to roll it back**, and if we could, we shouldn’t seek to do so. In fact, I’d argue that the preservation of an equitable economic globalization should be the core political commitment at the heart of the transatlantic economic relationship, equivalent in its way to the mutual commitment to democracy that the Atlantic Charter embodied six decades ago, because managed right, an economically integrated world is ultimately not only a more stable and a more equitable world; it is also our principal means of meeting the increasing number of global challenges that require collective action. The reshaping of the global economy and the huge dramatic changes that are taking place in the economic landscape of the world certainly test the nerves of us in Europe and the nerves of you too in the United States. But just because it tests our nerves doesn’t mean to say that these changes are not in our interests. It’s true that some parts of our manufacturing sectors are certainly facing some tough competitive pressure. It is true that this will force us to think about how we choose to educate and to train ourselves in the future, and how we ensure that the benefits of economic growth are equitably shared. That’s a major policy challenge for us on both sides of the Atlantic. It is true that because of these great changes and the huge anxiety that they are generating amongst people on both sides of the Atlantic that policymakers are under increasing pressure to show that our embrace of economic globalization is not naivety, that we’re not being taken for a ride, in other words, by the rest of the world; to show that – as we need to do as policymakers – to show that closing the gate to the outside world is not a better alternative to keeping that gate open to the rest of the world. Now, these debates are broadly the same in Europe and the United States. But in an open global market, we have to understand that the growing economies of the developing world are also a competitive stimulus and a real engine for the growth of our own economies. They are a market for our goods and for our investment. They are a source of downward pressure on consumer prices and inflation at home. They are also the driving force that has lifted perhaps half a billion people out of poverty in half a human lifetime, which is hard to argue against. In defending and preserving this openness to the world and this growth of the global economy and its integration, the EU and the U.S. are faced with some simple realities. The first is that we now live in a world that is increasingly economically multi-polar. One billion new workers have entered the global labor force in the space of just two decades in the world. In those 20-odd years, China has risen from a country with which the EU traded almost literally nothing to becoming our biggest trading partner for manufacturers. In some ways, an older balance of economic power is reasserting itself in the world. In 1830, India and China were the two biggest economies in the world – in 1830. By 2050, they will again be amongst the very largest economies in the world. Of course, this is not the only way of weighing power in the modern world, far from it. But it is fundamental. And that’s in the nature of the fundamental revolution in economic terms, and also political terms, therefore, that the world is undergoing. Now, the machinery of what you might call the Atlantic consensus – the World Bank, the IMF, GATT, G7 or G8 – was conceived and rooted in the assumption that the global economic and political order could and would indeed be governed largely by the Atlantic world. That assumption now no longer holds. There has been a reorientation from the Atlantic to the Pacific and beyond. Now, the multilateral institutions that survive, therefore, will be those ones that are able to adapt to this new 21st century landscape. The second simple reality that I would identify for you is that economic globalization means interdependence. This is not simply a question of global supply chains and production lines. Our **open markets are a ladder out of poverty** for the developing world. Their growing markets are a source of growth for us. That is the fundamental interdependence that links and joins us and our interests together in the global economy. A world of growing prosperity and economic integration is **a more stable world**, even if it doesn’t always feel that way Now, for that reason, multilateral institutions in the multilateral trading system will matter more than ever in the new global age of the 21st century. There is no going it alone in this century, in this global age. Interdependence doesn’t allow going it alone in the way that we have tried to practice or imagine it was possible in the past. Our ability to get things done multilaterally will define the extent to which we can shape globalization in a way that makes it equitable and sustainable and binds in the big new players who are emerging in that global economy. It will certainly define the extent to which we can confront huge pressing problems such as global warming, migration, nuclear proliferation, and energy security.

#### **It’s real and causes extinction**

DEIBEL ‘7 (Terry L. Deibel, professor of IR at National War College, Foreign Affairs Strategy, “Conclusion: American Foreign Affairs Strategy Today Anthropogenic – caused by CO2”)

Finally, there is one major existential threat to American security (as well as prosperity) of a nonviolent nature, which, though far in the future, demands urgent action. It is the threat of global warming to the stability of the climate upon which all earthly life depends. Scientists worldwide have been observing the gathering of this threat for three decades now, **and what was once a mere possibility has passed** through probability **to near certainty.** Indeed **not one of more than 900 articles** **on climate change published in refereed scientific journals** from 1993 to 2003 doubted that anthropogenic warming is occurring. “In legitimate scientific circles,” writes Elizabeth Kolbert, “it is virtually **impossible to find evidence of disagreement** over the fundamentals of global warming.” Evidence from a vast international scientific monitoring effort accumulates almost weekly, as this sample of newspaper reports shows: an international panel predicts “brutal droughts, floods and violent storms across the planet over the next century”; climate change could “literally alter ocean currents, wipe away huge portions of Alpine Snowcaps and aid the spread of cholera and malaria”; “glaciers in the Antarctic and in Greenland are melting much faster than expected, and…worldwide, plants are blooming several days earlier than a decade ago”; “rising sea temperatures have been accompanied by a significant global increase in the most destructive hurricanes”; “NASA scientists have concluded from direct temperature measurements that 2005 was the hottest year on record, with 1998 a close second”; “Earth’s warming climate is estimated to contribute to more than 150,000 deaths and 5 million illnesses each year” as disease spreads; “widespread bleaching from Texas to Trinidad…killed broad swaths of corals” due to a 2-degree rise in sea temperatures. “The world is slowly disintegrating,” concluded Inuit hunter Noah Metuq, who lives 30 miles from the Arctic Circle. “They call it climate change…but we just call it breaking up.” From the founding of the first cities some 6,000 years ago until the beginning of the industrial revolution, carbon dioxide levels in the atmosphere remained relatively constant at about 280 parts per million (ppm). At present they are accelerating toward 400 ppm, and by 2050 they will reach 500 ppm, about double pre-industrial levels. Unfortunately, atmospheric CO2 lasts about a century, so there is no way immediately to reduce levels, only to slow their increase, we are thus in for significant global warming; the only debate is how much and how serous the effects will be. As the newspaper stories quoted above show, we are already experiencing the effects of 1-2 degree warming in more violent storms, spread of disease, mass die offs of plants and animals, species extinction, and threatened inundation of low-lying countries like the Pacific nation of Kiribati and the Netherlands at a warming of 5 degrees or less the Greenland and West Antarctic ice sheets could disintegrate, leading to a sea level of rise of 20 feet that would cover North Carolina’s outer banks, swamp the southern third of Florida, and inundate Manhattan up to the middle of Greenwich Village. Another catastrophic effect would be the collapse of the Atlantic thermohaline circulation that keeps the winter weather in Europe far warmer than its latitude would otherwise allow. Economist William Cline once estimated the damage to the United States alone from moderate levels of warming at 1-6 percent of GDP annually; severe warming could cost 13-26 percent of GDP. But the most frightening scenario is runaway greenhouse warming, based on positive feedback from the buildup of water vapor in the atmosphere that is both caused by and causes hotter surface temperatures. Past ice age transitions, associated with only 5-10 degree changes in average global temperatures, took place in just decades, even though no one was then pouring ever-increasing amounts of carbon into the atmosphere. Faced with this specter, the best one can conclude is that “humankind’s continuing enhancement of the natural greenhouse effect is akin to playing Russian roulette with the earth’s climate and humanity’s life support system. At worst, says physics professor Marty Hoffert of New York University, “we’re just going to burn everything up; we’re going to het the atmosphere to the temperature it was in the Cretaceous when there were crocodiles at the poles, and then everything will collapse.” During the Cold War, astronomer Carl Sagan popularized a theory of nuclear winter to describe how a thermonuclear war between the Untied States and the Soviet Union would not only destroy both countries but possible end life on this planet. **Global warming is the post-Cold War era’s equivalent of nuclear winter at least as serious and considerably better supported scientifically**. Over the long run it puts dangers form terrorism and traditional military challenges to **shame**. It is a threat not only to the security and prosperity to the United States, but potentially to the continued existence of life on this planet.

### Solvency – 1AC

#### A one-time investment into the Infrastructure Bank empirically solves and avoids all turns

LIKOSKY ‘11 – a senior fellow at the Institute for Public Knowledge, New York University (Michael B., July 12, “Banking on the Future”, http://www.nytimes.com/2011/07/13/opinion/13likosky.html)

FOR decades, we have neglected the foundation of our economy while other countries have invested in state-of-the-art water, energy and transportation infrastructure. Our manufacturing base has migrated abroad; our innovation edge may soon follow. If we don’t find a way to build a sound foundation for growth, the American dream will survive only in our heads and history books.

But how we will pay for it? Given the fights over the deficit and the debt, it is doubtful that a second, costly stimulus package could gain traction. President Franklin D. Roosevelt faced a similar predicament in the 1930s when the possibility of a double-dip Depression loomed.

For this reason, the New Deal’s second wave aggressively pursued public-private partnerships and quasi-public authorities. Roosevelt described the best-known of these enterprises, the Tennessee Valley Authority, as a “corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.”

A bipartisan bill introduced by senators including John Kerry, Democrat of Massachusetts, and Kay Bailey Hutchison, Republican of Texas, seeks a similar but modernized solution: it **would create an** American **Infrastructure Financing Authority to move private capital, now sitting on the sidelines** in pension, private equity, sovereign and other funds, into much-needed projects.

Rather than sell debt to investors and then allocate funds through grants, formulas and earmarks, **the authority would get a one-time infusion of federal money** ($10 billion in the Senate bill) and then extend targeted loans and limited loan guarantees to projects that need a push to get going but can pay for themselves over time — like a road that collects tolls, an energy plant that collects user fees, or a port that imposes fees on goods entering or leaving the country.

The idea of such a bank dates to the mid-1990s. Even then, our growth was hampered by the inadequacy of our infrastructure and a lack of appetite for selling public debt to cover construction costs. Today we find ourselves trapped in a vicious cycle that makes this proposal more urgent than ever. Our degraded infrastructure straitjackets growth. We resist borrowing, fearful of financing pork-barrel projects selected because of political calculations rather than need.

 While we have channeled capital into wars and debt, our competitors in Asia and Latin America have worked with infrastructure banks to lay a sound foundation for growth. As a result, we must compete not only with their lower labor costs but also with their advanced energy, transportation and information platforms, which are a magnet even for American businesses.

A recent survey by the Rockefeller Foundation found that Americans overwhelmingly supported greater private investment in infrastructure. Even so, there is understandable skepticism about public-private partnerships; Wall Street has not re-earned the trust of citizens who saw hard-earned dollars vacuumed out of their retirement accounts and homes. An infrastructure bank would not endanger taxpayer money, because under the Federal Credit Reform Act of 1990, passed after the savings and loan scandal, it would have to **meet accounting and reporting requirements** **and limit government liability**. The proposed authority would not and could not become a Fannie Mae or Freddie Mac. It would be owned by and operated for America, not shareholders.

The World Bank, the Inter-American Development Bank, the Asian Development Bank and similar institutions helped debt-burdened developing countries to grow through infrastructure investments and laid the foundations for the global high-tech economy. For instance, they literally laid the infrastructure of the Web through a fiber-optic link around the globe. Infrastructure banks retrofitted ports to receive and process shipping containers, which made it profitable to manufacture goods overseas. Similar investments anchored energy-intensive microchip fabrication.

President Obama has proposed a $30 billion infrastructure bank that, unlike the Senate proposal, would not necessarily sustain itself over time. His proposal is tied to the reauthorization of federal highway transportation money and is not, in my view, as far-reaching or well designed as the Senate proposal.

But he recognizes, as his predecessors did, the importance of infrastructure to national security. For Lincoln, it was the transcontinental railroad; for F.D.R., an industrial platform to support military manufacturing; for Eisenhower, an interstate highway system, originally conceived to ease the transport of munitions. America’s ability to project strength, to rebuild its battered economy and to advance its values is possible only if we possess modern infrastructure.

#### Only federal action solves – this card is delicious!

HALLEMAN ‘11 - Business graduate with analytical and program management experience across a range of transportation and infrastructure issues; Head of Communications & Media Relations at International Road Federation (Brendan, “Establishing a National Infrastructure Bank - examining precedents and potential”, October 2011, <http://issuu.com/transportgooru/docs/ibank_memo_-_brenden_halleman>)

The merits of establishing a National Infrastructure Bank are once again being debated in the wake of President Obama’s speech to a joint session of the 112th United States Congress and the subsequent introduction of the American Jobs Act 1 .

A review of the Jobs Act offers a vivid illustration of how far the debate has moved under the Obama Administration. Earlier White House budgets had proposed allocating USD 4 billion as seed funding to a National Infrastructure Innovation and Finance Fund tasked with supporting individual projects as well as “broader activities of significance”. Offering grants, loans and long term loan guarantees to eligible projects, the resulting entity would not have constituted an infrastructure bank in the generally accepted sense of the term. Nor would the Fund have been an autonomous entity, making mere “investment recommendations” to the Secretary of Transportation2 .

Despite a number of important alterations, the Jobs Act contains the key provisions of a bipartisan Senate bill introduced in March 20113 establishing an American Infrastructure Financing Authority (AIFA). Endowed with annual infusions of USD 10 billion (rising to USD 20 billion in the third year), the Authority’s main goal is to facilitate economically viable transportation, energy and water infrastructure projects capable of mobilizing significant levels of State and private sector investment. The Authority thus established:

 is set up as a distinct, self-supporting entity headed by a Board of Directors requiring Senate confirmation

 offers loans & credit guarantees to large scale projects with anticipated costs in excess of USD 100,000,000

 extends eligible recipients to corporations, partnerships, trusts, States and other governmental entities

 subjects loans to credit risk assessments and investment-grade rating (BBB-/ Baa3 or higher)

 conditions loans to a full evaluation of project economic, financial, technical and environmental benefits

 caps Federal loans at 50% of anticipated project costs

 requires dedicated revenue sources from recipient projects, such as tolls or user fees

 sets and collects loan fees to cover its administrative and operational costs (with leftover receipts transferred

to the Treasury)

Particularly striking are the layers of risk assessment contained in the BUILD Act. These translate into a dedicated risk governance structure with the appointment of a Chief Risk Officer and annual external risk audits of AIFA’s project portfolio. At project level, applicants are required to provide a preliminary rating opinion letter and, if the loan or loan guarantee is approved, the Authority’s associated fees are modulated to reflect project risk. Lastly, as a Government-owned corporation, AIFA is explicitly held on the Federal balance sheet and is not able to borrow debt in the capital markets in its own name (although it may reoffer part of its loan book into the capital markets, if deemed in the taxpayers’ interest).

Rationale

As a percentage of GDP, the United States currently invests 25% less on transportation infrastructure than comparable OECD economies 4 . There is broad agreement that absent a massive and sustained infusion of capital in infrastructure, the backlog of investment in new and existing transportation assets will hurt productivity gains and ripple economy-wide5

The establishment of AIFA is predicated on a number of market considerations

Dwindling demand for municipal bonds, resulting in significantly decreased capacity to invest at the State and local level. This scenario is confirmed by recent Federal Reserve data 6 indicating a sharp drop in the municipal bond market for the first two quarters of 2011 despite near-identical ten-year yields, a trend that can partly be explained by record-level outflows prior to the winding down of the Build America Bonds program on 31 December 20107 . Considering that roughly 75% of municipal bond proceeds go towards capital spending on infrastructure by states and localities 8 , this shortfall amounts to USD 135 billion for the first six months of 2011 alone.

Insufficient levels of private sector capital flowing in infrastructure investments. Despite the relatively stable cash flows typically generated by infrastructure assets, less than 10% of investment in transportation infrastructure came from capital markets in 2007 8 . By some estimates 9 , the total equity capital available to invest in global infrastructure stands at over USD 202 billion and investor appetite remains strong in 2011. Federal underwriting may take enough of the risk away for bonds to achieve investment grade rating on complex infrastructure programs, particularly if they protect senior-level equity against first loss positions and offer other creditor-friendly incentives. For instance, the planned bill already includes a “cash sweep” provision earmarking excess project revenues to prepaying the principal at no penalty to the obligor.

Convincing evidence across economic sectors that Federal credit assistance stretches public dollars further 10 . The Transportation Infrastructure Finance and Innovation Act (TIFIA) already empowers the Department of Transportation to provide credit assistance, such as full-faith-and-credit guarantees as well as fixed rate loans, to qualified surface transportation projects of national and regional significance. It is designed to offer more advantageous terms and fill market gaps by cushioning against revenue risks (such as tolls and user fees) in the ramp up phase of large infrastructure projects. A typical project profile would combine equity investment, investment-grade toll bonds, state gas tax revenues and TIFIA credit assistance to a limit of 33%. TIFIA credit assistance is scored by the Office of Management and Budget at just 10%, representing loan default risk. In theory, a Federal outlay of just USD 33 million could therefore leverage up to USD 1 billion in infrastructure funding 11 . To date, 21 projects have received USD 7.7 billion in credit assistance for USD 29.0 billion in estimated total project cost 12.

32 States (and Puerto Rico) currently operate State Infrastructure Banks (SIBs) offering an interesting case study for the American Infrastructure Financing Authority. Moreover the BUILD Act explicitly authorizes the Authority to loan to “political subdivisions and any other instrumentalities of a State”, such as the SIBs.

SIBs were formally authorized nationwide in 2005 through a provision of the SAFETEA-LU Act 13 to offer preferential credit assistance to eligible and economically viable surface transportation capital projects. A provision of the Act also authorizes multistate Banks, although such cooperative arrangements have yet to be established.

SIBs operate primarily as revolving loan funds using initial capitalization (Federal and state matching funds) and ongoing funding (generally a portion of state-levied taxes) to provide subordinated loans whose repayments are recycled into new projects loans. Where bonds are issued by SIBs as collateral to leverage even greater investment capacity, these can be secured by user revenues, general State revenues or backed against a portion of federal highway revenues. As of December 2010, State Infrastructure Banks had entered into 712 loan agreements with a total value of over USD 6.5 billion12.

While SAFETEA-LU provided a basic framework for establishing SIBs, each State has tailored the size, structure and focus of its Bank to meet specific policy objectives. The following table14 illustrates the scales of SIBS at the opposite end of the spectrum.

These State-driven arrangements warrant a number of observations:

The more active SIB States are those that have increased the initial capitalization of their banks through a combination of bonds and sustained State funding. South Carolina’s Transportation Infrastructure Bank receives annual amounts provided by State law that include truck registration fees, vehicle registration fees, one-cent of gas tax equivalent, and a portion of the electric power tax. Significantly, all SIBs have benefited from the ability to recycle loan repayments – including interest and fees – into new infrastructure projects, a facility currently not available to the American Infrastructure Financing Authority under the terms of the BUILD Act.

More than 87 percent of all loans from such banks made through 2008 were concentrated in just five States: South Carolina, Arizona, Florida, Texas and Ohio 14 . As a case in point, South Carolina’s Transportation Infrastructure Bank has provided more financial assistance for transportation projects than the other 32 banks combined. Most State banks have issued fewer than ten loans, the vast majority of which fall in the USD 1-10 million size bracket 14 . This suggests that not all States presently have experience, or the ability, to deal with capital markets for large-scale funding.

States are, by and large, left to define specific selection criteria for meritorious projects, the SIB’s share of the project as well as the loan fee it will charge. Kansas, Ohio, Georgia, Florida and Virginia have established SIBs without Federal-aid money and are therefore not bound by the same Federal regulations as other banks. California’s Infrastructure and Economic Development Bank extends the scope of eligible projects to include water supply, flood control measures, as well as educational facilities. While adapted to local circumstances, this patchwork of State regulations can also constitute an entry barrier for private equity partners and multistate arrangements.

Given the structure of their tax base, SIBs are vulnerable to short term economy swings as well as the longer term inadequacy of current user-based funding mechanisms. SIBs borrow against future State and highway income. Many States are already reporting declining gas tax revenues and, on current projections, the Highway Trust Fund will see a cumulative funding gap of USD 115 billion between 2011 and 2021 18 . It is notable that Arizona’s Highway Extension and Expansion Loan Program is currently no longer taking applications citing “state budget issues”.

#### The bank is key – doubles each dollar at low borrowing costs

ANDERSON ‘11 – the president and CEO of CG/LA Infrastructure (Norman, “The Case For The Kerry-Hutchison Infrastructure Bank”, March 25, http://progressivepolicy.org/the-case-for-the-kerry-hutchison-infrastructure-bank)

As a small business owner who helps people think through infrastructure issues, I’m struck by the extraordinary opportunity here. We’re all aware of the need: A national infrastructure bank that uses federal borrowing authority to leverage private investment for roads, bridges, water systems and power grids is the only way for the U.S. to increase infrastructure investments in tight fiscal times.

And the technical opportunity is irrefutable. Why not raise money for infrastructure at a time of historically low borrowing costs? What’s more, every major economy in the world has an infrastructure bank, so we should have one, too. Need is not the issue.

Opportunity is. We need a model for smart government. Forget the weirdly inefficient, old-style European model.

Re-engineering an old public sector is nearly impossible, and no one has the patience for it anyway. Think about a national infrastructure bank as an exercise in creating smart government, in an area that is strategically important for the future of our country.

Doubling Annual Investment

A high-functioning infrastructure bank would have three characteristics, shaping its overall role of doubling our annual investment in infrastructure, from $150 billion a year to $300 billion.

First, the role of the infrastructure bank is catalytic rather than managerial. Rather than creating a large bureaucracy, the bank would assemble a corps of focused professionals: engineers, financiers, economists and what I term strategic leaders — people who get things done, driven by a vision to make this country more competitive.

Their job will be to set projects in motion, then to make sure that those projects meet or exceed guidelines. Monitor, not manage; act strategically, not operationally. Move fast, don’t get bogged down, get the job done.

**The result will be an elite, rapid, infinitely smaller and infinitely more qualified leadership team than what we have today**, an instructive model for other infrastructure related agencies at every level of government.

Energize Private Sector

Second, the function of the infrastructure bank is to guide and energize the private sector. An infrastructure bank goes into the guts of the process — project selection — and gets at the frightening issue of cost. Our costs are often twice that of our European brothers for urban mass transit projects, 10 times those of China.

The bank’s day-to-day business will be to invest in ventures and networks of ventures that serve for 20, 30, 40 even 50 years, providing a competitive return throughout that period. In this sense the bank will be a welcome, violent change agent, smashing open three areas in the infrastructure project-creation process that are costing this country a fortune:

– It takes more than 10 years on average for a project to move through the approval process, a period that would need to be reduced to three years for projects to be bankable.

– At least 50 percent of large U.S. projects suffer cost overruns in the 30 percent-or-greater range. This would be eliminated through bank leadership.

– The selection of projects tends to be willy-nilly, based on political interests. A bank ideally would be a model of focus, restricting its attention to projects that generate competitiveness.

Results Oriented

Lastly, the infrastructure bank will be results oriented and transparent: your bank, investing in your public assets. The bank will be a great experiment in the Facebook Age, bringing in funds from all over the world to build our strategic infrastructure.

The very nature of the smart-government model is to set goals and report performance. This new institution will go beyond that, creating knowledge, developing metrics and pioneering ways of communicating: from project approvals, to performance reporting to championing new technology.

Maybe the Kerry/Hutchison proposal is the opening salvo in a bipartisan effort to build smart government. Thinking about an American infrastructure bank in this way makes an attractive experiment that we have to explore. Creating a model in an area critical to our economic future is a strategic option we can’t ignore.

Recognizing that the bank would double our infrastructure investment and increase the efficiency of each dollar spent is a good deal for every citizen.

#### The bank more than doubles our employment rate

MSNBC ’11 (“Bank plan would help build bridges, boost jobs“, July 6, http://today.msnbc.msn.com/id/43606379/ns/business-eye\_on\_the\_economy/#.T7QxBlKbw1A)

China announced last week that it opened the world’s longest sea bridge and added a line to the world’s largest high-speed rail network. Meanwhile, on this side of the Pacific, the United States is struggling to address its crumbling roads and creaky bridges. A bill wending its way through Congress looks to change that, and by doing so create jobs and fund projects, such as a high-speed rail line. American has fallen to 23rd in infrastructure quality globally, according to the World Economic Forum. It will take about $2 trillion over the next five years to restore the country’s infrastructure, says the American Society of Civil Engineers. Given America's weak economy and rising national debt, the government can’t promise anything close to an amount that dwarfs most countries' total economies. But a national infrastructure bank could help. The idea of such a bank has been around since the 1990s but has never gained significant attention until now. In March a bipartisan bill was introduced in the Senate that gained the support of the US Chamber of Commerce, America’s leading business lobby, and the AFL-CIO, the country’s largest labor federation — two groups on opposite sides of most debates. The BUILD Act, proposed by Sens. John Kerry, D-Mass., Kay Hutchinson, R-Texas, and Mark Warner, D-Va., would create a national infrastructure bank that would provide loans and loan guarantees to encourage private investment in upgrading America’s infrastructure. There are other similar proposals circulating in Congress, but the BUILD Act has gained the most traction. The bank would receive a one time appropriation of $10 billion, which would be aimed at sparking a total of $320 to $640 billion in infrastructure investment over the course of 10 years, Kerry's office says. They believe the bank could be self-sustaining in as little as three years. “Federal appropriations are scarce in this difficult budget environment, and there is increasing attention on inefficiencies in the way federal dollars are allocated,” wrote Kerry spokeswoman Jodi Seth in an e-mail. Advocates offer a laundry list of benefits for an “Ibank.” At the top of the list, they tout the bank’s political independence. The bank would be an independent government entity but would have strong congressional oversight. Bank board members and the CEO would be appointed by the president and confirmed by the Senate. Kerry says this structure would help eliminate pork-barrel earmark projects. If, for example, private investors wanted to invest in a project, under the BUILD Act they could partner with regional governments and present a proposal to the bank. The bank would assess the worthiness of the project based on factors like the public’s demand and support, and the project's ability to generate enough revenue to pay back public and private investors. The bank could offer a loan for up to 50 percent of the project’s cost, with the project sponsors funding the rest. The bank would also help draft a contract for the public-private partnership and ensure the government would be repaid over a fixed amount of time. If the Ibank funded something like the high-speed rail project, it would become another investor alongside a state government, a private equity firm or another bank. The project sponsors' loans would be repaid by generating revenue from sources such as passenger tickets, freight shipments, state dedicated taxes. Relies on loans Under previous proposals, which never have gained much momentum, an infrastructure bank would have offered grants, which would be more costly to taxpayers. The BUILD Act relies on loans instead, and project borrowers would be required to put up a reserve against potential bad debt. The bank would make money by charging borrowers upfront fees as well as interest rate premiums. The bill’s supporters say this type of public-private partnership model has been successfully applied to the Export-Import Bank of the United States, which has generated $3.4 billion for the Treasury over the past five years. The Export-Import bank finances and insures foreign purchases. It’s important to note that the infrastructure bank is only meant to jump-start infrastructure investment, not fund every project, said Michael Likosky, a senior fellow at NYU's Institute for Public Knowledge and a long-time proponent of a national infrastructure bank. Supporters hope the bank also would jump-start the job market. Former President Bill Clinton endorses the idea of an Ibank, although he has not necessarily thrown his weight behind the BUILD Act. “I think there are enormous jobs there,” he said in an interview last week on CNBC. “Every manufacturing job you create tends to create more than two other jobs in other sectors of the economy and it makes America more competitive, more productive.” According to the Department of Transportation's 2008 numbers, every $1 billion invested in transportation infrastructure creates between 27,800 and 34,800 jobs.

## \*\*\*Case\*\*\*

### XT – State Budget Crisis Now

#### State budget crisis forces states to cut their services – more federal funding is key to solve

LEACHMAN ET AL ‘11 – Michael Leachman – Director of State Fiscal Research with the State Fiscal Policy division of the Center; holds a Ph.D. in sociology from Loyola University Chicago; policy analyst for nine years at the Oregon Center for Public Policy; AND\*\*\* Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development; AND\*\*\* Erica Williams - M.A. in International Policy the Monterey Institute of International Studies; Policy Analyst with the State Fiscal Project; (Michael, Nicholas Johnson, Erica Williams, “State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful”, July 28, http://www.cbpp.org/cms/index.cfm?fa=view&id=3550)

The cumulative effect of four consecutive years of lagging revenues has led to budget-cutting of historic proportions. An analysis of newly enacted state budgets shows that budget cuts will hit education, health care, and other state-funded services harder in the 2012 fiscal year – which started July 1, 2011 – than in any year since the recession began.

Of the 47 states with newly enacted budgets, 38 or more states are making deep, identifiable cuts in K-12 education, higher education, health care, or other key areas in their budgets for fiscal year 2012. Even as states face rising numbers of children enrolled in public schools, students enrolled in universities, and seniors eligible for services, the vast majority of states (37 of 44 states for which data are available) plan to spend less on services in 2012 than they spent in 2008 – in some cases, much less.

These cuts will slow the nation’s economic recovery and undermine efforts to create jobs over the next year.

**This level of budget-cutting is unnecessary and results**, in part, **from** state and **federal** actions and **failures to act**. To be sure, with tax collections in most states still well below pre-recession levels and lagging far behind the growing cost of maintaining services, additional cuts at some level were inevitable for 2012. But the cutbacks in services that many states are now imposing are larger than necessary. Many states enacting deep cuts have failed to utilize other important tools in their budget-balancing toolkit, such as tapping reserves or raising new revenue to replace some of the revenue lost to the recession. Some states have even added to the cutbacks by further depleting revenue through tax reductions — an ineffective strategy for improving economic growth that likely will do more harm than good.

Increased federal aid, which played an essential role in limiting the depth of cuts in services like education and health care in recent years, has almost entirely expired. Combined with states’ reluctance to utilize reserves or make tax changes, the loss of this federal aid leaves states with fewer options, one of which is deeper spending cuts. Moreover, **Congressional leaders have indicated that they plan to cut back funding** to the states for a variety of programs and services — a situation that would lead to further budget-balancing actions at the state level.

#### They’re doing it through tax cuts, which is killing their economic growth

LEACHMAN ET AL ‘11 – Michael Leachman – Director of State Fiscal Research with the State Fiscal Policy division of the Center; holds a Ph.D. in sociology from Loyola University Chicago; policy analyst for nine years at the Oregon Center for Public Policy; AND\*\*\* Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development; AND\*\*\* Erica Williams - M.A. in International Policy the Monterey Institute of International Studies; Policy Analyst with the State Fiscal Project; (Michael, Nicholas Johnson, Erica Williams, “State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful”, July 28, http://www.cbpp.org/cms/index.cfm?fa=view&id=3550)

Some states have enacted tax cuts, forcing even deeper cuts to services. For the first time since the recession caused state revenues to plummet, lawmakers in some states have enacted large tax cuts – mostly cuts to taxes paid by corporations and other businesses – in a misguided attempt to spur economic activity. Twelve states that faced FY12 budget shortfalls have enacted major tax cuts that would reduce revenues in the coming fiscal year.[10] (As described later in this paper, each of these states also enacted major spending cuts.) Some of these states, as well as several others such as California, Maryland, and New York also allowed major tax measures to expire or phase out, losing significant revenue and causing further cuts in spending.

 Arizona enacted a tax package that reduces the corporate income tax rate to 4.9 percent from 6.98 percent and reduces commercial property taxes by 10 percent. The package was signed into law on February 17 and will cost the state $38 million in fiscal year 2012, or 4 percent of the state’s 2012 budget shortfall. By fiscal year 2018, the cost of the tax cuts will balloon to $538 million, half of which will result from the corporate tax rate cut.

 Florida’s budget increases the amount of business income exempt from the corporate income tax to $25,000 from $5,000, resulting in the exemption of 15,000 businesses from the tax, at a cost to the state of $12 million in fiscal year 2012 and $29 million each year thereafter. The budget also imposes a cap on property tax collection by the state’s five water management districts, costing local districts $210 million.

 Georgia’s budget enacts nearly $100 million in tax cuts, including $46 million to allow top income earners unlimited itemized deductions on their income taxes.

 Maine’s budget eliminates in 2012 the state’s alternative minimum income tax on individuals, lowers in 2013 the state’s top income tax rate on income above about $50,000 to 7.95 percent from 8.5 percent, and doubles from $1 million to $2 million the income exempted from the state’s estate tax. To partially offset the costs of these tax cuts, the budget reduces by 20 percent targeted property tax assistance for middle and low-income homeowners and renters. These cuts will cost the state $130 million in the coming two-year budget cycle and $400 million in the following two-year cycle.

 Michigan eliminated the state’s current major business tax and replaced it with a flat 6 percent corporate income tax, exempting all but subchapter C corporations from paying a business income tax, at a cost of more than $1 billion in 2012 alone. To offset the revenue lost from reduced business taxes, the state will maintain and then phase down a temporary increase in the personal income tax, reduce the state’s Earned Income Tax Credit for low-income working families by 70 percent, and tax some pension income. The change also eliminates most business tax credits. The net result of these changes will be a revenue loss of $535 million for fiscal year 2012.

 Missouri eliminated its corporate franchise tax, which will cost the state $25 million in 2012 and $87million or about one-quarter of corporate tax receipts, when fully phased in.

 New Jersey’s budget includes a variety of tax cuts to begin in 2012. Among the tax cuts are a 25 percent reduction in the corporate minimum tax paid by the state’s subchapter S corporations; an increase in the amount of research a corporation can write off; consolidation and carry forward of certain business-related losses; and a modification of the corporate business tax formula used to determine the portion of a corporation’s income that is taxable in New Jersey. The cost of these tax cuts increases to $271 million in three years from an initial loss of $107 million in the first year.

 North Carolina let expire a temporary 1-cent sales tax increase, an income tax surcharge on higher income families and individuals, and an income tax surcharge on corporations, at a cost of $1.3 billion. The budget also enacts a two-year provision allowing business owners to exempt the first $50,000 in “pass-through” income from state income tax, so long as the business owner is actively engaged in running the business. For individual business owners with at least $50,000 in eligible business income, the value of the exemption would range from $3,000 to $3,875. The exemption will apply to the 2012 and 2013 calendar years and cost $132 million in the 2012 fiscal year and more than $300 million when in full effect.

 Ohio is eliminating its estate tax in 2013. The tax affected the wealthiest 7 percent of estates, and brought in approximately $286 million last year, 80 percent of which went straight to local governments to fund basic services like police, fire protection, and snow removal.

 In Wisconsin, lawmakers enacted over $90 million in new tax cuts for corporations and the wealthy. For example, corporations will be allowed to claim as a tax deduction a greater share of the losses they have incurred in past years and will tax less of their capital gains income. Together with other tax cuts enacted earlier this year, the total revenue loss to the state is about $200 million over the next two year budget cycle, requiring further budget cuts. Lawmakers filled $56 million of the budget shortfall by scaling back the state’s Earned Income Tax Credit for 152,000 low-income working families, at an average cost of $518 for families with 3 or more children and $154 for families with 2 children, annually.

Because states must balance their budgets, these tax cuts must be offset by increases in other taxes or additional service cuts. **At best, the economy will lose as much as it gains**. In practice, cutting corporate taxes likely will reduce in-state economic activity. That’s because some of the corporations’ tax savings would likely go to their out-of-state shareholders in the form of higher dividends — good for the shareholders but of no value to the state that cut the taxes. Moreover, if spending cuts reduce the quality of the state’s human capital and physical infrastructure—its schools, universities, transportation systems, and courts, for example —businesses will be less likely to invest in the state in the future.

## \*\*\*A2: CP\*\*\*

### A2: States CP – 2AC – Solvency Deficits

#### Only federal action solves uniformity and investment

DUTTON ’10 – staff editor (Audrey, “Transportation Infrastructure Bank Plan Would Cost $4B”. http://www.bondbuyer.com/issues/119\_270/2011-budget-transportation-projects-1006756-1.html)

Total new obligations for surface transportation — including highways, bridges, and a new “livable communities” initiative — would be $43.4 billion, according to the budget. That is downsized from fiscal 2010’s estimated $43.7 billion and fiscal 2009’s actual $40.1 billion. Interstate maintenance, congestion mitigation, and demonstration projects would be pared down, but the federal government would obligate more money to federal-land highways, bridges, and other programs.

The bank proposed by the president resembles a hybrid of the one-time-only Transportation Investment Generating Economic Recovery grant program, and the popular Transportation Infrastructure Finance and Innovation Act program.

The National Infrastructure Innovation and Finance Fund would have to be authorized by Congress and would not be subject to pay-as-you-go rules, according to budget documents.

It would fund or finance ­projects “that provide a significant economic benefit to the nation or a region” and “encourage collaboration among non-federal stakeholders including states, municipalities, and private investors, and also promote coordination with investments in other infrastructure sectors,” the documents said.

Investment categories would include highways, tunnels, bridges, transit, commuter rail, passenger rail, freight rail, airports, aviation, and ports — almost the whole transportation universe.

#### States can’t solve – chilling effect. Fed key to solving investor confidence

O’HARE ‘12 – Previous Deputy Administrator of the Federal Highway Administration (FHWA); Previous Deputy Assistant Secretary for Governmental Affairs at the U.S. Department of Transportation; two time winner of the Secretary’s Gold Medal which is the US Department of Transportation’s highest award (Kerry, “It's Time for Innovation & Leadership”, April 2,

http://transportation.nationaljournal.com/2012/04/paying-for-it.php#2190117)

It is troubling that Congress seems to be moving away from the user pays concept - but until Congress steps up to the plate, they must not hamper state and local funding and financing options. While we are supportive of the policy reforms in the Senate transportation bill (MAP-21), we are troubled by several provisions in the bill that could make it more difficult for many states to leverage funding with private sector partners. BAF is particularly concerned about language that would provide a disincentive to states to consider partnering with the private sector for fear of losing a percentage of its federal funding; eliminates the option to use Private Activity Bonds (PABs) to finance leased highway projects; and changes the depreciation timetable for long-term highway leases from 15 years to 45. Taken together or individually, these provisions would have a chilling effect upon future private investment in infrastructure. Because federal funding has become less certain, several states and cities have looked to such things as public-private partnerships (P3s) (over 30 states have some form of P3 authorizing language on the books), state infrastructure banks, and local referendum to raise a sales tax with proceeds going to specific projects. But there is also **a** void **of leadership and innovation at the federal level**. For example, a properly structured National Infrastructure Bank (NIB) that offered low interest loans to projects of regional or national significance could be one of the many tools available to help finance infrastructure projects of national and regional significance. Instead of erecting barriers to P3s, the federal government should also explore establishing a P3 "best practices" entity like there is in Canada and Australia to help states and cities better understand the financing options available to them when partnering with the private sector. And at a minimum, the provisions that hamper such partnerships in MAP-21 must be removed when the bill gets conferenced with a House bill.

### A2: States CP – 1AR – Biz Con

#### Fed key to fix business confidence

HALL ‘11 - Director of EPI’s Economic Analysis and Research Network, Ph.D. Political Studies, Queen’s University, M.A. Public Policy and Administration, McMaster University (Doug, “America’s infrastructure — ticking time bombs in every state”, November 21, http://www.epi.org/blog/americas-infrastructure-bridges-jobs/)

Yet throughout this same country, there are nearly 70,000 bridges that the U.S. Department of Transportation has identified as “structurally deficient.” We all recall with horror the 2007 collapse of the bridge in Minneapolis, yet there are thousands of such ticking time bombs throughout America today. In three states — Iowa, Oklahoma, and Pennsylvania — there are over 5,000 bridges deemed to be structurally deficient. While not every one of those bridges is in imminent danger of collapse, these remain alarming numbers.

Fixing America’s crumbling infrastructure should be a top priority for every national, state, and local official throughout the nation. It’s easier than often is the case in public policy debates to connect the dots on this one:

 Crumbling infrastucture + alarmingly high rates of unemployment (particularly amongst construction workers) + interest rates at rates that remain at unprecedented low levels = jobs plan that helps put Americans back to work today, while laying the foundation for future economic growth and prosperity.

While there’s certainly room for debate about how to proceed with infrastructure investment at this time, there really shouldn’t be any debate about whether to do this. My colleague, John Irons, testified this week before the Congressional Progressive Caucus Ad Hoc Hearing on Job Creation. In his testimony, he noted, “Congress should immediately reauthorize the Surface Transportation Act at the higher spending levels requested by President Obama … increase[ing] transportation investments by $213 billion over the next decade [thereby] add[ing] 350,000 job-years of employment over 2012-2014.”

Michael Likosky has written at length about the need to create an infrastructure bank, leveraging both public and private sector money to strengthen America’s infrastructure, and noting that, “If we don’t find a way to build a sound foundation for growth, the American dream will survive only in our heads and history books.”

American workers understand the importance of investing in infrastructure — last Thursday, tens of thousands of workers rallied in cities and towns throughout America for bridge repairs and job repair, as part of the AFL-CIO’s Infrastructure Investment Day of Action.

For state governments, investing in infrastructure through bonding is one of the few (and most effective) tools at their disposal to help spark a real economic recovery that helps working families today, while making investments that will contribute to future prosperity. Friday’s “Smart Brief” from the American Society of Civil Engineers highlights Massachusetts Gov. Deval Patrick’s plan to invest $10 billion over the next five years in capital spending, “focus[ing] on job creation through transportation projects, smart growth and construction and improvement of public higher-education facilities.” This is the sort of initiative that other states should emulate. Only through such aggressive investment in infrastructure will Americans in every state be confident that they are safe crossing today’s bridges, and that the road ahead leads to shared prosperity.

### A2: States CP – 1AR – No Money

#### States don’t have money

Pollack ‘11 - Economic Policy Institute; Office of Management and Budget and the George Washington Institute of Public Policy; staff member for President Obama’s National Commission on Fiscal Responsibility and Reform; M.P.P. The George Washington University (Ethan, “Nine reasons to invest more in the nation’s infrastructure”, September 27, http://www.epi.org/blog/reasons-invest-national-infrastructure/)

9) There’s no one else. States governments are facing nearly $150 billion in shortfalls in this fiscal year and the next, and, unlike the federal government, states generally cannot run deficits. Adding to this situation, fiscal relief from the Recovery Act has petered out, falling from $127 billion over the last two years to only $6 billion over the next two years. Local governments face equally difficult fiscal challenges. At this point in time, only the federal government can make these needed investments.

### A2: States CP – 2AC – Links To Politics

#### CP links to politics – their budget goes through Congress and they also use Federal money

HALLEMAN ‘11 - Business graduate with analytical and program management experience across a range of transportation and infrastructure issues; Head of Communications & Media Relations at International Road Federation (Brendan, “Establishing a National Infrastructure Bank - examining precedents and potential”, October 2011, <http://issuu.com/transportgooru/docs/ibank_memo_-_brenden_halleman>)

Lastly, two major pieces of legislation affecting the capitalization of SIBs are currently in the Congressional pipeline. An outline 19 of the House Committee on Transportation & Infrastructure’s draft re-authorization legislation proposes increasing to 15% the level of federal-aid highway funding that States can devote to their SIBs. An unrelated Senate proposal to rekindle the Build America Bond program 7 includes a provision to allocate up to USD 50 billion over six years in US Treasury bonds across the State Infrastructure Banks.

### A2: States CP – 1AR – Links to Politics

#### They need to get money from the Federal government

SLONE ’11 – transportation policy analyst for The Council of State Governments (Sean, “State Infrastructure Banks”, July 5, http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks)

Gifford said the accessibility to existing credit options available through the municipal bond market may be a reason for the underutilization. The introduction of the Build America Bonds program in 2009 in particular may have limited use. It may also be difficult to identify revenue streams for smaller scale projects that are locally sponsored. Finally, it may be that the size of project backlogs in many states requires state departments of transportation to fully allocate core federal highway program dollars before seeking other project financing.19

### A2: States CP – 2AC – Econ DA

#### State budgets will blow up our economy

POLLACK ‘11 - Economic Policy Institute; Office of Management and Budget and the George Washington Institute of Public Policy; staff member for President Obama’s National Commission on Fiscal Responsibility and Reform; M.P.P. The George Washington University (Ethan, “Two years into austerity and counting…”, October 19, http://www.epi.org/blog/years-austerity-counting/)

It’s popular to criticize Keynesian economics by alleging that the Recovery Act was an experiment in fiscal expansion, and because two-and-a-half years later the economy still hasn’t roared back to life, it must have failed.

What this criticism forgets is that the federal government isn’t the only government setting fiscal policy. While the federal government did conduct Keynesian expansionary fiscal policy over the last few years, the states have been doing the reverse, acting, as Paul Krugman put it, like “50 Herbert Hoovers” as they cut budgets and raise taxes. They’re forced to do this because the cratering of private-sector spending which threw the economy into recession blew huge holes in their budgets (in particular with a huge fall in income, sales, and property taxes, and increases in demands on safety-net programs), **and just about all of them are required to balance their budgets** each year. Overall, states have had to close over $400 billion in shortfalls over the last few years – this is spending power siphoned off from the economy and acts as a significant “anti-stimulus.”

This means that just looking at the amount of federal stimulus that’s been enacted significantly overestimates how much fiscal support has actually been pumped into the economy. In fact, as the Goldman Sachs graph below shows, the net fiscal expansion across all levels of government only lasted through the third quarter of 2009. For the last two years, state and local cuts have been overwhelming the federal fiscal expansion, making overall fiscal policy across all levels of government actually contractionary and creating a net drag on economic growth.

What’s needed to reverse this drag of public-sector austerity on growth? The $35 billion for state and local aid that’s part of the American Jobs Act is a good start, as it would help keep states and local governments from being forced to cut further. As the last two years of **austerity** have shown, this **would only serve to further weaken the economy**. And if we’re going to get out of this economic hole, we first need to stop digging down further.

## \*\*\*A2: DAs\*\*\*

### A2: Obama DA – 2AC Link Turn

#### Plan’s super popular – key senators and lobbies support the plan

CG/LA 3/16/2012 (“Kerry, Hutchison Propose National Infrastructure Bank”, http://www.cg-la.com/en/cgla-news/1162-nib)

Lately Republicans and Democrats can’t seem to agree on much when it comes to transportation spending, but a crowd of senators have set aside their differences in an effort to stimulate the country’s infrastructure investments. Democrats John Kerry and Mark Warner joined Republican Kay Bailey Hutchison to propose the BUILD Act yesterday. The bipartisan legislation would create a national infrastructure bank the senators are calling the American Infrastructure Financing Authority — the term “bank” being anathema these days.

The plan is pretty straightforward. The federal government would kick-start A.I.F.A. with a $10 billion initial investment, after which the authority would be independent and self-sustaining. Projects can receive up to 50 percent of their financing from the federal money, but the rest (ideally much more than half) will have to come through private investments. If all goes according to plan, the authority can expect to leverage hundreds of billions in private infrastructure funding over the next several years.

On the surface, the bipartisan proposal appears to have something for everyone. The White House may prefer an I-Bank that begins with a $30 billion federal investment over six years, but **the Kerry et al plan would give Obama the infrastructure operation he has wanted for a long time**. Meanwhile Republicans could boast fiscal austerity, having bargained down Democrats to a third of their initial offer. The AFL-CIO and the Chamber of Commerce also support the effort — and now appear to agree on anything that will stimulate infrastructure financing and, with it, job creation.

The big winner, of course, would be America’s deteriorating transportation system. Bob Herbert says the proposal has what the country has been lacking of late — the “ability to imagine”:

Creation of an infrastructure bank would be an important indication that leaders in Washington are still capable, despite most of the available evidence, of moving beyond partisan paralysis to engage one of the biggest challenges facing the country. If there is such a thing as a master key to a better American future, investment in the nation’s infrastructure would be it. That is the biggest potential source of jobs. That is how you build the foundation for new and innovative industries.

### A2: Obama DA – 1AR Win for Obama

#### Plan will be a win for Obama

MARSHALL ’10 – president and founder of the Progressive Policy Institute (PPI); found the Democratic Leadership Council, serving as its first policy director (Will, “The President’s New Gamble”, October 12, http://progressivepolicy.org/the-president%E2%80%99s-new-gamble)

An infrastructure bank, along with new public seed capital and a third element of the Obama infrastructure initiative – merging the many stovepiped “modal” transportation funding streams so public dollars can be used strategically – begin at last to push the economic debate in a constructive direction. The two great challenges America faces now are reviving our economic dynamism and shrinking a massive overhang of public debt. To meet them, the Obama administration needs to fashion an ambitious, “cut and invest” strategy aimed at slowing health care and entitlement spending generally, and using public dollars to leverage massive private investment in productivity-enhancing infrastructure.

That’s why President Obama should press ahead with his infrastructure plan, despite the political fallout from the midterm election. If Republicans want to frame the economic debate as a choice between more tax cuts and rebuilding the common foundations of American prosperity, so much the better. That’s one progressives can win.

#### Obama’s pushing the plan

DRUTMAN ‘10 - senior fellow and the managing editor for the Progressive Policy Institute (Lee, “Financing Future Growth: How Do We Pay For New Projects?”, October 4, http://progressivepolicy.org/financing-future-growth-how-do-we-pay-for-new-projects)

Bertram, speaking for the administration, said that the President was serious about pushing an infrastructure bank. “I think the President is very interested in changing how we talk about these issues.”

DeLauro, who has been introducing legislation to create an infrastructure bank since 1994, was optimistic that the moment for it to pass was rapidly coming.

\*\*\*Note - Chris Bertram is the Assistant Secretary for Budget and Programs, and Chief Financial Officer, for the United States Department of Transportation

### A2: Elections DA

#### Public supports infrastructure bank

MSNBC ’11 (“Bank plan would help build bridges, boost jobs“, July 6, http://today.msnbc.msn.com/id/43606379/ns/business-eye\_on\_the\_economy/#.T7QxBlKbw1A)

Voters, facing ever-growing commutes on crumbling roads and bridges, clearly want rancor over the issue to end. A Rockefeller Foundation poll in February found 71 percent of those surveyed wanted legislatures to come to a consensus on transportation — more than any other issue. And 60 percent said they would support an unspecified national infrastructure bank.

### A2: Spending DA

#### The plan doesn’t link and internal link turns the DA

MARSHALL ’11 – president and founder of the Progressive Policy Institute (PPI); found the Democratic Leadership Council, serving as its first policy director (Will, “The Lost Decade”, June 7, http://progressivepolicy.org/the-lost-decade)

The Republicans have a simple fiscal theory that leads to an equally simple solution. They see the size and cost of government as the chief obstacle to growth. Cut public spending, and the economy will sit up on its haunches again and roar.

Many liberals, including Krugman, seem stuck in the Keynesian paradigm, arguing that the problem is inadequate demand, which means government needs to spend more until the economy recovers its “animal spirits.”

Obama is smart enough to reject a witless choice between less or more government. He has, however, yet to develop a plausible plan for restructuring the U.S. economy to unleash economic innovation, capture its benefits in good jobs that stay in America, and boost our ability to win in world markets.

Above all, Obama needs to spell out big, concrete initiatives that can inspire public confidence that his administration has properly diagnosed the economy’s structural ills and prescribed realistic remedies.

PPI has developed bold proposals that meet this standard: An independent National Infrastructure Bank, to unlock hundreds of billions of private investment in state-of-the-art transport, energy and water systems; pro-growth tax reform that closes inefficient tax expenditures and reduces the corporate tax rate; and a base-closing style commission charged with periodically pruning regulations that impede economic innovation and business start-ups, the engine of most new American job creation.

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

## \*\*\*States CP\*\*\*

### States CP – 1NC Solvency

#### CP is predictable and solves – flexibility and uniformity works

SLONE ’11 – transportation policy analyst for The Council of State Governments (Sean, “State Infrastructure Banks”, July 5, http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks)

More than 30 states and Puerto Rico have created a state infrastructure bank, a type of revolving infrastructure investment fund that can offer loans and credit assistance to public and private sponsors of certain highway construction, transit or rail projects. Five states--Florida, Georgia, Kansas, Ohio and Virginia--have established banks or accounts within their banks that are capitalized solely with state funds. These banks were designed with the unique needs of each state in mind and their experiences have varied. The future of state infrastructure banks may depend on the next federal surface transportation authorization and what kinds of federal funding and financing resources may be available to states in the future.

An interchange at the Fort Lauderdale airport. A bridge replacement in Cleveland. An interstate around North Augusta, S.C., that will help ease the daily commute for thousands of motorists.

The thing they all have in common is that they were all financed with help from a state infrastructure bank, a type of revolving infrastructure investment fund for surface transportation projects with which 32 states and Puerto Rico have at least some experience.

 Operating much like other kinds of banks, these infrastructure banks can offer loans and credit assistance enhancement products to public and private sponsors of certain highway construction, transit or rail projects.

Under the 2005 federal highway authorization bill, known as SAFETEA-LU, **all states and territories** plus the District of Columbia were given the authority to establish state infrastructure banks. This followed a period during the 1990s when at different times, anywhere from 10 to 39 states were allowed to experiment with these banks under a series of federal pilot programs. The 2005 legislation also allowed for the creation of multi-state infrastructure banks.

Federal and state matching funds are generally used to start a state infrastructure bank. States can then contribute state or local funds and seek additional federal funds to provide more capital.1

The bank’s initial capitalization and ongoing revenue can be used in a number of different ways. The funds can be lent directly to selected projects. The bank can leverage its initial capitalization by providing loan assistance, by using loan repayments as dedicated revenue to sell bonds in the bond market and by providing additional loan assistance with the proceeds of the bond. Finally, the bank can use the funds to guarantee bonds issued by cities, counties, public-private partnerships and other entities, in the process **enhancing their creditworthiness and lowering the interest rates** they have to pay in the capital markets. Loan guarantees can be particularly beneficial in reducing interest rates on projects in states with cities, counties and special districts that have limited financial capacity.2

 While the SAFETEA-LU authorization established the basic requirements and overall operating framework for state infrastructure banks, many states have tailored their banks to meet their own needs and offer their own types of financing assistance. That being said, loans remain the most popular form of state infrastructure bank assistance. The Federal Highway Administration reported that through the end of 2008 (the latest year for which complete data is available), 32 states and Puerto Rico had entered into 609 state infrastructure bank loan agreements totaling $6.2 billion.3

### States CP – 2NC Solvency

#### They’ve got the ability to fund fast and big

SLONE ’11 – transportation policy analyst for The Council of State Governments (Sean, “State Infrastructure Banks”, July 5, http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks)

State infrastructure banks can help states stretch their state and federal dollars and meet the demands of financing large, impactful, long-term infrastructure projects. When government agencies and authorities must seek yearly grants and allocations to finance projects, the completion of those projects can be delayed for months or years. State infrastructure banks can identify, promote and lend money to creditworthy transportation projects to ensure they’re built within a reasonable timeframe and in a financially sustainable way. And **because these banks act as a “revolving fund,” more projects can ultimately be financed**.

When bonding is used to finance a project, the bonds are usually one of two types: revenue or general obligation. Revenue bonds often are used to finance infrastructure projects that have the ability to produce revenue through their operations; for example, new highway lanes that can be tolled or public transit facilities on which fares can be collected. These types of bonds are typically guaranteed by the project revenues, but not by the full faith and credit of a state, city or county. General obligation bonds, on the other hand, are backed by the full faith and credit of the issuing authority. These are used to finance projects that rely on government’s general revenues, such as income, sales and property tax revenue. Cities, counties and states pledge these revenues to issue the bonds and repay them.

But the revolving fund aspect of a state infrastructure bank means states can lend funds for projects and receive loan repayments, which can be returned to the system for more project loans. The funding also can be turned into much larger credit lines, multiplying transportation investment capacity.

When transportation projects are financed in a traditional way, funds from a state department of transportation or the federal Highway Trust Fund are spent and two types of risk are assumed. Projects are at risk of delay as state officials wait for the state or federal funds to become available, which may increase the costs and delay the project’s benefits. Secondly, states face the risk that a poorly selected project will fail to produce social or economic benefits and tie up scarce capital resources that could have gone to other potentially more successful projects.

Both of those risks are diminished with state infrastructure bank financing. First, projects don’t have to wait for funding and delays and cost overruns are avoided. Secondly, a state infrastructure bank has a built-in project evaluation process. Projects are assessed based on their financial viability, which provides a level of economic discipline that is not always present with traditional state project funding. Better, more benefit-producing projects can be the result.4

#### They can model each other – solves uniformity

SLONE ’11 – transportation policy analyst for The Council of State Governments (Sean, “State Infrastructure Banks”, July 5, http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks)

Several states—including Florida, Georgia, Kansas and Ohio—have established state infrastructure banks or accounts within their banks that are capitalized solely with state funds.7 Virginia has recently joined the ranks of those four states. Such banks allow funded projects to avoid potentially delay-causing federal regulations and restrictions (such things as labor, environmental and “Buy America” requirements) they would otherwise be subjected to if they were financed using federal funds. Kansas Kansas’ Transportation Revolving Fund (TRF), established in 1999, provides financial assistance to local governments for transportation projects. Private enterprises also are eligible if they have a governmental unit as a partner. Offering direct loans and credit enhancements, such as loan guarantees and bond insurance, the fund is designed to promote innovative transportation funding solutions. Bridges, culverts, roads, streets and highways are all eligible for financing, but not transit, aviation, railroad projects or trails. The Transportation Revolving Fund can be used to finance any phase of a project, including planning, design, right-of-way acquisition, construction engineering and construction. The term of a loan from the Transportation Revolving Fund is limited to the lesser of 20 years or the design life of the project being financed, including the construction period. Although there is no minimum or maximum amount of assistance set by statute or state regulation, the amount of capitalization means the TRF will not make loans of more than $6 million to any one borrower during the fiscal year. Also, no single borrower’s capacity can exceed 15 percent of the program’s total capacity. Applications can be submitted at any time and are considered and processed as they are received. The approval process is approximately 60 days from application to loan agreement.8 “The (Transportation Revolving Fund) is an attractive option for local units of government when they are considering how to finance their infrastructure needs,” said Program Manager Danielle Marten in response to email questions submitted by The Council of State Governments. “Projects can be on or off the state highway system, making the program attractive for not only the local’s share of a state project, but also attractive for 100 percent local projects. … The low cost of the program and exemption from local government debt thresholds attracts borrowers to the (fund).” Marten said since the inception of the program, the Kansas Department of Transportation has approved up to $135 million in Transportation Revolving Fund loans. Of that amount, $112 million was actually drawn upon to fund projects, up to $9 million remains to be drawn and $14 million was released back to the program as undrawn funds. The program was placed under a moratorium in the 2009 fiscal year since the ability to transfer additional equity was in question due to the expiration of the state’s 10-year comprehensive transportation program. A new program, called T-Works, was passed in the 2010 fiscal year and enacted in the 2011 fiscal year. The State Highway Fund transferred an additional $25 million in equity to re-open the program. “The program is once again loaning funds to local units of government and KDOT plans to review and maximize capacity as we see fit,” Marten said.9 Ohio Ohio’s State Infrastructure Bank had loans totaling $22.3 million in the 2010 fiscal year. Since the bank was created in 1991, the state has issued 138 loans and two bond issuances totaling more than $404 million.10 Under state statutes, the bank can be used as a method of financing “highway, rail, transit, intermodal and other transportation facilities and projects which produce revenue to amortize debt while contributing to the connectivity of Ohio’s transportation system and furthering goals such as corridor completion, economic development, competitiveness in a global economy, and quality of life.”11 “The Ohio (state infrastructure bank) has assisted every transportation mode except a water project since its creation,” the bank’s administrator, Melinda Lawrence, noted in an email interview. “Various projects include the construction of intermodal parking facilities to repaving projects to new industrial park roads. There have been 12 loans to airports, ranging from a county airport’s runway paving project to the Akron Canton Regional airport and their terminal expansion.” Lawrence said the state infrastructure bank can be used either to provide 100 percent of funding for a project or to fill the gap for a public entity so that it can move forward with the project. Local governments in Ohio prioritize their transportation needs by project and mode, and the infrastructure bank uses its various funding sources for financing multiple transportation modes based on local needs, she said. The different funding accounts are used according to the type of funding a project is eligible for under federal and state law. While the program is in good shape now, Ohio’s state infrastructure bank has had its share of ups and downs, Lawrence recalled. “There was one point in the program where there was less than $10 million available to loan and we basically had a hiatus on loans for approximately a year,” she said. “Since then, the balance of the bank has built significantly and it has been leveraged to form two bond funds (Title XXIII eligible-projects is one and state-eligible projects is the other). So at this point the demand does not exceed the dollars available to loan. There is a balance of $66 million between all accounts.” Lawrence said increasing awareness of the state infrastructure bank’s financing tools will be an important goal going forward. With new policies to tighten up the program recently approved by the bank’s loan committee and the Ohio Department of Transportation executive leadership, bank officials plan to increase their marketing of the program in the near future. Lawrence does not foresee additional federal capitalization of the infrastructure bank, since that would require the state to adhere to all federal rules and regulations. “Ohio likes the flexibility and variety of funding sources in its existing (state infrastructure bank), therefore Ohio would not likely consider capitalizing federal dollars into its existing (state infrastructure bank),” she said.12 Florida Florida was one of the original pilot states for infrastructure banks. Its bank, established in 1997, has two distinct accounts—one a federally funded revolving fund that has not been recapitalized in several years, and the other capitalized solely with general revenue bond proceeds and state funds. The bank can provide loans and other assistance to public or private entities carrying out or proposing projects eligible for assistance under federal and state law. In order to be eligible, the projects must be on the state highway system, provide increased mobility on the state’s transportation system or provide intermodal connectivity with airports, seaports, rail facilities and other transportation terminals. They must be consistent with local Metropolitan Planning Organizations and local government comprehensive plans. The state-funded account also can lend capital costs or provide credit enhancements for emergency loans for damages incurred on public-use commercial deepwater seaports, public-use airports, and other public-use transit and intermodal facilities that are within an area that is part of an official state emergency declaration. The bank will have a two-month application window in 2011 with awards announced in October and funds available in July 2012.13 Other key features of the bank include: It sets its own interest rates on a project-by-project basis, including rates below market levels based on consideration of project needs. It can tailor repayment structures on a need-oriented, project-by-project basis, including payment deferment. Borrowers can avoid payments for up to five years until their project revenue streams stabilize.14 “The majority of our (state infrastructure bank) projects advance transportation benefits by at least one year, but generally by several years,” Project Manager Jennifer Weeks said in an email interview. “In some instances, (state infrastructure bank) loans have allowed projects to be constructed that may not have been built otherwise.” Loans have been used to purchase buses and trolleys, construct intermodal facilities, add capacity on the state highway system, relieve congestion on state and federal highways, build a new airport, and build container terminals at a local seaport. Weeks said rather than using the infrastructure bank to provide 100 percent of the funding for a project, the state prefers to use it to provide gap or bridge funding to get a project up to 100 percent funding. “There are cases where a transportation benefit may not be realized without the assistance of (state infrastructure bank) funds or the (bank) has been a financial tool that improved the financial affordability of other debt financing for the project,” Weeks said. **Florida’s model of the state infrastructure bank has been a success** other states have sought to duplicate, Weeks said. “We look at the (state infrastructure bank) as a major tool in our ‘financial toolbox’ with hopes of a viable program in good and bad economic times,” she said. “During these tough economic times, the (state infrastructure bank) has still been able to provide loans at or below market rates and fund numerous transportation projects that have provided a safe transportation system ensuring the movement of people and goods.” Between federal and state accounts, Florida’s bank has offered $1.1 billion in assistance to 64 projects and has leveraged $8.4 billion in total project investment. “So, for every $1 loaned, we receive approximately $8 in product,” she said. “We have mainly focused on the project approach, whereas other states have focused on a program approach.” But, Weeks said the Florida state infrastructure bank is always looking at ways to improve and to serve additional projects. “We usually have more applications than we do capacity to loan,” Weeks said. “Not all applications are awarded. Some projects may not be quite ‘mature’ enough at the time of application or there may be financial issues that may cause concerns regarding the repayments of a loan. The project itself, as well as credit and/or financial risk, are part of the application and award process amongst other successful selection criteria. There will always be more projects than there is money.”15 Georgia The Georgia Transportation Infrastructure Bank was created by 2008 legislation and capitalized with $34 million in state funds in the 2009 fiscal year. The statute allows for future federal capitalization as well.16 The Georgia bank began accepting applications in October 2009. In addition to offering loans to eligible state, regional and local government entities for transportation projects, the bank is also authorized to administer grant money for specific transportation programs. The program website lists several objectives in administering the Georgia Transportation Infrastructure Bank, including: Making additional funding available to government units in order to initiate and complete transportation projects. Giving priority to bridge and road projects that are close to, at the start of or under construction, have a higher degree of contributed matching funds and have been initiated by government units, particularly cities and counties. Since the primary infrastructure bank funding comes from motor fuel taxes, transit and airport projects are ineligible for assistance. Selecting projects for financing that add transportation and economic value to local communities and/or the state. Ensuring consistency, fairness and efficiency in the evaluation of applications. Providing for a smooth operational process that maintains loan and grant documents, manages the Georgia Transportation Infrastructure Bank capital prudently, tracks loan expenditures/repayments and provides adequate reporting.17 Virginia Virginia is the latest state to create its own state capitalized infrastructure bank. In April 2011, Gov. Bob McDonnell signed into law key transportation legislation that will result in the investment of nearly $4 billion in the commonwealth’s road, rail and transit networks and fund more than 900 transportation projects during the next three years. The legislation also creates the new Virginia Transportation Infrastructure Bank, which will make low-interest loans and grants to localities, transportation authorities and private-sector partners. The state is using $283 million from a 2010 fiscal year surplus and savings from a performance audit of the Virginia Department of Transportation to provide the bank’s initial capitalization. Officials plan to use a number of different mechanisms and funding sources, including future budget surpluses, during the next three years to provide an additional $1 billion in capital.18 “We already had established a federally approved infrastructure bank,” recalled Virginia Transportation Secretary Sean Connaughton during remarks at a conference on public-private partnerships in June. “We wanted to establish our own state bank, one that we had more ability to control, more ability to look for opportunities where we could use any sort of credit financing, credit enhancement, actually doing loans, actually looking for opportunities to issue bonds and leverage the amount of money that we have in this bank so we can actually make some projects happen.” Connaughton, the incoming vice chairman of CSG’s Transportation Policy Task Force, said one thing that prompted creation of the new bank is the fact that federal programs like the Transportation Infrastructure Finance and Innovation Act, which helps fund projects of regional and national significance, have become oversubscribed and loans have become increasingly hard to get.

## \*\*\*Politics\*\*\*

### Politics Link – 1NC/2NC

#### GOP won’t have it – this evidence assumes the AFF’s link turns

DRUTMAN ‘10 - senior fellow and the managing editor for the Progressive Policy Institute (Lee, “Financing Future Growth: How Do We Pay For New Projects?”, October 4, http://progressivepolicy.org/financing-future-growth-how-do-we-pay-for-new-projects)

And yet, Rep. DeLauro’s bill to create a National Infrastructure Bank and turn a chaotic ad-hoc infrastructure appropriations process into a rational national strategy has attracted only 60 co-sponsors – and not a single Republican.

“Resistance is internal to Congress,” said Hindery. “They would give up so much grant and earmark authority. Members are hesitant to see that move into an independent entity.”

Hindery argued that the key was leadership, and that the President wasn’t doing enough of it. “It has to be a stated priority,” he said. “It can’t be a proffered idea with tepid support.”

Ehrlich, who wrote a PPI Policy Memo on how an infrastructure bank should operate, was optimistic that this is an idea whose time has come. “This is a remarkable moment in infrastructure,” he said. “We are finally at a place where all the communities know the current programs are brain-dead…Local planners are wondering where the funds are going to come from, private investors are circling around the periphery of the area, looking for a way in.”

Hindery also noted that both the Chamber of Commerce and the Business Roundtable – both of whom have been largely resistant to any form of domestic spending – have come out in favor of an infrastructure bank. However, DeLauro said her Republican colleagues in Congress were not hearing this.

### Politics Link – 2NC

#### Ramming the plan through Congress causes heavy backlash

SCHULZ ‘10, Contributing Editor -- Logistics Management (John D., “Transportation infrastructure: Is a U.S. Infrastructure Bank an idea whose time has come?”. April 2. <http://www.logisticsmgmt.com/article/455228-Transportation_infrastructure_Is_a_U_S_Infrastructure_Bank_an_idea_whose_time_has_come_.php>)

"The needs are great, and getting greater-and more funding is not coming," said Norman Y. Mineta, who was Transportation Secretary in the first Bush administration. Mineta is currently vice chairman of global communications consultancy for Hill & Knowlton, a public relations firm.

Can the United States create an infrastructure bank? There are hurdles, Mineta said, but they are not insurmountable. Chief among them is how financially "score" such projects so they are fiscally responsible and paid for without increasing the national debt.

First, Congress must maintain the primary role in funding, Mineta said. Transferring large amounts of discretionary funding from Congress to another entity has "very little chance of approval," Mineta said.

Mineta said that while he was transportation secretary "I would have loved to have access to a large amount of discretionary funding," but Congress would never go for it. Instead, it must work with private funding sources, which increasingly are being seen as an answer to U.S. infrastructure funding needs.

"I believe we can create a national infrastructure bank if its primary purpose is to leverage private investment into projects that are critical to our national infrastructure," he said.

Giving states and regions access to such funds "should not threaten" Congress, said Mineta, a former congressman from California and mayor of San Jose.

"We should look at it as a bank, not a funding arm of the U.S. government," Mineta said. He favored creating a separate entity, with a board that sets lending policy, but lets the decisions on which projects gets funding to experts. It should not be a profit-making venture, he said.

"The bank should not be seen as a ‘Trannie Mae,'" he said, referring to the scandal-ridden Fannie Mae and Freddie Mac, which required billions in bailout money to help rescue the federally backed home loan sector.

Still, a U.S. transportation infrastructure bank "has the potential to play a powerful role to meet the unmet transportation needs while providing new jobs and economic stimulus," Mineta said.

It should provide investment that is not currently available in current capital markets, Mineta said. A U.S. national infrastructure bank must have sufficient reserves to do expensive projects and thus would require the full backing of the U.S. government. A blueprint would be the U.S. Export-Import Bank, which helps facilitate trade among countries.

Infrastructure banks are commonplace in other countries, especially in Europe where they are supported by dedicated funding sources. They make low-interest loans directly to localities for infrastructure projects. Supporters say they eliminate time and red tape from the funding process. Their appeal may be catching on in this country. Already, some in Congress are calling for their creation in this country.

Infrastructure banks could also be used to expand telecommunications, broadband capacity, wastewater distribution facilities and improving other U.S. projects' needs.

President Barack Obama's proposed 2011 budget includes $4 billion to create a national infrastructure bank to provide a source of funding for infrastructure needs. This comes at a time many experts are saying the U.S. must start thinking outside the box of traditional funding.

"This is something holding up a major surface transportation bill," Mineta said. "We can't have these two-, three-, five-month extensions. **The critical factor** in moving that surface transportation bill forward **is how is it going to be funded**."

But as the recent health care debate showed in an increasingly polarized political landscape, change does not come easily in Washington.

"Forcing change in the infrastructure community has rarely been successful," Mineta admitted. "It is now time for a collaborative effort. We should look at a comprehensive set of solutions."

## \*\*\*Case\*\*\*

### Solvency – 1NC

#### Infrastructure bank unsustainable

UTT ’10 – Ph.D. is a Herbert and Joyce Morgan Senior Research Fellow at The Heritage Foundation (Ronald, “Infrastructure bank proposals rely on backdoor deficit spending”. March 22. <http://dailycaller.com/2010/03/22/infrastructure-bank-proposals-rely-on-backdoor-deficit-spending/>)

The common meaning of a “bank” describes an entity that borrows money at one interest rate and lends it out to creditworthy borrowers at a somewhat higher interest rate to cover the borrowing, administrative, and bad debt costs incurred in the act of financial intermediation. In contrast, many of the federal infrastructure bank proposals (and those already in existence) follow only the borrowing part. Instead most allow the infrastructure bank to use borrowed funds to provide grants and subsidies to approved infrastructure projects. A grant, of course, is not paid back and does not require interest payments. So this raises an important question: How can the bank service its debt if it has no earnings?

Alert readers will recognize that this sounds alarmingly similar to the predicament of the federally sponsored lenders Fannie Mae and Freddie Mac when their earnings failed to cover debt costs, thereby necessitating a taxpayer bailout that now totals $126 billion. Oddly, such apparent parallels were acknowledged by Representative Rosa DeLauro (D–CT), sponsor of current infrastructure bank legislation, when she noted that her bank would be “an innovative public-private partnership like Fannie Mae.”

Note that the chief difference between Fannie Mae and the DeLauro bank is that Fannie Mae was mandated to ensure the creditworthiness of its borrowers (however poorly done), while investments, loans, and subsidies provided by the DeLauro bank would be required to meet a series of social objectives devoid of any requirements for economic viability or financial sustainability.

The Common Financial Weakness of Many Bank Proposals

Relieving the bank’s management from the pesky task of checking a borrower’s creditworthiness, evaluating the viability of the project, and ensuring the sustainability of the bank’s financial integrity is a troubling characteristic of many federal proposals to create infrastructure banks.

Obama’s Plan. In his budget proposal for fiscal year (FY) 2011, the President proposes the creation of a “National Infrastructure Innovation and Finance Fund,” which will “directly provide resources for projects through grants, loans, or a blend of both, and will effectively leverage non-federal resources, including private capital.” As one former Member of the National Infrastructure Financing Commission observed, “Institutions that give away money without requiring repayment are properly called ‘foundations,’ not ‘banks.’”

DeLauro Plan. The more detailed plan under discussion is that introduced by DeLauro titled the National Infrastructure Development Bank Act of 2009 (H.R. 2521). This bill provides for the full faith and credit of the United States for any bond or other obligation issued by the bank, and while the legislation says nothing about providing “grants,” it does authorize the bank “to issue public benefit bonds and to provide direct subsidies to infrastructure projects from amounts made available from the issuance of such bonds.” Of course, a subsidy is indistinguishable from a grant and is not something that would be paid back.

Politics Trumps Viability

The DeLauro plan would also concentrate investments in politically fashionable projects: “The Bank shall conduct an analysis that takes into account the economic, environmental, social benefits, and costs of each project under consideration for financial assistance under this Act, prioritizing projects that contribute to economic growth, lead to job creation, and are of regional or national significance.” Nothing in the section suggests that creditworthiness, financial viability, or ability to repay a loan is a criterion.

As for specific bank goals, DeLauro’s legislation also mandates job creation, responsible employment practices, reduction in carbon emissions, smart growth, poverty and inequality reduction, pollution reductions, improvement and the physical layout of public housing, and public health benefits.

What These Banks Might Look Like: The South Carolina Example

The National Highway System Designation Act of 1995 authorized the creation of 10 State Infrastructure Banks (SIBs), and the 1997 appropriations bill included $150 million to capitalize them. South Carolina created its SIB in 1997, and today it is one of the largest and most active of those remaining from this legislation.

The bank provides both loans and grants, as would be the case with most federal proposals under discussion. In contrast to a “bank” where interest and investment-related fees would constitute the bulk of the revenue, the South Carolina SIB is largely funded by a series of dedicated taxes (truck registration, portion of the state gas tax, motor vehicle registration, and an electric power tax) that provided 69 percent of the SIB’s revenues in FY 2009. Moreover, because grants and subsidies are “anti-assets” for purposes of the SIB’s balance sheet, the SIB’s 2009 assets of $1.3 billion were exceeded by its liabilities of $2.2 billion (mostly debt). This leaves the SIB with a negative net worth of $896 million for that year. As is apparent from this brief review, the South Carolina infrastructure bank is heavily dependent upon substantial taxpayer subsidies, and will collapse without them.

Backdoor Boondoggle

As currently written, the legislation to create a federal infrastructure bank would lead to an outcome similar to South Carolina’s, making it little more than a backdoor mechanism for the deficit/taxpayer financing of transportation projects. Congress should instead develop legislation to create a real infrastructure bank whose assets match liabilities and whose earnings and debt service came from tolls and other user fees earned on financially sustainable investments.

#### Fails leveraging capital

EHL ’12 - Federal Liaison for the Washington State. Department of Transportation; editor of the Transportation Issues (Larry, “The Fantasy Solution of an Infrastructure Bank”. April 16. http://www.transportationissuesdaily.com/the-fantasy-solution-of-an-infrastructure-bank/)

Aggarwala correctly notes that infrastructure banks offer a way around the political challenges of convincing elected officials and the public to raise the gas tax, and the pervasive myths (my words) of earmarks:

 “Private investors’ money multiplies limited public funds; those investors’ bankers help ensure that politicians don’t prioritize the wrong projects; and the projects themselves remain public — thus avoiding the downsides of true privatization.”

That solves only the challenge of timing, not the challenge of wealth. Aggarwala describes how financing and infrastructure banks can solve the timing challenge:

 By definition, a financing problem is one of timing: a project built today creates value tomorrow, but the builder doesn’t have the cash today to get started. So an investor lends, the borrower builds and the two share the value created tomorrow. That’s finance. . . .Investment can unlock future revenue that can be shared with a lender.

The problem is that much if not all of the public funds come from existing revenues. That in turn reduces the amount of funds available in the future for other needed maintenance, preservation and capacity improvements.

In some cases, the public funds are new, such as tolling revenue. But tolling is an option on very few roads across the country. Further, there is strong opposition to tolling new roads and even stronger opposition to tolling an existing road for expansion and improvements. Aggarwala dissects the dilemma:

“Unfortunately, America’s most dire infrastructure problems are . . . like Pennsylvania’s 6,000 structurally deficient bridges. Replacing these won’t create new value, serve new traffic or generate new economic development, so financing has to come from existing income. And that’s a problem not of timing, but of wealth. Even if a replacement bridge can be financed through an infrastructure bank, the debt service on the loan has to be paid back with existing wealth.

Worse, most of America’s bridges are untolled, so even if their replacements were to carry more traffic, they wouldn’t yield new direct revenue. At best, through gasoline and other taxes, they would bring money into the federal Highway Trust Fund and into state and local governments. So what’s necessary to unlock financing is funding from increased future allocations from the Highway Trust Fund, or from state and local taxes.

But that is the very problem an infrastructure bank tries to avoid.”

I would quibble with his point about not generating new economic development. A new bridge or road can improve economic vitality but rarely enough to back private investment, which I think is Aggarwala’s point.

There’s one aspect Aggarwala doesn’t mention, according to Joung Lee, Deputy Director of the AASHTO Center for Excellence in Project Finance. Congress, during its debates on a national infrastructure bank (NIB), has yet to reach “a full consensus on what exactly such an entity should do. So far the debate has exhibited qualities of a Rorschach test, where interested stakeholders project what they want to see in a NIB based on their varied interests. For example, Aggarwala takes it as a given that a NIB would extend loans to recipients that are selected through careful vetting based on sponsor creditworthiness and project risk. However, some supporters of the NIB have proposed activities that would include grant funding in addition to extending credit. Direct grant-making by a NIB would essentially displace state DOT and MPO decision-making with an entity that is much further removed from the transportation plans and projects to which such funds are applied. In addition, such activities would most likely reduce the purported ability of a NIB to efficiently leverage seed capital and bring discipline to project selection with minimal political interference.”

So in the end, an infrastructure bank and financing tools are excellent *additional* tools which will help a few public agencies. They will help primarily with mega-projects at our ports and in our major cities – both of which are the economic engines of our country. Puentes comments that given “the absence of progress in Washington, cities like Chicago are showing the way forward. They are stepping up to devise new ways to conceive and finance a range of infrastructure projects as the physical means to an economy-shaping end, rather than end in itself.”

But infrastructure banks and financing tools will do little to help the majority of smaller ports, and rural and suburban cities and counties who face overwhelming infrastructure needs and funding shortfalls. As Aggarwala notes, it is “fantasy” to believe we can “find a way other than taxes (on gasoline and property) or user fees (tolls and the like) to pay for infrastructure.”

### Solvency – 2NC

#### Turn – Infrastructure bank falls to special interests

MCCONVILLE ‘9 - masters in city & regional planning (“National Infrastructure Bank: What’s the Deal?”. December 11. http://thecityfix.com/blog/national-infrastructure-bank-whats-the-deal/)

These disadvantages are described:

 With political independence comes a loss of accountability. A bank that is not reliant on Congressional appropriations is not subject to the oversight of the executive or legislative branches. This vacuum could be filled by other influences, such as special interest lobbying or the preferences of the bond market.

 As a bank, the NIB would strive to maximize its own returns. This could mean that governments with wealthier jurisdictions would be favored for funding, as they would be able to offer more favorable terms to the NIB. Recipients of funding may also choose to convert the economic returns from a project into revenue returns that could be promised to creditors. But this would only work for certain types of projects, i.e. a bridge that can be tolled easily, as opposed to a highway where tolling would be more complex, which could create biased project selection in favor of certain projects.

 The needs of private investors could hamper good transportation planning and management. For example, private investors in a road project want to be guaranteed that future changes to the system do not devalue their investment, so contracts would set a range of acceptable toll prices. This would interfere with the operator’s ability to manage demand through congestion pricing. Similarly, private investors often demand non-compete or compensation clauses, which bar or discourage adding capacity to a system if it results in less ridership on the toll road in which they have invested.

 Infrastructure investment is often used as a counter-cyclical economic stimulus. Government invests during recessions, providing jobs and encouraging spending. As the economy recovers, fiscal policy should recede, making room for private spending. An NIB would not necessarily jive with this counter-cyclical idea, as private capital markets become more risk-averse during recessions.

Overall, it seems that a National Infrastructure Bank would address some flaws in the transportation funding system but perhaps create others. One serious question is yet to be answered. Several panelists at yesterday’s Brookings discussion on infrastructure and economic development echoed a sentiment that has been expressed by countless transportation advocates: America needs a comprehensive new transportation vision. How would a National Infrastructure Bank, driven by profit motive and free from government accountability, help us build and carry out that vision?

#### No funds for the plan

SCHULZ ‘10, Contributing Editor -- Logistics Management (John D., “Transportation infrastructure: Is a U.S. Infrastructure Bank an idea whose time has come?”. April 2. <http://www.logisticsmgmt.com/article/455228-Transportation_infrastructure_Is_a_U_S_Infrastructure_Bank_an_idea_whose_time_has_come_.php>)

Poole said the larger problem is state departments of transportation don't allocate enough for maintenance budgets of existing transportation entities. That's because such maintenance budgets are "the first things to be cut" during tough economic times. So in addition to funding new projects, states should increase their sources of dedicated funding to maintain existing assets.

Bryan Grote, co-founder of Mercator Advisors, a financial advisory firm that works with sponsors of infrastructure projects, said the bank's appeal would be to more effectively utilize revenue into commercially viable projects.

"Designing the bank would be difficult, but implementing it would be a major challenge," Grote said. "It probably can be a useful step. But the key is it being given the expertise and backing to ensure this entity is doing a better job in provided assistance in a better way. The primary problem is a lack of revenue, not a lack of access to capital markets."

#### Failed funding mechanisms

FREEMARK ’10 – Independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University (Yonah, “Benefits and Pitfalls of a National Infrastructure Bank”. March 8. http://www.thetransportpolitic.com/2010/03/08/benefits-and-pitfalls-of-a-national-infrastructure-bank/)

But as nice as the infrastructure bank may sound, its own financing mechanisms have yet to be clearly defined, even though the way it would lend out is relatively easy to understand.

In his fiscal year 2011 budget, President Obama suggested appropriating $4 billion to establish the new infrastructure bank, with the assumption that the new agency would distribute grants to qualified projects and have its coffers refilled every year or so depending on need. Of course, what’s envisioned there is no bank at all, since it wouldn’t be generating revenue in return for its investments: it would be draining Washington’s coffers even more, with no clear explanation for why it is necessary. What’s the point of establishing another federal agency to dole out grants for infrastructure, when the Departments of Transportation, Housing and Urban Development, and Energy already do that all the time?

This non-bank idea, in other words, is a non-starter.

But what about an infrastructure bank that distributed loans at low interest rates and then expected to get its money back over time? What Connecticut Congresswoman Rosa DeLauro has been proposing for years is something modeled on the European Investment Bank (EIB). The EIB was founded in 1958 and provides low-interest loans at up to 50% of cost to qualified projects in a variety of sectors in Europe and North Africa. Recent projects funded by the EIB’s transport division include an extension of the Bilbao Metro in Spain, a tramway network in Lodz, Poland, and the high-speed rail line between Istanbul and Ankara in Turkey.

Despite its vast size and lending obligations — it is larger than the World Bank — the EIB is independent, does not rely on infusions of funds from any European governments, and has a stellar credit rating.

The principal of encouraging states and local governments to take out low-interest loans was championed by the stimulus act of early 2009, which included a provision for Build America Bonds. Governments have now issued $78 billion in these bonds, now representing 20% of the municipal debt market, mostly because the BAB program is such a good deal for public authorities that want to take out debt for new construction projects. Unlike the proposed infrastructure bank, however, the BAB program does not distribute funds based on merit, nor does it rely on a government bank — the federal government artificially produces low interest rates by subsidizing private loans.

But the EIB and BAB models, as interesting as they are, do not actually increase the amount of money being spent on transportation in the long-term — they simply transfer more of the current spending load into debt. Is that a good idea when governments are already so squeezed by limited budgets? How can we be sure that we’ll be in an adequate financial situation to pay back these debts in the future? Spending now through loans inherently means less spending in the future: If Los Angeles compresses thirty years of transit spending into ten, what happens during the other twenty? Nothing at all, unless another separate revenue source is established.

So none of the the infrastructure bank proposals put forth thus far will actually aid in reversing the current lack of adequate financing for transportation.

#### No quality control

FDL ’11 (Fire Dog Lake, “Infrastructure Bank Creates More Non-Accountable Decision-Makers”. http://firedoglake.com/2011/08/04/infrastructure-bank-creates-more-non-accountable-decision-makers/)

But where would the money come from? The Iraq war drains our national resources, and the 2001 cuts in personal income, capital gains, and inheritance taxes have slashed federal revenues. Meanwhile, several presidential candidates, including the Republican nominee, Senator John McCain, were unable to resist the temptation to endorse a motor fuels tax “holiday,” which would produce negligible saving for motorists but cut even further needed federal revenues. Thus, when it comes time for investments in our future, the federal cupboard is bare.

If he were writing today, he would see the same problem, only now aggravated by the anti-tax mania of the Tea-Zombies and their Democratic enablers; the miserable financial position of the States; and by the coming fight over the fuel tax, which expires at the end of September. The fuel tax is the funding source for the nation’s highway trust fund, which finances most of the road-building, major maintenance and mass transit systems. It is on the hit list for Grover Norquist and the crazy party. Without it, there will be even less money for infrastructure. [cont'd.]

Rohatyn says that the decision-making process is also a big a problem. We don’t have an organized process for making good decisions about major programs, what to repair, what to replace and what to create, whether it’s water treatment plants, airport expansion or highways. Instead, we have bureaucratic fiefdoms handing out whatever money they have based on their own ideas, or earmarks directed at filling the needs of congresscritters to bring home the bacon to their contributors. Or, we rely on state government to figure out the best way to handle their needs. Rohatyn wants something like an industrial policy, where the federal government picks winning and losing projects:

 No responsible body has the mission of impartially deciding whether we’d be better off with more mass transit and better train service and fewer major roads, because these are never compared when a specific proposal is under review. Moreover, the different agencies that analyze projects—if they do so—generally use different (and self-interested) criteria for determining such critical variables as the value of time, the value of new jobs created, the discount rate, the cost of capital, and so on. As a result, the public is left without the apples-to-apples comparisons that any rational investor would use to allocate a portfolio of billions of dollars of investment.

In Rohatyn’s telling, the infrastructure bank would apply meritocratic criteria to the projects it funds. And by bank he means the board of directors: unelected people like cabinet officials and people appointed by President Obama, Majority Leader Reid and Speaker Boehner. He wants us to cede control of major infrastructure completely to unelected and unaccountable people. At least, they will not be accountable to citizens. They will be solely responsible to the investors in the bank, the rich and the entitled. What else would you expect from the profoundly anti-democratic elites?

We wouldn’t have this problem if we raised taxes, but that would violate the rights of Americans not to pay taxes. Instead of taxes, we pay interest or tolls to Abu Dhabi and other clients of Goldman Sachs and JPMorgan Chase. The interests of these financiers and their clients are certainly aligned, but not with the interests of US citizens.

### State Budget – 1NC

#### Turn – plan destroys state flexibility, which is key to solve

MICA ‘11 - chairman of the Transportation and Infrastructure Committee (John, “Mica: States Will Have More Flexibility Without a National Infrastructure Bank”. July 21. http://www.rollcall.com/features/Transportation-2011\_Policy-Briefing/policy\_briefings/John-Mica-National-Infrastructure-Bank-207562-1.html?zkMobileView=true)

Significant reforms and improvements for transportation programs will increase the investment value of available infrastructure resources.

By leveraging limited funds more effectively, the level of infrastructure investment is increased. But a national infrastructure bank is not the best way to achieve this leverage.

The Federal Highway Administration estimates that for every federal dollar invested in state infrastructure banks, $9.45 in loans for transportation projects can be issued. To encourage states to better utilize SIBs, the Republican proposal increases the percentage of federal highway funding that a state can dedicate to a SIB from 10 percent to 15 percent, and states will receive a specific amount of funding that can be used only to fund SIBs.

Many states currently have infrastructure banks. The proposal builds upon this existing SIB structure rather than increasing the size of the bloated federal bureaucracy, as some advocate, by creating a national infrastructure bank. States will have more flexibility to make project decisions.

The proposal also expands the successful Transportation Infrastructure Finance and Innovation Act program. By dedicating $6 billion to TIFIA, $60 billion in low-interest loans to fund at least $120 billion in transportation projects will be generated. Additional TIFIA funding will help meet demand for credit assistance for projects, enabling increased leveraging of Highway Trust Fund dollars with state, local and private-sector investment.

The new fiscally responsible initiative streamlines the federal bureaucracy in other ways as well. There are more than 100 federal surface transportation programs, many of which are duplicative or do not serve a national interest. An unprecedented consolidation and elimination of about 70 of these programs under this proposal will decrease the size of the federal bureaucracy, freeing up funds that can be invested in infrastructure instead of siphoned off to maintain unnecessary programs.

#### Alt cause to education – teacher accountability systems

MINTROP AND SUNDERMAN ‘9 – Heinrich Mintrop is an associate professor in the Graduate School of Education at the University of California; AND\*\*\* Gail L. Sunderman is a senior research scientist and director of the Mid-Atlantic Equity Center at the George Washington University Center for Equity and Excellence in Education (Heinrich. Gail L. Sunderman. Sage Journals Online, “Predictable Failure of Federal Sanctions-Driven Accountability for School Improvement—And Why We May Retain It Anyway”, <http://edr.sagepub.com/cgi/content/full/38/5/353?ijkey=WezdCXsvUKaV.&keytype=ref&siteid=spedr>)

Accountability systems fashioned after NCLB principles violate core professional norms of educators and produce widespread frustration and demoralization among those charged with carrying out needed school improvement efforts. Although teaching to the test is acceptable to a certain degree, high pressure to do so to the exclusion of other more complex and far-reaching goals is not. As a result, teachers widely report that they need to compromise standards of good teaching when striving to meet accountability goals (Abrams et al., 2003; McNeil, 2000; Valenzuela, 2005). Indeed, schools’ performance or accountability status may be a poor indicator of their overall educational quality (Mintrop & Trujillo, 2007).

The moral discourse of accountability assigns failure to schools’ lack of high expectations and standards for all students and places the burden of responsibility on educators. Educators themselves are torn. They assume guilt and at the same time discount it (Booher-Jennings, 2005; Finnigan & Gross, 2007; Hargreaves, 2004; Mintrop, 2004). The belief is widespread that sanctions penalize teachers and administrators who have to work under the most difficult conditions in schools that serve children in poverty from many different demographic subgroups, a belief that resonates with evidence documented by research (Sunderman et al., 2004). As a result, low-performance labels attached to the organization are rejected as valid judgments of individual work quality (Mintrop, 2004).

#### Heg is inevitable: structural foundations buffer heg decline

NORRLOF ’10 - an Associate Professor in the Department of Political Science at the University of Toronto (Carla, “ America’s Global Advantage US Hegemony and International Cooperation” p. 1-2)

The United States has been the most powerful country in the world for more than sixty years. Throughout this period, it has had the world’s largest economy and the world’s most important currency. For most of this time, it had the world’s most powerful military as well – and its military supremacy today is beyond question. We are truly in an era of US hegemony, a unipolar moment, a Pax Americana, which has enabled Americans to enjoy the highest standard of living in human history. Is this privileged position being undercut by serial trade deficits? The pessimists are growing more numerous by the day. They see the country’s spendthrift ways as a disaster waiting to happen. They warn that the cavernous gap in merchandise trade, well above 6 percent in 2006, is an ominous sign of competitive slippage. In 2008, the liabilities acquired to finance the shortfall in exports reached an amazing 29 percent of GDP. A falling dollar, military overstretch, the rise of the euro, the rise of China, and progressively deeper integration in East Asia are among the factors that many believe herald the imminent decline of American hegemony. In my view, the doomsayers are mistaken. I argue that American hegemony is stable and sustainable. While the United States **certainly** does face a number of challenges, an analysis of the linkages between trade, money, and security shows that American power is robust. This book is a story about why and how American hegemony works, and what other states would have to do to emulate or, on other grounds, thwart, America’s power base. As I will show, the United States benefits from running persistent trade deficits as a result of its special position in the international system. I will argue that any comparably situated country would choose to pursue the same cyclical deficit policy as the one encouraged by the US government. A series of size advantages cut across trade, money, and security: the size of the American market, the role of the dollar, and American military power interact to make a trade deficit policy rewarding and buffer the United States from the extreme consequences that a sustained deficit policy would otherwise have.

#### No impact to the transition

IKENBERRY ‘8 professor of Politics and International Affairs at Princeton University (John, The Rise of China and the Future of the West Can the Liberal System Survive?, Foreign Affairs, Jan/Feb)

Some observers believe that the American era is coming to an end, as the Western-oriented world order is replaced by one increasingly dominated by the East. The historian Niall Ferguson has written that the bloody twentieth century witnessed "the descent of the West" and "a reorientation of the world" toward the East. Realists go on to note that as China gets more powerful and the United States' position erodes, two things are likely to happen: China will try to use its growing influence to reshape the rules and institutions of the international system to better serve its interests, and other states in the system -- especially the declining hegemon -- will start to see China as a growing security threat. The result of these developments, they predict, will be tension, distrust, and conflict, the typical features of a power transition. In this view, the drama of China's rise will feature an increasingly powerful China and a declining United States locked in an epic battle over the rules and leadership of the international system. And as the world's largest country emerges not from within but outside the established post-World War II international order, it is a drama that will end with the grand ascendance of China and the onset of an Asian-centered world order. That course, however, is not inevitable. The rise of China does not have to trigger a wrenching hegemonic transition. The U.S.-Chinese power transition can be very different from those of the past because China faces an international order that is fundamentally different from those that past rising states confronted. China does not just face the United States; it faces a Western-centered system that is open, integrated, and rule-based, with wide and deep political foundations. The nuclear revolution, meanwhile, has made war among great powers unlikely -- eliminating the major tool that rising powers have used to overturn international systems defended by declining hegemonic states. Today's Western order, in short, is hard to overturn and easy to join. This unusually durable and expansive order is itself the product of farsighted U.S. leadership. After World War II, the United States did not simply establish itself as the leading world power. It led in the creation of universal institutions that not only invited global membership but also brought democracies and market societies closer together. It built an order that facilitated the participation and integration of both established great powers and newly independent states. (It is often forgotten that this postwar order was designed in large part to reintegrate the defeated Axis states and the beleaguered Allied states into a unified international system.) Today, China can gain full access to and thrive within this system. And if it does, China will rise, but the Western order -- if managed properly -- will live on.

#### No risk of a bioterror attack, and there won’t be retaliation - their evidence is hype

MATISHAK ‘10 (Martin, Global Security Newswire, “U.S. Unlikely to Respond to Biological Threat With Nuclear Strike, Experts Say,” 4-29, <http://www.globalsecuritynewswire.org/gsn/nw_20100429_7133.php>)

WASHINGTON -- The United States is not likely to use nuclear force to respond to a biological weapons threat, even though the Obama administration left open that option in its recent update to the nation's nuclear weapons policy, experts say (See GSN, April 22). "The notion that we are in imminent danger of confronting a scenario in which hundreds of thousands of people are dying in the streets of New York as a consequence of a biological weapons attack is fanciful," said Michael Moodie, a consultant who served as assistant director for multilateral affairs in the U.S. Arms Control and Disarmament Agency during the George H.W. Bush administration. Scenarios in which the United States suffers mass casualties as a result of such an event seem "to be taking the discussion out of the realm of reality and into one that is hypothetical and that has no meaning in the real world where this kind of exchange is just not going to happen," Moodie said this week in a telephone interview. "There are a lot of threat mongers who talk about devastating biological attacks that could kill tens of thousands, if not millions of Americans," according to Jonathan Tucker, a senior fellow with the James Martin Center for Nonproliferation Studies. "But in fact, no country out there today has anything close to what the Soviet Union had in terms of mass-casualty biological warfare capability. Advances in biotechnology are unlikely to change that situation, at least for the foreseeable future." No terrorist group would be capable of pulling off a massive biological attack, nor would it be deterred by the threat of nuclear retaliation, he added. The biological threat provision was addressed in the Defense Department-led Nuclear Posture Review, a restructuring of U.S. nuclear strategy, forces and readiness. The Obama administration pledged in the review that the United States would not conduct nuclear strikes on non-nuclear states that are in compliance with global nonproliferation regimes. However, the 72-page document contains a caveat that would allow Washington to set aside that policy, dubbed "negative security assurance," if it appeared that biological weapons had been made dangerous enough to cause major harm to the United States. "Given the catastrophic potential of biological weapons and the rapid pace of biotechnology development, the United States reserves the right to make any adjustment in the assurance that may be warranted by the evolution and proliferation of the biological weapons threat and U.S. capacities to counter that threat," the posture review report says. The caveat was included in the document because "in theory, biological weapons could kill millions of people," Gary Samore, senior White House coordinator for WMD counterterrorism and arms control, said last week after an event at the Carnegie Endowment for International Peace. Asked if the White House had identified a particular technological threshold that could provoke a nuclear strike, Samore replied: "No, and if we did we obviously would not be willing to put it out because countries would say, 'Oh, we can go right up to this level and it won't change policy.'" "It's deliberately ambiguous," he told Global Security Newswire. The document's key qualifications have become a lightning rod for criticism by Republican lawmakers who argue they eliminate the country's previous policy of "calculated ambiguity," in which U.S. leaders left open the possibility of executing a nuclear strike in response to virtually any hostile action against the United States or its allies (see GSN, April 15). Yet experts say there are a number of reasons why the United States is not likely to use a nuclear weapon to eliminate a non-nuclear threat. It could prove difficult for U.S. leaders to come up with a list of appropriate targets to strike with a nuclear warhead following a biological or chemical event, former Defense Undersecretary for Policy Walter Slocombe said during a recent panel discussion at the Hudson Institute. "I don't think nuclear weapons are necessary to deter these kinds of attacks given U.S. dominance in conventional military force," according to Gregory Koblentz, deputy director of the Biodefense Graduate Program at George Mason University in Northern Virginia. "There's a bigger downside to the nuclear nonproliferation side of the ledger for threatening to use nuclear weapons in those circumstances than there is the benefit of actually deterring a chemical or biological attack," Koblentz said during a recent panel discussion at the James Martin Center. The nonproliferation benefits for restricting the role of strategic weapons to deterring nuclear attacks outweigh the "marginal" reduction in the country's ability to stem the use of biological weapons, he said. In addition, the United States has efforts in place to defend against chemical and biological attacks such as vaccines and other medical countermeasures, he argued. "We have ways to mitigate the consequences of these attacks," Koblentz told the audience. "There's no way to mitigate the effects of a nuclear weapon." Regardless of the declaratory policy, the U.S. nuclear arsenal will always provide a "residual deterrent" against mass-casualty biological or chemical attacks, according to Tucker. "If a biological or chemical attack against the United States was of such a magnitude as to potentially warrant a nuclear response, no attacker could be confident that the U.S. -- in the heat of the moment -- would not retaliate with nuclear weapons, even if its declaratory policy is not to do so," he told GSN this week during a telephone interview. Political Benefits Experts are unsure what, if any, political benefit the country or President Barack Obama's sweeping nuclear nonproliferation agenda will gain from the posture review's biological weapons caveat. The report's reservation "was an unnecessary dilution of the strengthened negative security and a counterproductive elevation of biological weapons to the same strategic domain as nuclear weapons," Koblentz told GSN by e-mail this week. "The United States has nothing to gain by promoting the concept of the biological weapons as 'the poor man's atomic bomb,'" he added.

### -----Heg Defense – 2NC

#### Predictions underestimate locking mechanisms to heg

NORRLOF ’10 - an Associate Professor in the Department of Political Science at the University of Toronto (Carla, “ America’s Global Advantage US Hegemony and International Cooperation” p. 1-2)

We have seen erroneous predictions of American decline before. In the 1970s, the combination of high inflation, high interest rates, high unemployment, the Vietnam War, political and military challenges from China and the Soviet Union, and the economic rise of Japan led to eerily similar forecasts. Pessimists then, as today, underestimated the longevity of American power. The main reason the United States has continued to occupy a unique place in the international system is because a sufficient number of major and lesser powers have a strong interest in maintaining America at the top of the hierarchy. To bring America down would take a deliberate, coordinated strategy on the part of others and this is simply not plausible. As much as the United States benefits from the space it has carved out for itself in the current world order, its ability to reap unequal gains will remain unless and until allies start to incur heavy losses under American dominance. Even that, by itself, will not be sufficient to sink American hegemony. A strong alternative to American rule will have to come into view for things to fundamentally change. At present, no credible alternative is in sight. The United States is not invincible but its dominance is currently steady. Those who are inclined to think that American hegemony will persist – at least for a while – tend to dwell on the claim that the United States is providing a range of public goods to the benefit of all at its own expense. This is a chimera. The United States is self-interested, not altruistic. The illusion of benevolence has meant that very little attention has been given to uncovering the mechanism through which the United States gains disproportionately from supplying a large open market, the world’s reserve currency, and a military machine capable of stoking or foiling deadly disputes. This book exposes the mechanism through which the United States reaps unequal gains and shows that the current world system, and the distribution of power that supports it, has built-in stabilizers that strengthen American power following bouts of decline. Although all dominant powers must eventually decline, I will show that the downward progression need not be linear when mutually reinforcing tendencies across various power dimensions are at play. Specifically, I will demonstrate how the United States’ reserve currency status produces disproportionate commercial gains; how commercial power gives added flexibility in monetary affairs; and, finally, how military preponderance creates advantages in both monetary and trade affairs.

#### Even if the US declines, liberal international norms will survive - solves the impact

IKENBERRY 11 – (May/June issue of Foreign Affairs, G. John, PhD, Albert G. Milbank Professor of Politics and International Affairs at Princeton University in the Department of Politics and the Woodrow Wilson School of Public and International Affairs, “The Future of the Liberal World Order,” http://www.foreignaffairs.com/

articles/67730/g-john-ikenberry/the-future-of-the-liberal-world-order?page=show)

For all these reasons, many observers have concluded that world politics is experiencing not just a changing of the guard but also a transition in the ideas and principles that underlie the global order. The journalist Gideon Rachman, for example, says that a cluster of liberal internationalist ideas -- such as faith in democratization, confidence in free markets, and the acceptability of U.S. military power -- are all being called into question. According to this worldview, the future of international order will be shaped above all by China, which will use its growing power and wealth to push world politics in an illiberal direction. Pointing out that China and other non-Western states have weathered the recent financial crisis better than their Western counterparts, pessimists argue that an authoritarian capitalist alternative to Western neoliberal ideas has already emerged. According to the scholar Stefan Halper, emerging-market states "are learning to combine market economics with traditional autocratic or semiautocratic politics in a process that signals an intellectual rejection of the Western economic model." Today's international order is not really American or Western--even if it initially appeared that way. But this panicked narrative misses a deeper reality: although the United States' position in the global system is changing, the liberal international order is alive and well. The struggle over international order today is not about fundamental principles. China and other emerging great powers do not want to contest the basic rules and principles of the liberal international order; they wish to gain more authority and leadership within it. Indeed, today's power transition represents not the defeat of the liberal order but its ultimate ascendance. Brazil, China, and India have all become more prosperous and capable by operating inside the existing international order -- benefiting from its rules, practices, and institutions, including the World Trade Organization (WTO) and the newly organized G-20. Their economic success and growing influence are tied to the liberal internationalist organization of world politics, and they have deep interests in preserving that system. In the meantime, alternatives to an open and rule-based order have yet to crystallize. Even though the last decade has brought remarkable upheavals in the global system -- the emergence of new powers, bitter disputes among Western allies over the United States' unipolar ambitions, and a global financial crisis and recession -- the liberal international order has no competitors. On the contrary, the rise of non-Western powers and the growth of economic and security interdependence are creating new constituencies for it. To be sure, as wealth and power become less concentrated in the United States' hands, the country will be less able to shape world politics. But the underlying foundations of the liberal international order will survive and thrive. Indeed, now may be the best time for the United States and its democratic partners to update the liberal order for a new era, ensuring that it continues to provide the benefits of security and prosperity that it has provided since the middle of the twentieth century.

### -----Bioterror Defense – 2NC

#### Weather blocks and solves death toll

LAQUER 99 (Walter, Cochair of the International Research Council at The Center for Strategic and International Studies, “The New Terrorism”)

Ironically, the major factor retarding the use of gases and germs by states and terrorists is no the revulsion or moral constraints but technical difficulties. “Ideal” conditions for an attack seldom if ever exist, and the possibility of things going wrong is almost unlimited, aerosols may nor function, the wind may blow in the wrong direction, missiles carrying a deadly load may land in the wrong place or neutralize the germs on impact. In the course of time these technical difficulties may be overcome, but it is still very likely that roughly nine out of ten of the early attempts by terrorists to wage chemical or biological warfare will fail. But they will not pass unnoticed; the authorities and the public will be alerted, and the element of surprise lost. The search for perpetrators may begin even before the first successful attack. And what has just been said with regard to terrorists may also be to state terrorism.

#### Retaliation is wrong

Schmitt and Shanker ’11 ( BY ERIC SCHMITT, THOMAS SHANKER | SEPTEMBER 6, 2011 Eric Schmitt is a terrorism and national security correspondent for the New York Times. Thomas Shanker is a Pentagon and national security correspondent for the Times.

3. The Threat to Bomb Mecca As fears of a second attack mounted following the 9/11 strikes, U.S. government planners frantically cast about for strategies to protect the country. Even the most far-fetched ideas had a hearing, however briefly. In one case, some government planners proposed that if al Qaeda appeared ready to attack America again, the United States should publicly threaten to bomb the city of Mecca in Saudi Arabia, the holiest site in all of Islam, in retaliation. "Just nuts!" one Pentagon aide wrote to himself when he heard the proposal. The idea was quickly and permanently shelved.

### Growth – 1NC

#### Turn – the plan causes outsourcing and wage deflation, which kills the economy

PRESTOWITZ ’11 - president of the Economic Strategy Institute and writes on the global economy for FP (Clyde, “Where the jobs went”. July 11. http://prestowitz.foreignpolicy.com/posts/2011/07/11/where\_the\_jobs\_went)

The idea of stimulus incorporated in the standard economic models is that it will create demand for goods and services produced in America and thereby drive investment in new factories and jobs to produce more of those goods and services. The difficulty is that we do not want to stimulate a lot more construction or finance (those were the bubbles that collapsed after all), and greater stimulus to create demand for things we largely import does not drive new investment or creation of new jobs in America. It only increases our debt. What is needed is not just demand in the American economy, but demand that results in domestic production and that does not increase domestic or international debt.

Think about this in the wake of the recent New York Times article reporting on the new Oakland Bay Bridge being made in and imported from China. Building infrastructure like bridges is a time-honored way of creating demand in the economy that creates jobs. Indeed, just this past weekend President Obama called for creation of an Infrastructure Bank that would enable a dramatic ratcheting up of U.S. investment in critical infrastructure. It's a good idea and one that I, along with others, have long promoted. But if the decision of the state of California to have the main structural elements of the Oakland Bay Bridge made in China is a harbinger of things to come, then an Infrastructure Bank is likely to create more jobs in Asia than in the United States.

No doubt former Governor Arnold Schwarzenegger and his cabinet thought they would save about $400 million on steel by buying the bridge in China because Chinese steel production has been heavily subsidized and China's government manages its yuan to be artificially undervalued versus the dollar. But what they didn't consider was that those subsidies tend to **make U.S.-based production uncompetitive and not only put American workers out of jobs but exert downward pressure on wages** generally **while eroding critical investments** in equipment and human skills, reducing state, municipal, and federal tax revenues, and contributing to the shrinkage of the national educational base. No one in California took a look at even the whole state picture, let alone the national picture, to determine whether buying a bridge in China was really going to be a net gain for the state (as it turns out, in the past two years the price of Chinese steel has risen much faster than that of U.S. steel so that even the initially projected savings are unlikely to be realized). Even worse, no one at the federal level of the U.S. government has any responsibility for evaluating the net impact of these kinds of deals or for reducing the leakage of stimulus spending abroad and maximizing the domestic production impact of government spending.

Until our economists and officials begin to wrestle with the need for the United States not only to stimulate its economy but to do so in ways that will lay the basis for America to increase its wealth-producing capacity and pay its way, they are likely to find themselves in a continuous state of shock.

#### No impact- econ decline doesn’t cause war

Barnett ‘9(Thomas P.M. Barnett, senior managing director of Enterra Solutions LLC, “The New Rules: Security Remains Stable Amid Financial Crisis,” 8/25/2009)

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.

#### Trade does not solve war—there’s no correlation between trade and peace

MARTIN et al ‘8 (Phillipe, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, and Centre for Economic Policy Research; Thierry MAYER, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, CEPII, and Centre for Economic Policy Research, Mathias THOENIG, University of Geneva and Paris School of Economics, The Review of Economic Studies 75)

Does globalization pacify international relations? The “liberal” view in political science argues that increasing trade flows and the spread of free markets and democracy should limit the incentive to use military force in interstate relations. This vision, which can partly be traced back to Kant’s Essay on Perpetual Peace (1795), has been very influential: The main objective of the European trade integration process was to prevent the killing and destruction of the two World Wars from ever happening again.1 Figure 1 suggests2 however, that during the 1870–2001 period, the correlation between trade openness and military conflicts is not a clear cut one. The first era of globalization, at the end of the 19th century, was a period of rising trade openness and multiple military conflicts, culminating with World War I. Then, the interwar period was characterized by a simultaneous collapse of world trade and conflicts. After World War II, world trade increased rapidly, while the number of conflicts decreased (although the risk of a global conflict was obviously high). There is no clear evidence that the 1990s, during which trade flows increased dramatically, was a period of lower prevalence of military conflicts, even taking into account the increase in the number of sovereign states.

#### Relations with China are resilient

**Dongxiao 12** – Vice President of Shanghai Institutes for International Studies (Chen, 01/05, “China-US Relations in 2012: Caution Ahead,” http://chinausfocus.com/slider/no-reason-for-chagrin-over-china-us-relations-but-cautious-management-needed-in-2012/)

The year of 2011 brought many unexpected, globally altering events. This year, non-stop crises and sea changes in the international arena; chaos and revolution in the Middle East and West Africa; catastrophic Tsunami and nuclear-leak crisis in Fukushima; paralysis of leadership of EU confronting the evolving debt predicament in Euro-Zone; and the sudden death of Kim Jong-il and its unpredictable repercussions on the Korean Peninsula and Northeast Asia were just a few of the tumultuous events that led global economic and political instability this year. Bilateral relations between China and the US, in contrast have been relatively stable, and increasingly positive. Three driving forces have contributed to the improvement in US-China relations in 2011: mutual commitment, multi-function mechanisms, and increasing interdependence. Beijing and Washington both stressed their commitment to building a cooperative partnership based on mutual respect and mutual benefit following a rocky year of bilateral relations in 2010. Both sides have stressed that the relationship between China and the United States should be cooperative and mutually beneficial rather than zero-sum, and that the two sides should **stand together in the face of difficulty** and carry out cooperation on an equal footing. The mutual commitment between China and the US has been bolstered by an increasing number of bilateral mechanisms with policy communication, coordination, and implementation functions (“C2I”). 2011 has seen of the growth of “C2I” mechanisms intensify. with a number of new initiatives, including High-level Consultation on People-to-People Exchanges, the US-China Governors Forum, and the Strategic Security Dialogue and Asia-Pacific Affairs Consultation under the framework of Strategic and Economic Dialogue (S&ED). While the former two initiatives have either reflected thriving interaction in cross-cultural domains or tapped the huge potential of sub-national cooperation across the Pacific, the latter two mechanisms have greatly upgraded capacity to address difficult and sensitive military and security issues in bilateral relations n and build confidence in US-China relations. The **60 plus** bilateral mechanisms, plus frequent exchanges of informal visits and workshops between senior officials have built an **impressive level of institutionalization** in US-China bilateral relations that has enhanced the predictability of relations between the two countries and helped consolidate the foundation of the relations. The substance of the bilateral relationship, in essence, is not to follow the two presidents’ agreements in words, but to follow the roadmap in action, and those bilateral mechanisms have built significant capacity to do this. Thirdly and perhaps most fundamentally, the growing interdependence across the Pacific and emerging agenda of global governance has served as the “ballast” in the bilateral relationship. Despite numerous trade disputes between the two countries, economic interdependence has been steadily enhanced, manifested either by the hike of bilateral trade and investment volume, symbiotic financial relations, or the economic restructuring now underway in both countries. This interdependence has transcended economics, and is growing increasingly comprehensive in nature.

#### Economic nationalism is inevitable – makes economic cooperation impossible

GOLDSTONE ‘7 - PhD candidate in the Department of Political Science and a member of the Security Studies Program at the Massachusetts Institute of Technology. He is a non-resident research fellow at the Center for Peace and Security Studies, Georgetown University (P.R.,”Does Globalization Bring War or Peace?”. September 25. http://www.alternet.org/audits/62848/?page=entire)

American policymakers should beware claims of globalization's axiomatic pacifying effects. Trade creates vested interests in peace, but these interests affect policy only to the extent they wield political clout. In many of the states whose behavior we most wish to alter, such sectors -- internationalist, export-oriented, reliant on global markets -- lack a privileged place at the political table. Until and unless these groups gain a greater voice within their own political system, attempts to rely on the presumed constraining effects of global trade carry substantially greater risk than commonly thought.

A few examples tell much. Quasi-democratic Russia is a state whose principal exposure to global markets lies in oil, a commodity whose considerable strategic coercive power the Putin regime freely invokes. The oil sector has effectively merged with the state, making Russia's deepening ties to the global economy a would-be weapon rather than an avenue of restraint. Russian economic liberalization without political liberalization is unlikely to pay the strong cooperative dividends many expect.

China will prove perhaps the ultimate test of the Pax Mercatoria. The increasing international Chinese presence in the oil and raw materials extraction sectors would seem to bode ill, given such sectors' consistent history elsewhere of urging state use of threats and force to secure these interests. Much will come down to the relative political influence of export-oriented sectors heavily reliant on foreign direct investment and easy access to the vast Western market versus the political power of their sectoral opposites: uncompetitive state-owned enterprises, energy and mineral complexes with important holdings in the global periphery, and a Chinese military that increasingly has become a de facto multi-sectoral economic-industrial conglomerate. Actions to bolster the former groups at the expense of the latter would be effort well spent.

At home, as even advanced sectors feel the competitive pressures of globalization, public support for internationalism and global engagement will face severe challenges. As more sectors undergo structural transformation, the natural coalitional constituency for committed global activist policy will erode; containing the gathering backlash will require considerable leadership.

Trade can indeed be a palliative; too often, however, we seem to think of economic interdependence as a panacea; the danger is that in particular instances it may prove no more than a placebo.

#### Flawed studies - warming’s not a threat and not anthropogenic

Leake 10 (Jonathan, Times Online, Citing John Christy of the UA Huntsville, a former author for the IPCC, “World may not be warming, say scientists,” 2-14, <http://www.timesonline.co.uk/tol/news/environment/article7026317.ece?print=yes&randnum=1269060067737>)

The United Nations climate panel faces a new challenge with scientists casting doubt on its claim that global temperatures are rising inexorably because of human pollution. In its last assessment the Intergovernmental Panel on Climate Change (IPCC) said the evidence that the world was warming was “unequivocal”. It warned that greenhouse gases had already heated the world by 0.7C and that there could be 5C-6C more warming by 2100, with devastating impacts on humanity and wildlife. However, new research, including work by British scientists, is casting doubt on such claims. Some even suggest the world may not be warming much at all. “The temperature records cannot be relied on as indicators of global change,” said John Christy, professor of atmospheric science at the University of Alabama in Huntsville, a former lead author on the IPCC. The doubts of Christy and a number of other researchers focus on the thousands of weather stations around the world, which have been used to collect temperature data over the past 150 years. These stations, they believe, have been seriously compromised by factors such as urbanisation, changes in land use and, in many cases, being moved from site to site. Christy has published research papers looking at these effects in three different regions: east Africa, and the American states of California and Alabama. “The story is the same for each one,” he said. “The popular data sets show a lot of warming but the apparent temperature rise was actually caused by local factors affecting the weather stations, such as land development.” The IPCC faces similar criticisms from Ross McKitrick, professor of economics at the University of Guelph, Canada, who was invited by the panel to review its last report. The experience turned him into a strong critic and he has since published a research paper questioning its methods. “We concluded, with overwhelming statistical significance, that the IPCC’s climate data are contaminated with surface effects from industrialisation and data quality problems. These add up to a large warming bias,” he said. Such warnings are supported by a study of US weather stations co-written by Anthony Watts, an American meteorologist and climate change sceptic. His study, which has not been peer reviewed, is illustrated with photographs of weather stations in locations where their readings are distorted by heat-generating equipment. Some are next to air- conditioning units or are on waste treatment plants. One of the most infamous shows a weather station next to a waste incinerator. Watts has also found examples overseas, such as the weather station at Rome airport, which catches the hot exhaust fumes emitted by taxiing jets. In Britain, a weather station at Manchester airport was built when the surrounding land was mainly fields but is now surrounded by heat-generating buildings. Terry Mills, professor of applied statistics and econometrics at Loughborough University, looked at the same data as the IPCC. He found that the warming trend it reported over the past 30 years or so was just as likely to be due to random fluctuations as to the impacts of greenhouse gases. Mills’s findings are to be published in Climatic Change, an environmental journal. “The earth has gone through warming spells like these at least twice before in the last 1,000 years,” he said.

### -----Econ Defense – 2NC

#### US not key

The Economist 7 (November 23, “America’s Vulnerable Economy”, pg. 13)

The best hope that global growth can stay strong lies instead with emerging economies. A decade ago, the thought that so much depended on these crisis-prone places would have been terrifying. Yet thanks largely to economic reforms, their annual growth rate has surged to around 7%. This year they will contribute half of the globe's GDP growth, measured at market exchange rates, over three times as much as America. In the past, emerging economies have often needed bailing out by the rich world. This time they could be the rescuers. Of course, a recession in America would reduce emerging economies' exports, but they are less vulnerable than they used to be. America's importance as an engine of global growth has been exaggerated. Since 2000 its share of world imports has dropped from 19% to 14%. Its vast current-account deficit has started to shrink, meaning that America is no longer pulling along the rest of the world. Yet growth in emerging economies has quickened, partly thanks to demand at home. In the first half of this year the increase in consumer spending (in actual dollar terms) in China and India added more to global GDP growth than that in America. Most emerging economies are in healthier shape than ever (see article). They are no longer financially dependent on the rest of the world, but have large foreign-exchange reserves—no less than three-quarters of the global total. Though there are some notable exceptions, most of them have small budget deficits (another change from the past), so they can boost spending to offset weaker exports if need be.

#### 93 crises prove no war

Miller ‘00 (Morris, Economist, Adjunct Professor in the Faculty of Administration – University of Ottawa, Former Executive Director and Senior Economist – World Bank, “Poverty as a Cause of Wars?”, Interdisciplinary Science Reviews, Winter, p. 273)

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 crisi**s** 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).

### -----Trade Defense – 2NC

#### Trade conflicts won’t escalate

NYE ‘96 (Joseph, Dean of the Kennedy School of Government – Harvard University, Washington Quarterly, Winter)

The low likelihood of direct great power clashes does not mean that there will be no tensions between them. Disagreements are likely to continue over regional conflicts, like those that have arisen over how to deal with the conflict in the former Yugoslavia. Efforts to stop the spread of weapons of mass destruction and means of their delivery are another source of friction, as is the case over Russian and Chinese nuclear cooperation with Iran, which the United States steadfastly opposes. The sharing of burdens and responsibilities for maintaining international security and protecting the natural environment are a further subject of debate among the great powers. Furthermore, in contrast to the views of classical Liberals, increased trade and economic interdependence can increase as well as decrease conflict and competition among trading partners. The main point, however, is that such disagreements are very unlikely to escalate to military conflicts.

#### No US-Sino war

Rosecrance et al 10 (Richard, Political Science Professor @ Cal and Senior Fellow @ Harvard’s Belfer Center and Former Director @ Burkle Center of IR @ UCLA, and Jia Qingguo, PhD Cornell, Professor and Associate Dean of School of International Studies @ Peking University, “Delicately Poised: Are China and the US Heading for Conflict?” Global Asia 4.4, <http://www.globalasia.org/l.php?c=e251>)

Will China and the US Go to War? If one accepts the previous analysis, the answer is “no,” or at least not likely. Why? First, despite its revolutionary past, China has gradually accepted the US-led world order and become a status quo power. It has joined most of the important inter-governmental international organizations. It has subscribed to most of the important international laws and regimes. It has not only accepted the current world order, it has become a strong supporter and defender of it. China has repeatedly argued that the authority of the United Nations and international law should be respected in the handling of international security crises. China has become an ardent advocate of multilateralism in managing international problems. And China has repeatedly defended the principle of free trade in the global effort to fight the current economic crisis, despite efforts by some countries, including the US, to resort to protectionism. To be sure, there are some aspects of the US world order that China does not like and wants to reform. However, it wishes to improve that world order rather than to destroy it. Second, China has clearly rejected the option of territorial expansion. It argues that territorial expansion is both immoral and counterproductive: immoral because it is imperialistic and counterproductive because it does not advance one’s interests. China’s behavior shows that instead of trying to expand its territories, it has been trying to settle its border disputes through negotiation. Through persistent efforts, China has concluded quite a number of border agreements in recent years. As a result, most of its land borders are now clearly drawn and marked under agreements with its neighbors. In addition, China is engaging in negotiations to resolve its remaining border disputes and making arrangements for peaceful settlement of disputed islands and territorial waters. Finally, even on the question of Taiwan, which China believes is an indisputable part of its territory, it has adopted a policy of peaceful reunification. A country that handles territorial issues in such a manner is by no means expansionist. Third, China has relied on trade and investment for national welfare and prestige, instead of military conquest. And like the US, Japan and Germany, China has been very successful in this regard. In fact, so successful that it really sees no other option than to continue on this path to prosperity. Finally, after years of reforms, China increasingly finds itself sharing certain basic values with the US, such as a commitment to the free market, rule of law, human rights and democracy. Of course, there are still significant differences in terms of how China understands and practices these values. However, at a conceptual level, Beijing agrees that these are good values that it should strive to realize in practice. A Different World It is also important to note that certain changes in international relations since the end of World War II have made the peaceful rise of a great power more likely. To begin with, the emergence of nuclear weapons has drastically reduced the usefulness of war as a way to settle great power rivalry. By now, all great powers either have nuclear weapons or are under a nuclear umbrella. If the objective of great power rivalry is to enhance one’s interests or prestige, the sheer destructiveness of nuclear weapons means that these goals can no longer be achieved through military confrontation. Under these circumstances, countries have to find other ways to accommodate each other — something that China and the US have been doing and are likely to continue to do. Also, globalization has made it easier for great powers to increase their national welfare and prestige through international trade and investment rather than territorial expansion. In conducting its foreign relations, the US relied more on trade and investment than territorial expansion during its rise, while Japan and Germany relied almost exclusively on international trade and investment. China, too, has found that its interests are best served by adopting the same approach. Finally, the development of relative pacifism in the industrialized world, and indeed throughout the world since World War II, has discouraged any country from engaging in territorial expansion. There is less and less popular support for using force to address even legitimate concerns on the part of nation states. Against this background, efforts to engage in territorial expansion are likely to rally international resistance and condemnation. Given all this, is the rise of China likely to lead to territorial expansion and war with the US? The answer is no.

### -----Econ Leadership Defense – 2NC

#### No extinction

**NIPCC 11**. Nongovernmental International Panel on Climate Change. Surviving the unprecedented climate change of the IPCC. 8 March 2011. <http://www.nipccreport.org/articles/2011/mar/8mar2011a5.html>

In a paper published in *Systematics and Biodiversity*, Willis *et al*. (2010) consider the IPCC (2007) "predicted climatic changes for the next century" -- i.e., their contentions that "global temperatures will increase by 2-4°C and possibly beyond, sea levels will rise (~1 m ± 0.5 m), and atmospheric CO2will increase by up to 1000 ppm" -- noting that it is "widely suggested that the magnitude and rate of these changes will result in many plants and animals going extinct," citing studies that suggest that "within the next century, over 35% of some biota will have gone extinct (Thomas *et al*., 2004; Solomon *et al*., 2007) and there will be extensive die-back of the tropical rainforest due to climate change (e.g. Huntingford *et al*., 2008)." On the other hand, they indicate that some biologists and climatologists have pointed out that "many of the predicted increases in climate have happened before, in terms of both magnitude and rate of change (e.g. Royer, 2008; Zachos *et al*., 2008), and yet biotic communities have remained remarkably resilient (Mayle and Power, 2008) and in some cases thrived (Svenning and Condit, 2008)." But they report that those who mention these things are often "placed in the 'climate-change denier' category," although the purpose for pointing out these facts is simply to present "a sound scientific basis for understanding biotic responses to the magnitudes and rates of climate change predicted for the future through using the vast data resource that we can exploit in fossil records." Going on to do just that, Willis *et al*. focus on "intervals in time in the fossil record when atmospheric CO2 concentrations increased up to 1200 ppm, temperatures in mid- to high-latitudes increased by greater than 4°C within 60 years, and sea levels rose by up to 3 m higher than present," describing studies of past biotic responses that indicate "the scale and impact of the magnitude and rate of such climate changes on biodiversity." And what emerges from those studies, as they describe it, "is evidence for rapid community turnover, migrations, development of novel ecosystems and thresholds from one stable ecosystem state to another." And, most importantly in this regard, they report "there is very little evidence for broad-scale extinctions due to a warming world." In concluding, the Norwegian, Swedish and UK researchers say that "based on such evidence we urge some caution in assuming broad-scale extinctions of species will occur due solely to climate changes of the magnitude and rate predicted for the next century," reiterating that "the fossil record indicates remarkable biotic resilience to wide amplitude fluctuations in climate."

#### If it’s real then it’s irreversible - it’s too late to stop the greenhouse effect

Harris 9 (Richard, Science Reporter for National Public Radio, Peabody Award Winner, American Association for the Advancement of Science Journalism Award, “Global Warming Irreversible, Study Says,” January 26th, NPR, http://www.npr.org/templates/story/story.php?storyId=99888903)

Climate change is essentially irreversible, according to a sobering new scientific study. As carbon dioxide emissions continue to rise, the world will experience more and more long-term environmental disruption. The damage will persist even when, and if, emissions are brought under control, says study author Susan Solomon, who is among the world's top climate scientists. "We're used to thinking about pollution problems as things that we can fix," Solomon says. "Smog, we just cut back and everything will be better later. Or haze, you know, it'll go away pretty quickly." That's the case for some of the gases that contribute to climate change, such as methane and nitrous oxide. But as Solomon and colleagues suggest in a new study published in the Proceedings of the National Academy of Sciences, it is not true for the most abundant greenhouse gas: carbon dioxide. Turning off the carbon dioxide emissions won't stop global warming. "People have imagined that if we stopped emitting carbon dioxide that the climate would go back to normal in 100 years or 200 years. What we're showing here is that's not right. It'**s** essentially an irreversible change that will last for more than a thousand years," Solomon says. This is because the oceans are currently soaking up a lot of the planet's excess heat — and a lot of the carbon dioxide put into the air. The carbon dioxide and heat will eventually start coming out of the ocean. And that will take place for many hundreds of years.