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Impact – Global War

Global economic decline triggers conflict around the world

Auslin and Lachman ’09 (Michael, AEI’s director of Japan Studies, Desmond, economic strategist at Salomon Smith Barney, “The Global Economy Unravels”, American Enterprise Institute for Public Policy Research, 3/6/2009, <http://www.aei.org/article/100187>, LH)

What do these trends mean in the short and medium term? The Great Depression showed how social and global chaos followed hard on economic collapse. The mere fact that parliaments across the globe, from America to Japan, are unable to make responsible, economically sound recovery plans suggests that they do not know what to do and are simply hoping for the least disruption. Equally worrisome is the adoption of more statist economic programs around the globe, and the concurrent decline of trust in free-market systems. The threat of instability is a pressing concern. China, until last year the world's fastest growing economy, just reported that 20 million migrant laborers lost their jobs. Even in the flush times of recent years, China faced upward of 70,000 labor uprisings a year. A sustained downturn poses grave and possibly immediate threats to Chinese internal stability. The regime in Beijing may be faced with a choice of repressing its own people or diverting their energies outward, leading to conflict with China's neighbors. Russia, an oil state completely dependent on energy sales, has had to put down riots in its Far East as well as in downtown Moscow. Vladimir Putin's rule has been predicated on squeezing civil liberties while providing economic largesse. If that devil's bargain falls apart, then wide-scale repression inside Russia, along with a continuing threatening posture toward Russia's neighbors, is likely. Even apparently stable societies face increasing risk and the threat of internal or possibly external conflict. As Japan's exports have plummeted by nearly 50%, one-third of the country's prefectures have passed emergency economic stabilization plans. Hundreds of thousands of temporary employees hired during the first part of this decade are being laid off. Spain's unemployment rate is expected to climb to nearly 20% by the end of 2010; Spanish unions are already protesting the lack of jobs, and the specter of violence, as occurred in the 1980s, is haunting the country. Meanwhile, in Greece, workers have already taken to the streets. Europe as a whole will face dangerously increasing tensions between native citizens and immigrants, largely from poorer Muslim nations, who have increased the labor pool in the past several decades. Spain has absorbed five million immigrants since 1999, while nearly 9% of Germany's residents have foreign citizenship, including almost 2 million Turks. The xenophobic labor strikes in the U.K. do not bode well for the rest of Europe. A prolonged global downturn, let alone a collapse, would dramatically raise tensions inside these countries. Couple that with possible protectionist legislation in the United States, unresolved ethnic and territorial disputes in all regions of the globe and a loss of confidence that world leaders actually know what they are doing. The result may be a series of small explosions that coalesce into a big bang.

Economic downturn breeds wars

Mead 9 (Henry , Sr fellow in U.S. Foreign Policy at the Council on Foreign Relations, *The New Republic*, 2/4/09, http://www.tnr.com/politics/story.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8&p=2) ET

So far, such half-hearted experiments not only have failed to work; they have left the societies that have tried them in a progressively worse position, farther behind the front-runners as time goes by. Argentina has lost ground to Chile; Russian development has fallen farther behind that of the Baltic states and Central Europe. Frequently, the crisis has weakened the power of the merchants, industrialists, financiers, and professionals who want to develop a liberal capitalist society integrated into the world. Crisis can also strengthen the hand of religious extremists, populist radicals, or authoritarian traditionalists who are determined to resist liberal capitalist society for a variety of reasons. Meanwhile, the companies and banks based in these societies are often less established and more vulnerable to the consequences of a financial crisis than more established firms in wealthier societies. As a result, developing countries and countries where capitalism has relatively recent and shallow roots tend to suffer greater economic and political damage when crisis strikes--as, inevitably, it does. And, consequently, financial crises often reinforce rather than challenge the global distribution of power and wealth. This may be happening yet again. None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises. Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born? The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

Green Tech Key to Econ

US will lose 3 trillion in GDP and 1.4 million jobs without green technology

Stephen C.Webster, June 28th, 2011- senior editor of Raw Story, an internationally-read news and politics website that specializes in investigative journalism and cutting-edge reporting. “Google predicts U.S. will miss up to $3.2 trillion in GDP growth if green tech isn’t encouraged” http://www.rawstory.com/rs/2011/06/28/google-predicts-gdp-loss-of-3-2-trillion-if-green-tech-isnt-encouraged/ “rawstory” DG

Web giant Google said Tuesday that the United States stands to lose up to $3.2 trillion in potential gross domestic product (GDP) growth if it further delays policies that encourage renewable energy technology. In an economic study published on the company's official blog, Google researchers assumed several key breakthroughs would be made in solar, wind and biomass energy, then drew their models outwards through 2050. Comparing their results to models based on "business as usual" in the carbon-generating energy economy, Google found that delaying public policies to encourage green tech by just four more years could result in the loss of up to $3.2 trillion in GDP and the failure to realize as many as 1.4 million new jobs. The study also suggested that clean energy policies being considered today would also reduce average household energy costs by over $942 a year, cut back on U.S. oil consumption by 1.1 billion barrels a year and shave off at least 13 percent of the nation's total carbon emissions by 2030. By 2050, Google projects a net gain of 3.9 million jobs and a total carbon output reduction of 55 percent. The key to achieving those results is rapid improvements in current technology and public policies that encourage growth. For instance, they showed that compressed natural gas could remain a dominant market force if the development of electric vehicle batteries isn't ramped up very quickly. They also show how difficult it will be for any single electricity source to compete with coal power in terms of economics, with coal continuing to offer more power for less dollars for the foreseeable future. While the study's findings seem promising indeed, it is absolutely in-line with Google's agenda to promote renewable energy technologies. The company has hired several lobbying firms to bend lawmakers' ears on the matter, spending over $1.2 million to do so in the first quarter of 2011 alone. Just by the company's lobbying efforts, it becomes clear that the web giant plans to be a big part in the rise of green technology. It has already spent over $780 million investing in clean tech firms in an effort to find energy sources cheaper than coal.

Green technology is key to economic recovery

Rich Bowden - Mar 3 2009 (Bowden PhD Professor Department of Environmental Science Allegheny College Meadville, Pennsylvania http://www.thetechherald.com/article.php/200910/3106/Gov-Schwarzenegger-says-investment-in-green-tech-essential-to-economic-recovery)

California's Governor **Arnold Schwarzenegger has made the case for investment in green technology as underpinning any economic recovery from the current global financial downturn.** Speaking at the 2009 Center of Office and Information Technology, or CeBIT, trade fair in Hannover, Germany, Schwarzenegger admonished those who complained about the need for a trade fair during such dire economic times. **“Some may say this is the wrong time for a big trade show like this but they are wrong,"** he said addressing international visitors. "Losers whine but winners move forward in a strong and powerful way and I know that everyone who is here at the CeBIT is a winner!" **The governor went on to state that investment in technology -- especially green technology -- was the future and would kick-start the world's economic revival. He said the only growth region that was providing jobs in California's economy was the field of environmental technology. "Technology is really our great hope for creating extra revenues and stimulating the economy — especially green technology is where the action is,"** he said while sharing the stage with German chancellor Angela Merkel. **California has seen over $3.3 billion in green start-up companies**, reports PCWorld, half of all the investment in the sector in the United States. As well as being guest speaker, Schwarzenegger is at the CeBit trade fair to promote fifty-one small and medium-size Californian businesses in several industries including environmental technology.

Aerospace Key to Econ

Aerospace Industry deteriorating now-funding key to save vital industry

**Wynne and Moseley 08** (Michael, Secretary of the United States Air Force, T. Michael, Chief of Staff of the United States Air Force, “United States Air Force Posture Statement 2008”, United States Department of Defense, 2/27/2008, http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1011&context=usafresearch, LH)

America’s public and private aerospace industrial base, workforce, and capabilities are vital to the Air Force and national defense. The aerospace industry produced the brainpower, innovations, technology, and vehicles that propelled the U.S. to global leadership in the 20th Century. The aerospace sector gave birth to the technologies and minds that have made the information age a reality. This key industrial sector continues to lead and produce the technologies and capabilities America needs to safeguard our future. Yet this vital industry has deteriorated over the last decade. We have witnessed an industry consolidation and contraction – from more than ten domestic U.S. aircraft manufacturers in the early 1990s to only three prime domestic aircraft manufacturers today. Without funding, in the coming decade production lines will irreversibly close, skilled workforces will age or retire, and companies will shut their doors. The U.S. aerospace industry is rapidly approaching **a point of no return**. As Air Force assets wear out, the U.S. is losing the ability to build new ones. We must reverse this erosion through increased investment. We must find ways to maintain and preserve our aerospace industrial capabilities. We must maintain national options for keeping production lines open. Complex 21st Century weapons systems cannot be produced without long lead development and procurement actions. Additionally, we must continue our investment in a modern, industrial sustainment base. Air Force depots and private sector maintenance centers have played vital roles in sustaining our capabilities and have become models of modern industrial transformation. We are fully committed to sustaining a healthy, modern depot level maintenance and repair capability. Furthermore, we must recognize that these industry capabilities represent our national ability to research, innovate, develop, produce, and sustain the advanced technologies and systems we will continue to need in the future. This vital industrial sector represents a center of gravity and single point vulnerability for our national defense.

The plan will jump-start the private sector, create new jobs, the space based economy is connected to the global economy.

NASA ’08 (Office of Strategic Communications, Space Economy, *Understanding the Space Economy: A Study for NASA,* June 2008, http://spaceeconomy.gmu.edu/studies/judgments.pdf) EK

1. The space sector is a “hybrid economy”. Experience shows that only governments can afford to develop the tools and let the contracts that will kick-start the private sector, as in the case of the early days of space-based telecommunications and now remote sensing. Experience also shows that the rewards for doing so are not just better delivery of the benefits from the space economy to consumers but also the creation of new jobs, new businesses and new skills. In addition, the links between space and the wider economy mean that a country that plays a central role in space is well positioned on the high ground of global competitiveness. 2. In recent years, opportunities have grown for channeling public sector investment through private sector enterprises. This has strengthened rather than weakened the reasons why the government’s role is so crucial. Nurturing these new enterprises, which at present are focused on delivering better services to the downstream consumers in the space economy, will be the foundation of leadership not only in the space sector but also in the wider global economy over the coming decades. This is why taking the space economy into the next phase of its evolution will demand another surge of public commitment.

Aerospace Key to Econ

Aerospace manufacturing key to U.S. manufacturing base

**Platzer, ’09** (Michaela, Specialist in Industrial Organization and Business, “U.S. Aerospace Manufacturing: Industry Overview and Prospects”, Congressional Research Service, 12/3/2009, http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA511133&Location=U2&doc=GetTRDoc.pdf, LH)

Aerospace manufacturing is an important part of the U.S. manufacturing base. It comprised 2.8% of the nation’s manufacturing workforce in 2008 and employed over 500,000 Americans in highskilled and high-wage jobs. More than half (61%) of the nation’s aerospace industry jobs are located in six states: Washington state, California, Texas, Kansas, Connecticut, and Arizona. Several smaller aerospace manufacturing clusters are found in states such as Florida, Georgia, Ohio, Missouri, and Alabama. Other aerospace centers are beginning to emerge in southern states, such as South Carolina, where Boeing is now building a second production line to produce the 787 Dreamliner. Aerospace manufacturing contributes significantly to the U.S. economy, with total sales by aerospace manufacturers (including defense and space) comprising 1.4% of the U.S. gross domestic product in 2008.

Aerospace key to global economy

**Bugos 10** (Glenn E., Historian with the Prologue Group, “The History of the Aerospace Industry”, EH.net, February 1, http://eh.net/encyclopedia/article/bugos.aerospace.industry.history YS)

The aerospace industry ranks among the world's largest manufacturing industries in terms of people employed and value of output. Yet even beyond its shear size, the aerospace industry was one of the defining industries of the twentieth century. As a socio-political phenomenon, aerospace has inflamed the imaginations of youth around the world, inspired new schools of industrial design, decisively bolstered both the self-image and power of the nation state, and shrunk the effective size of the globe. As an economic phenomenon, aerospace has consumed the major amount of research and development funds across many fields, subsidized innovation in a vast array of component technologies, evoked new forms of production, spurred construction of enormous manufacturing complexes, inspired technology-sensitive managerial techniques, supported dependent regional economies, and justified the deeper incursion of national governments into their economies. No other industry has so persistently and intimately interacted with the bureaucratic apparatus of the nation state. Aerospace technology permeates many other industries -- travel and tourism, logistics, telecommunications, electronics and computing, advanced materials, civil construction, capital goods manufacture, and defense supply. Here, the aerospace industry is defined by those firms that design and build vehicles that fly through our atmosphere and outer space.

**Space is key to the economy**

Office of strategic communications ’08 (NASA, Space Economy, *Understanding the Space Economy: A Study for NASA,* June 2008, http://spaceeconomy.gmu.edu/studies/judgments.pdf) EK

3. Within 15 years the global space industry is expected by some specialists to be worth over one trillion dollars.\* Winning a large share of this business will generate direct returns to a national economy. But the benefits of developing space technology, the first application of new services and the creation of whole new businesses based on space, cascade throughout the whole society. 4. Many of the things we take for granted – global telecommunications, instant worldwide TV coverage, accurate weather forecasts, and precision navigation systems – would be impossible without access to space and orbital satellites. Space makes a massive contribution to national security and the physical well being of billions of people.

Aerospace Key to Econ

Space industry key to the global economy

Office of strategic communications ’08 (NASA, Space Economy, *Understanding the Space Economy: A Study for NASA,* June 2008, http://spaceeconomy.gmu.edu/studies/judgments.pdf) EK

 **Space makes the global economy what it is: universal, dynamic and productive. Remove the space dimension, and the world would lose much of the growth that it has experienced in the last 50 years.** Looking forward**, in the absence of continuing investment in space technology and space-based services, the prospects for maintaining economic growth over the next half century -- even the prospects of holding on to the current standard of living in the developed world -- would be bleak**. In addition, and perhaps more importantly, efforts to raise the living conditions of more than half the world’s population to a viable level would be severely hampered without the contribution of the space economy and the services that it enables**. Without the space industry and the services it provides, the modern globalised world economy would not function as it does.**

The economy would be worse if it weren’t for the 2009 stimulus package.

N Gregory Mankiw ’10 (Robert M. Beren Professor of Economics at Harvard University,National Affairs, *Crisis Economics*, Summer 2010 issue, http://www.nationalaffairs.com/publications/detail/crisis-economics,) EK

To the question of why their patient — the U.S. economy — did not respond as expected, the Obama team's answer is that the patient was sicker at the beginning of 2009 than they had originally thought, not that they administered the wrong medicine. The spending-heavy fiscal stimulus, they argue, was the right approach and did some good; if the stimulus bill had not been enacted, unemployment today would be even higher. The reason the stimulus failed to cure the economy's woes is not that it was the wrong course of treatment: It simply wasn't a big enough dose. (Hence the repeated calls for a "second stimulus.")

Spending Good

The economy has not improved because the government did not spend enough on their last stimulus package.

N Gregory Mankiw ’10 (Robert M. Beren Professor of Economics at Harvard University,National Affairs, *Crisis Economics*, Summer 2010 issue, http://www.nationalaffairs.com/publications/detail/crisis-economics,) EK

To Obama-administration economists, as well as to many others, the recession that followed the financial crisis of 2008 seemed like a classic case of decline in aggregate demand. Because of the credit crisis, people were not able to obtain loans — for homes, cars, business equipment, or any of the countless other transactions that rely on credit in today's economy. And because people were unable to obtain loans, these sales and purchases couldn't take place, resulting in a significant drop in demand across the economy. So**,** inspired by the view that fiscal policy can prop up aggregate demand, Obama's advisors (and their congressional allies) began to design a stimulus plan heavy on direct government spending**.** A few days before President Obama's inauguration, his economic advisors released a document titled "The Job Impact of the American Recovery and Reinvestment Plan," in which they detailed some of their economic assumptions. They determined that the "government-purchases multiplier" — that is, the multiplier for direct spending — would be 1.57, while the tax-cut multiplier would be 0.99. In other words**,** every dollar spent by the government would yield $1.57 in aggregate demand, while every dollar in reduced taxes would yield only 99 cents in increased demand. And because 1.57 is larger than 0.99, the Obama team concluded it was better to increase spending than to cut taxes**.** Obama and his advisors arrived at these numbers through a standard macroeconometric model of the sort economists have been using for years. Such models take various past relationships among economic variables (inflation and unemployment, for instance) and extrapolate them into the future. In essence, the economy is modeled as a system of equations, each describing how one variable responds to many others. University of Chicago economist (and Nobel laureate) Robert Lucas famously criticized these models for lacking an appreciation of people's changing expectations; many economists, however, still find such models valuable, and have continued to employ them for forecasting and policy analysis. The question for economists now is whether the administration's assumptions, and the model based on them, were correct. After all, if we could be sure their model was right**,** we would know what to conclude when their stimulus plan was followed by 10% unemployment: The patient was sicker than they thought, and unemployment would surely have been higher still if not for the stimulus. (Indeed, since Obama's advisors do believe their model was right, this is the conclusion they have reached.)

If the government doesn’t spend enough on economic stimulus, our economy will fail.

Paul Krugman ‘9 (American economist, professor of Economics and International Affairs at the Woodrow Wilson School of Public and International Affairs at Princeton University, Centenary Professor at the London School of Economics, and an op-ed columnist for The New York Times, The New York Times, *stimulus arithmetic,*01-06-2009, http://krugman.blogs.nytimes.com/2009/01/06/stimulus-arithmetic-wonkish-but-important/) EK

Finally, compare this with the economic outlook. “Full employment” clearly means an unemployment rate near 5 — the CBO says 5.2 for the NAIRU, which seems high to me. **Unemployment is currently about 7 percent, and heading much higher; Obama himself says that absent stimulus it could go into double digits. Suppose that we’re looking at an economy that, absent stimulus, would have an average unemployment rate of 9 percent over the next two years; this plan would cut that to 7.3 percent, which would be a help but could easily be spun by critics as a failure.**And that gets us to politics. **This really does look like a plan that falls well short of what advocates of strong stimulus were hoping for** — and it seems as if that was done in order to win Republican votes. Yet even if the plan gets the hoped-for 80 votes in the Senate, which seems doubtful, responsibility for the plan’s perceived failure, if it’s spun that way, will be placed on Democrats. **I see the following scenario: a weak stimulus plan, perhaps even weaker than what we’re talking about now, is crafted to win those extra GOP votes. The plan limits the rise in unemployment, but things are still pretty bad, with the rate peaking at something like 9 percent and coming down only slowly.** And then Mitch McConnell says “See, government spending doesn’t work.”

 Spending Good

The government is not spending enough in the status quo.

Ryan Grim ‘9 (the Washington bureau chief for The Huffington Post, The Huffington Post, *Why the Stimulus is too Small*, 02-09-2009, http://www.huffingtonpost.com/2009/02/09/is-stimulus-too-small\_n\_165076.html) EK

The stimulus package scheduled to be voted on Tuesday, say contrarian economists, is simply too small to withstand the economic storm that's coming.  It's a matter of basic math, says economist Dean Baker of the Center for Economic and Policy Research. The economy is currently losing - annually -- $450 billion in housing wealth, $650 billion in consumer spending and $150 billion in commercial real estate value.Top of Form Bottom of Form. "You're talking about a gap on the order of twelve-hundred-fifty billion dollars, and we're trying to plug that with four-hundred-something, so we've got a long way to go," Baker says. (The stimulus package of roughly $800 billion doles out spending and tax cuts over two years.) Galbraith, too, says that demonstrating that the stimulus is too small is a matter of basic math. The $400 billion it will inject into the economy each of the next two years is equal to about two to three percent of GDP, he noted. But the economy is falling at a much faster rate, projected at eight percent a year by the CBO - and that projection, again, doesn't account for the financial collapse.

The money ran out in 2011, and the decline in public workers started. The Stimulus did not revive the economy enough.

HOLAN 2011 (ANGIE DROBNIC HOLAN, St. Petersburg Times (Florida) July 12, 2011 Tuesday Politifact.com Edition <http://www.lexisnexis.com:80/lnacui2api/search/homesubmitForm.do>) SN

This money ran out on June 30, 2011. States also got money for education, to keep school teachers on the job. The states were encouraged to spend that money as soon as possible, but they didn't have to. So every state had its own timetable for using these funds, according to Michael Leachman, an expert on state finances with the left-leaning Center on Budget and Policy Priorities. Next, we'll turn to public-sector job losses. [Obama](http://www.lexisnexis.com:80/lnacui2api/search/XMLCrossLinkSearch.do?bct=A&risb=21_T12353079322&returnToId=20_T12353124887&csi=11063&A=0.011299977124260674&sourceCSI=9369&indexTerm=%23PE000A0BO%23&searchTerm=Obama%20&indexType=P)  mentioned "teachers, police officers, firefighters losing their jobs," and the logical inference is that these people were laid off due to budget constraints. Again, we were not able to find compiled data of jobs lost to state budget cuts. However, the U.S. Department of Labor's Bureau of Labor Statistics keeps data on the size of the government workforce at the state and local levels. We ran the data using the department's database and found that both the state and local workforce numbers have been generally declining since the beginning of this year. We looked at both state and local workforce numbers because jobs like school teachers, police officers and firefighters would typically be included in the numbers of the local workforce. Teachers at the public universities, on the other hand, would be counted as part of the state workforce. Most states also have state police forces, such as the Florida Highway Patrol and the Texas Rangers. To review some of the specifics of those numbers: Nationwide, the state workforce started 2010 with 5.140 million workers. For the rest of the year, the numbers jumped around, sometimes increasing and sometimes decreasing. By January 2011, the state workforce was down to 5.136 million workers. Since then, the numbers have declined every month, though May and June were preliminary numbers. The local workforce, meanwhile, started 2010 with 14.482 million workers. It saw steady declines with the exemption of one month through the rest of 2010. By January 2011, the local workforce was down to 14.240 million workers. Since then, the numbers have also declined every month, with May and June preliminary. To sum up, we can say very generally that the stimulus was ending, and also the state and local workforces were in decline. We noted in a recent item on government employment that since the recession officially ended in June 2009, private payrolls have increased by more than 1 million workers, but government payrolls have declined by 493,000 -- cutting the number of jobs created almost in half. We also noted that the decline came from loss of employment at the state and local level, since federal employment had increased slightly. Leachman, the state finance expert at the Center on Budget and Policy Priorities, said there was little doubt that there's a connection between the end of the stimulus and public-sector layoffs. "The recession has just been a historic one for state and local governments. It's very badly damaged their revenues, and they're still in a deep hole from the recession," he said, adding, "It's clear that job losses are going to continue in the next year and beyond." [Obama](http://www.lexisnexis.com:80/lnacui2api/search/XMLCrossLinkSearch.do?bct=A&risb=21_T12353079322&returnToId=20_T12353124887&csi=11063&A=0.011299977124260674&sourceCSI=9369&indexTerm=%23PE000A0BO%23&searchTerm=Obama%20&indexType=P) pointed to those job losses as evidence that the stimulus helped the economy. Now that the stimulus is going away, things are getting worse. The conservative fiscal experts we spoke with were not impressed with Obama's claim, though they did not dispute it. The problem is that the stimulus didn't revive the economy, said J.D. Foster of the conservative Heritage Foundation. "The point of the stimulus was to get the private sector going well enough to carry the job-creating load. It failed," he said via e-mail.

Spending Good

Government spending will improve the economy.

Gualzeri ’08 (University of Padua, Italy, UCLM, *Long term depression and new markets: Economists and the 2008 recession,* **full date of publication?**, http://www.uclm.es/actividades/2009/workshopESHET-UCLM/Gualerzi\_-\_Long\_term\_depressions\_and\_new\_markets.pdf) EK

But, let’s suppose that the stimulation package works. Even more, suppose that Samuelson advise it fully received, that is, assume a massive stimulus, can we expect that to result in a new boom and a sustained expansion? Even if fiscal austerity is set aside, that should not overlook the different circumstances in which the stimulus takes place. That ultimately accounts for its long term consequences. More than the burden of debt we should pay attention to the ways in which the stimulus may restart the economy sustaining consumption and investment. But we might look at the problem in another way also. The bulk of the argument about the burden of debt is that it will affects negatively interest rates, therefore discouraging private investment. But this is precisely the point, what does it take to bring back investment into the picture? Focusing on new markets a better story about investment can be told, beyond that customarily focused on the interest rate.

Obama wants to eliminate the regulations that don’t work to make the system better.

Talk of the Nation 2011 (Economic Lessons From The Real Great Depression [*Talk of the Nation*](http://www.npr.org/programs/talk-of-the-nation/) *July 13, 2011*

<http://www.npr.org/2011/07/13/137822507/economic-lessons-from-the-real-great-depression> ) SN

CONAN: Let's see if we could go next to - this is Tyler. Tyler with us from Newton in Kansas.

TYLER: Hello. My comment is, is that a lot of historians actually cite Hoover as the foundation for many of Roosevelt's policies, like the idea that Hoover didn't - was - didn't try to combat the Depression with big spending is not historically accurate. Moreover, there are a lot of economists that say, including from UCLA, that have said that Roosevelt actually prolonged the Depression with his - by completely decimating this as confidence with all of these new regulations like, a one book I would cite is "New Deal or Raw Deal?," which is really good in describing how he essentially destroyed the economy with all of the spending.

MCELVAINE: Part of what you say about Hoover is correct. He did take more action than any previous president had. And what used to be called panics, he preferred the word depression, because he thought it didn't sound as bad as panic.

CONAN: Boy, that's a semantic argument for you.

MCELVAINE: But he did take a number of steps, including the Reconstruction Finance Corporation, for instance, that pointed the way toward some of the New Deal programs. However, it's simply not the case that he was willing to increase spending on any sizable level in order to try to deal with it. In fact, he was so wedded to the orthodoxy that we must have a balanced budget, not just over the long term, but from year to year, that he was putting through cuts all over the place and trying to reduce federal spending at a time when it was really needed to spur the economy.

CONAN: What about the regulations as they crimped on the market?

MCELVAINE: Well, there certainly are regulations, sort of the same thing I was saying about whether you have a capitalist system that has no regulation or you have one of that some regulation. The idea that regulation is always good is obviously not the case either. You can have good regulations and you can have bad regulations. Mario Cuomo, who I wrote a biography of some years ago, liked to say that we need all the government that we need, but no more government than we need. And you - it's a tough thing to sort out.

And President Obama moved in that direction somewhat some months ago when he talked about trying to eliminate all regulations that were, you know, useless, that weren't performing the way they should be and concentrate just on what is needed. But certainly a lot is needed, and that includes the sorts of things that were included in any financial reform regulation.

Spending Good

In order to stop the economic downturn, the government will need to inject a lot more money into the economy.

Ryan Grim ‘9 (the Washington bureau chief for The Huffington Post, The Huffington Post, *Why the Stimulus is too Small*, 02-09-2009, http://www.huffingtonpost.com/2009/02/09/is-stimulus-too-small\_n\_165076.html) EK

**For the stimulus to be able to turn around an economy spiraling down at that rate, the money injected into the economy would have to be multiplied many times over.** But, Galbraith says, **the economy is currently stuck in a "liquidity trap." People aren't spending because they're insecure about the future; companies aren't borrowing and expanding because the business climate looks stormy; and banks aren't lending because when the economy's tanking almost everyone looks like a bad credit risk.** The multiplier effect for a tax cut to business and the middle-class, Galbraith guesses, will be close to zero, because the money will be saved or used to pay down debt.  With the banks in collapse, the CBO, then, is modeling for a situation that doesn't exist in reality. The running assumption among pundits and politicians - that the economy will turn around in 2010 or thereabouts - assumes that this recession is similar to previous recessions in which the financial sector and credit markets didn't collapse.  **"We are working with a set of economic projections which assume, for mechanical reasons, that the economy is going to start turning around at the end of this year. There is no analytical foundation for that,"** Galbraith says. "Those models that are based on the period after 1945 aren't going to work. They just aren't going to be right." **The current crisis is qualitatively different than any recession that the current projections are based on. If they're wrong, then - given the small size of the stimulus -- there will be no turnaround in 2010. Instead, the economy will careen out of control, unemployment will continue to rise, production will slow, etc.** The White House acknowledges the severity. **"We're in a very serious situation**," Obama's economic adviser, Lawrence Summers, told ABC News' "This Week." "This is worse than any time since the Second World War. **It's worse than**, I think, **most economists like me ever thought we would see."**

Increased budget deficits create jobs and stability.

James Galbraith ’10 (American economist who writes frequently for mainstream and liberal publications on economic topics. He is currently a professor at the Lyndon B. Johnson School of Public Affairs and at the Department of Government, University of Texas at Austin. He is also a Senior Scholar with the Levy Economics Institute of Bard College., AlterNet, *Why progressives shouldn’t fall for the deficit reduction trap,* Jan 26, 2010, http://www.alternet.org/news/145401/why\_progressives\_shouldn't\_fall\_for\_the\_deficit\_reduction\_trap) EK

So the fetish of long-term deficit reduction is politically poisonous -- and economically pointless. In reality, **we need big budget deficits. We need them now. We need bigger deficits than we've got, to stabilize state and local governments and to provide jobs and payroll tax relief. And we may need them for a long time, on an increasing scale, and in the service of a sustained investment strategy aimed at solving our jobs, energy, environment and climate change problems.** To pretend that expansionary policies are needed only for now, gives all this away.

Stimulus Failed

The stimulus did not work and failed to get people working.

GORMAN 2011 (SEAN GORMAN, Richmond Times Dispatch (Virginia), 1 Edition**, June** 6, 2011 Monday METRO; Pg. 1 [http://www.lexisnexis.com:80/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21\_T12353132912&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29\_T12353528295&cisb=22\_T12353132914&treeMax=true&treeWidth=0&selRCNodeID=36&nodeStateId=29243001en\_US56E8257609904D94976F126743B5E1E9,1&docsInCategory=1&csi=152567&docNo=1](http://www.lexisnexis.com:80/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T12353132912&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T12353528295&cisb=22_T12353132914&treeMax=true&treeWidth=0&selRCNodeID=36&nodeStateId=29243001en) ) SN

The Democrats' massive stimulus program passed two years ago was a dud, according to House Majority Leader [Eric Cantor.](http://www.lexisnexis.com:80/lnacui2api/search/XMLCrossLinkSearch.do?bct=A&risb=21_T12353132912&returnToId=20_T12353253124&csi=152567&A=0.7844740771609889&sourceCSI=9369&indexTerm=%23PE0009XOQ%23&searchTerm=Eric%20Cantor.&indexType=P) "They (Democrats) passed a nearly $1 trillion stimulus bill which failed to get people back to work," Cantor, R-7th, said in a May 26 news conference of House Republican leaders. Cantor is referring to the American Recovery and Reinvestment Act, passed in February 2009. Democrats pushed the legislation as a way to create jobs and extend unemployment benefits through a mix of government spending, tax cuts and financial aid to cash-strapped states. It adds $830 billion to the budget deficit between fiscal years 2009 and 2019, according to the Congressional Budget Office. Let's turn to the crux of the majority leader's assertion -- that the measure failed to get people back to work. How does Cantor justify that statement? In an email, Cantor spokeswoman Megan Whittemore characterized his statement as a broad proclamation that the stimulus failed**.** She said the unemployment rate is higher now than when the stimulus passed, that there are more discouraged workers and that private-sector growth in May was much slower than expected. "Of course, when the government spends that much money it's able to hire additional government workers, but it failed to spur real private-sector growth," Whittemore said. Cantor didn't specify in his statement what kinds of jobs he was talking about -- public or private. So we won't give him the benefit of his staff's elaboration after the fact. Also, the economic statistics Cantor's office cited don't address whether there were people who returned to the job rolls as a result of the stimulus. Cantor simply said the stimulus "failed to get people back to work." Is that true? We decided to check.

Stimulus Good

In 1937 things were almost as bad as they had been because the FDR wanted to balance the budget and cut spending. The stimulus was not enough to pull us out of a recession but it prevented a depression.

Talk of the Nation 2011 (Economic Lessons From The Real Great Depression [*Talk of the Nation*](http://www.npr.org/programs/talk-of-the-nation/) *July 13, 2011*

<http://www.npr.org/2011/07/13/137822507/economic-lessons-from-the-real-great-depression> ) SN

CONAN: And so it had a little bit more bite, but people point out that, just a couple of years later, things were almost as bad as they were back in 1932.

MCELVAINE: Right. And part of the reason that they started to get worse again in 1937 is that Roosevelt wanted to balance the budget, was afraid of large deficits. And as soon as his re-election was assured - even before the actual election in 1936 - he started cutting back on spending. And along with a few other causes, that produced the so-called recession of 1937.

And my fear is that all this talk about how we're spending too much now and the original stimulus didn't work and so forth - which it didn't, entirely, although I think it staved off going into a depression at the time in 2009 - it wasn't sufficient to actually stimulate the economy. Cutting back on spending more now is pretty much the same path that the country was on in 1937, which caused another dip into what amounted to a renewed depression.

CONAN: Well, let's not speculate about the joys of being rescued by another world war. I don't think anybody wants to go there. But the fact is that you say the people who are talking about reining in spending now are driven by faith in the market.

MCELVAINE: Yes, absolute faith in the market. And here, again, this is something that just does not go along with the facts. The facts are, if you look at what went on during the period of the Depression and World War II, Mitch McConnell - and I do have the right fellow here this time - was - said shortly after Obama was elected president that economists and historians agree that the New Deal didn't get us out of the Depression, and that shows that spending doesn't do the trick. World War II got us out of the Depression.

Well, he is right about what got us out of the Depression, but that proves exactly the opposite of what he was saying because it was the massive spending of World War II that ended the Depression. Had Roosevelt and the Congress been willing to do that in peacetime, the Depression could have ended much earlier.

CONAN: Well, you rail on Republicans for believing in the magic bullet of market forces that will solve all problems. Aren't you arguing for a magic bullet here, of your own? A lot of spending, that'll solve the problem.

MCELVAINE: Well, it may not solve the problem completely, but cutting it back is certainly going in the wrong direction. And what Republicans, especially conservatives, argue is that the market will solve all things, that the government, basically, any kind of government action is sinful. And facts just don't seem to matter to them.

Spending Good

**Jobs guaranteed—post Keynesian analysis.**

Ramsay, 03

The Jobs Guarantee: A Post Keynesian Analysis, Author(s): Tony Ramsay, Source: Journal of Post Keynesian Economics, Vol. 25, No. 2 (Winter, 2002-2003), pp. 273-291, Published by: M.E. Sharpe, Inc., Stable URL: http://www.jstor.org/stable/4538828, Accessed: 14/07/2011 16:47 BE

**Given the less then favorable employment performance in advanced capitalist economy over the last three decades, there has been discussion** among heterodox scholars **as to how the restoration of full employment could take place. One proposal is the notion of a jobs guarantee (JG) underwritten by the state. The notion of a JG derives from the extensive and ongoing work associated with the Centre of Full Employment** and Equity (CofFEE), University of Maastricht, The Netherlands; and the Center for Full Employment and Price Stability (CFEPS), University of Missouri, Kansas City. **Common to these three institutions is the notion that business expectations driving employment growth is insufficient to meet the increased demand in the labor market. The free market operating in isolation, in other words, does not have the ability to produce full employment.** **A return to full employment with inflation control is possible**, however, if the state creates an infinitely elastic demand for labor at a minimum wage rate**.** **The government**, in effect, **acts as an employer** of last resort, **employing individuals who wish to sell their labor power for money wages.** **Further,** unlike a liberal economy, which has, over the last two decades, used the deficiency of demand to ensure price stability, **a JG economy maintains full employment with price control as fiscal policy is used to manipulate the ratio of employees in the private labor market** (PLM) in the event that conflict over surplus value in the PLM produces price rises**.**

Economists agree spending is key.

Uchitelle, 09

Economists Warm to Government Spending but Debate Its For: The New York Times, Author(s): Louis Uchitelle, Scoure: The New York Times. January 6, 2009. http://www.nytimes.com/2009/01/07/business/economy/07spend.html. Accessed: July 14, 2011. BE

**Hundreds of economists** who **gathered** here **for the annual meeting of the American Economic Association seemed to acknowledge that a profound shift had occurred.** **At their last annual meeting, ideas about using public spending as a way to get out of a recession or about government taking a role to enhance a market system were relegated to progressives. The mainstream was skeptical or downright hostile to such suggestions. This time, virtually everyone voiced their support**, returning to a way of thinking that had gone out of fashion in the 1970s. **“The new enthusiasm for fiscal stimulus, and particularly government spending, represents a huge evolution in mainstream thinking,” said Janet Yellen, president of the Federal Reserve Bank of San Francisco.** She added that the shift was likely to last for as long as the profession is dominated by men and women living through this downturn**. The few sessions that dealt with fiscal policy were packed with economists, mostly from academia. Nearly all argued that public spending can be more effective than tax cuts in getting out of a bad recession.** Still, they said the present crisis required, as a tonic, a mix of the two, and they debated what that mix should be, just as President-elect Obama’s transition team is now doing.

Government spending stimulates consumption; in long run improves economy.

Lapham, 2000

Government Spending and Welfare with Returns to Specialization. Author(s): Michael B. Devereux, Allen C. Head, Beverly J. Lapham. Source: The Scandinavian Journal of Economics, Vol. 102, No. 4 (Dec., 2000), pp. 547-561. Published by: Blackwell Publishing on behalf of The Scandinavian Journal of Economics. Stable URL: http://www.jstor.org/stable/3440808. Accessed: 15/07/2011 22:55 BE

**We explore a** novel **channel through which government spending can stimulate consumption and welfare through its effects on aggregate productivity, without directly affecting either utility or production possibilities. In the presence of monopolistic competition and increasing returns to specialization, it is shown that government spending can partly alleviate the inefficiencies of monopolistic competition. This is because government spending generates an endogenous increase in total factor productivity by increasing the variety of intermediate goods. If the degree of increasing returns to variety is large enough, a rise in such wasteful government spending may increase consumption levels enough to increase welfare.**

Spending Good

Government spending stimulates productivity.

Devereux, Lapham, 2000

Government Spending and Welfare with Returns to Specialization. Author(s): Michael B. , Allen C. Head, Beverly J. . Source: The Scandinavian Journal of Economics, Vol. 102, No. 4 (Dec., ), pp. 547-561. Published by: Blackwell Publishing on behalf of The Scandinavian Journal of Economics. Stable URL: http://www.jstor.org/stable/3440808. Accessed: 15/07/2011 22:55 BE

**It is well known that in the standard neoclassical growth model, increase in government spending tend to increase economic activity by stimulating labor supply**; see, for example, Aiyagari, Christiano, and Eichenbaum (1992). **Since increased employment can only occur if there is a fall in the real wage, aggregate consumption must fall , and thus welfare is reduced** (unless government spending is a prefect substitute for private consumption). **We demonstrate that** in the presence of a market inefficiency due to monopolistic competition and increasing returns, **government spending may be welfare improving, regardless of whether the spending is put to any useful purpose. Moreover, government spending stimulates productivity, without directly affecting utility or production possibilities.** We illustrate this in a simple, analytically tractable, version of the neoclassical growth model.

Previous projects prove economy improvement

Hickman, 99

(John Hickman, Ph. D., Associate Professor of Government, Department of Government, and International Relations. Berry College. Mount Berry. GA 30149-5010. Accessed Jul 7, 2011.BLE) BE

**Harrison H. Schmitt’s** (1996:2 8-30) “Millennium **Project” combines mining of Helium-3 on the Moon to be used as fuel in future fusion reactors and the establishment of an “outpost” on Mars as prelude to colonization of the planet.** Where capital for constructing the mining facility on the Moon is to come from is left unstated. But **Schmitt does write that the first Mars missions will cost a mere one percent of the annual gross national product** (GNP) of the United States. **Presumably the subsequent missions to Mars** to maintain the outpost **would** also **cost one percent of United States annual GNP.** Just how that one percent is to be extracted from the economy of the United States and spent on the Mars missions is also left unstated. **Selling Martian real estate to mining interests serves as the primary device for financing the colonization of Mars** in Robert Zubrin and Richard Wagner’s The Case for Mars (1996: 233-239)**.** Recognizing that an essential element in selling real estate anywhere entails offering good title to prospective purchasers, they accept the necessity for a government, either that of the United States or a prospective Martian Republic would serve, to grant and by implication to enforce property titles. What is less clear is whether capital earned from those sales would be used to finance construction of the original human settlement or used for the subsequent terraforming of the planet. Nor is it clear that the sums derived from the sale of mining rights would be sufficient for either purpose. Potential investors in Martian mining operations would consider not only production costs but also transportation costs in moving commodities from production plants on Mars to markets on Earth. **The existence of less expensive alternative sources on Earth would deter rational investors.** Moreover, while mining is an important sector in many national economies, with the interesting exceptions of several of the Persian Gulf states (oil) and Nauru (guano), few national economies on Earth are sustained primarily from the sales of mining royalties or mining rights. A permanent human settlement on Mars which depended on commerce with Earth for its survival would probably need more than a mining sector and associated service sector to flourish. As is true for most treatments of very large space development projects in popular science writing**, Zubrin and Wagner offer a more detailed description of the subsequent economic activity than of the crucial initial capital financing of their proposed venture.** Their **Mars would be largely peopled by highly skilled immigrants who will have financed their own transportation** from Earth (See Lewis and Lewis 1987: 295-296). In the near term, **Zubrin and Wagner’s Mars would export deuterium and new ideas to Earth. In the long term, a triangle trade system would emerge in which Earth exports high tech manufactured goods to Mars, Mars exports low tech goods to the asteroid belt, and the asteroid belt exports metals to Earth.**

Spending Good

Policy makers look for the most robust economic policy. One model shows higher government spending increase the GDP

 Cogan, Cwik, Taylor, Wieland 2009

(John F. Cogan, Tobias Cwik, John B. Taylor, Volker Wieland, John F. Cogan is the Leonard and Shirley Ely Senior Fellow at the Hoover Institution and a professor in the Public Policy Program at Stanford University. John B. Taylor is the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution Mary and Robert Raymond Professor of Economics at Stanford University. Tobias Cwik is a doctoral candidate in economics at Goethe University Frankfurt. Volker Wieland is Professor for Monetary Theory and Policy at Goethe University of Frankfurt and Willem Duisenberg Research Fellow at the European Central Bank. The views expressed in this paper should not be attributed to the European Central Bank or its staff. Helpful comments by Gunter Coenen, Alistair Dieppe, Joe Grundfest, Frank Smets, and Rafael Wouters are gratefully acknowledged.

New Keynesian versus Old Keynesian Government Spending Multipliers February 2009 <http://www.volkerwieland.com/docs/CCTW%20Mar%202.pdf> SN)

In a recent paper1 Christina Romer, Chair of the President’s Council of Economic Advisers, and Jared Bernstein, Chief Economist of the Office of the Vice-President, provided numerical estimates of the impact of an increase in government spending on GDP and employment in the United States. Such estimates are a crucial input for the policy making process. They help determine the appropriate size and timing of countercyclical fiscal policy packages and they help inform members of the Congress and their constituents about whether a vote for a policy is appropriate. For packages approaching $1 trillion including interest, as in 2009, the stakes are enormous. The estimated economic impacts matter. The Romer-Bernstein estimates are based on two particular quantitative macroeconomic models – one from the staff of the Federal Reserve Board and the other from an unnamed private forecasting firm. By averaging the impacts generated by these two models, they estimate that an increase in government purchases of 1 percent of GDP would induce an increase in real GDP of 1.6 percent compared to what it otherwise would be. Their results are shown in Figure 1. Also shown in Figure 1 are the estimated effects of exactly the same policy change—a permanent increase in government purchases—as reported in another study published a number of years ago by one of us.2 It is clear from Figure 1 that the results are vastly different between the different models. Perhaps the most important difference is that in one case higher government spending keeps on adding to GDP “as far as the eye can see,” while in the other case the effect on GDP diminishes as non-government components are crowded out by government spending. Macroeconomists remain quite uncertain about the quantitative effects of fiscal policy. This uncertainty derives not only from the usual errors in empirical estimation but also from different views on the proper theoretical framework and econometric methodology. Therefore, robustness is a crucial criterion in policy evaluation. Robustness requires evaluating policies using other empirically-estimated and tested macroeconomic models. From this perspective Figure 1 is a concern because it shows that the Romer-Bernstein estimates apparently fail a simple robustness test, being far different from existing published results of another model. For these reasons an examination of the Romer-Bernstein results is in order.

Keynesian Model Good

The new Keynesian model is not enough like Keynesian theory to work. We need the old model

Cogan, Cwik, Taylor, Wieland 2009

(John F. Cogan, Tobias Cwik, John B. Taylor, Volker Wieland, John F. Cogan is the Leonard and Shirley Ely Senior Fellow at the Hoover Institution and a professor in the Public Policy Program at Stanford University. John B. Taylor is the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution Mary and Robert Raymond Professor of Economics at Stanford University. Tobias Cwik is a doctoral candidate in economics at Goethe University Frankfurt. Volker Wieland is Professor for Monetary Theory and Policy at Goethe University of Frankfurt and Willem Duisenberg Research Fellow at the European Central Bank. The views expressed in this paper should not be attributed to the European Central Bank or its staff. Helpful comments by Gunter Coenen, Alistair Dieppe, Joe Grundfest, Frank Smets, and Rafael Wouters are gratefully acknowledged.

New Keynesian versus Old Keynesian Government Spending Multipliers February 2009 <http://www.volkerwieland.com/docs/CCTW%20Mar%202.pdf> SN)

There is a large literature on whether an increase in government spending reduces consumption and investment in real business cycle models, and the literature carries over to some degree to new Keynesian models with sticky prices and wages like the Smets-Wouters model. See Coenen and Straub (2005) for a discussion and references to many other contributions. In the standard real business cycle model government spending has a negative wealth effect. Households consume less. Investment also declines. A possible criticism of new Keynesian models like the Smets-Wouters model is that they are not Keynesian enough, because they assume that all households are forward-looking and optimize their spending decisions. Some have suggested that one should allow for the possibility that some households follow “rules of thumb” like the original Keynesian consumption function with a high and constant marginal propensity to consume. Others have suggested that one should assume that many households are constrained to consume all their current income. See for example, Gali, Lopez-Salido, Valles (2007). However, Coenen and Straub (2005), show that it is empirically unlikely that an increase in government spending crowds in consumption even with such assumptions. There are two reasons: the estimated share of constrained households is relatively low and the negative wealth effects induced by government spending shocks are large. Although some might worry that new Keynesian models are faulty because they miss old Keynesian rule-of-thumb or constrained consumers, we note that the Smets-Wouters model is estimated and it fits the data well. People might also worry that the small and negative multipliers depend on assumptions about monetary policy responses and the particular time profiles of fiscal spending packages. It is for this reason that we have used actual data on fiscal policy and realistic assumptions about monetary policy.

The new Keynesian models don’t work as well as the old Keynesian models which are robust and solve the job crisis and support the private sector.

Cogan, Cwik, Taylor, Wieland 2009

(John F. Cogan, Tobias Cwik, John B. Taylor, Volker Wieland, John F. Cogan is the Leonard and Shirley Ely Senior Fellow at the Hoover Institution and a professor in the Public Policy Program at Stanford University. John B. Taylor is the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution Mary and Robert Raymond Professor of Economics at Stanford University. Tobias Cwik is a doctoral candidate in economics at Goethe University Frankfurt. Volker Wieland is Professor for Monetary Theory and Policy at Goethe University of Frankfurt and Willem Duisenberg Research Fellow at the European Central Bank. The views expressed in this paper should not be attributed to the European Central Bank or its staff. Helpful comments by Gunter Coenen, Alistair Dieppe, Joe Grundfest, Frank Smets, and Rafael Wouters are gratefully acknowledged.

New Keynesian versus Old Keynesian Government Spending Multipliers February 2009 <http://www.volkerwieland.com/docs/CCTW%20Mar%202.pdf> SN)

We find that the government spending multipliers from permanent increases in federal government purchases are much less in new Keynesian models than in old Keynesian models. The differences are even larger when one estimates the impacts of the actual path of government purchases in fiscal packages, such as the one enacted in February 2009 in the United States or similar ones discussed in other countries. The multipliers are less than one as consumption and investment are crowded out. The impact in the first year is very small. And as the government purchases decline in the later years of the simulation, the multipliers turn negative. The estimates reported here of the impact of such packages are in stark contrast to those reported in the paper by Christina Romer and Jared Bernstein. They report impacts on GDP for a broad fiscal package that are six times larger than those implied by government spending multipliers in a typical new Keynesian model and our calculations based on generous assumptions of the impacts of tax rebates and transfers on GDP. They also report job estimates that are six times larger than these alternative models, and the impacts on private sector jobs are likely to be at variance with the alternative models by an even larger amount. At the least, our findings raise serious doubts about the robustness of the models and the approach currently used for practical fiscal policy evaluation.

Keynesian Model Good

New Keynesian economics are being used and taught now.

 Cogan, Cwik, Taylor, Wieland 2009

(John F. Cogan, Tobias Cwik, John B. Taylor, Volker Wieland, John F. Cogan is the Leonard and Shirley Ely Senior Fellow at the Hoover Institution and a professor in the Public Policy Program at Stanford University. John B. Taylor is the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution Mary and Robert Raymond Professor of Economics at Stanford University. Tobias Cwik is a doctoral candidate in economics at Goethe University Frankfurt. Volker Wieland is Professor for Monetary Theory and Policy at Goethe University of Frankfurt and Willem Duisenberg Research Fellow at the European Central Bank. The views expressed in this paper should not be attributed to the European Central Bank or its staff. Helpful comments by Gunter Coenen, Alistair Dieppe, Joe Grundfest, Frank Smets, and Rafael Wouters are gratefully acknowledged.

New Keynesian versus Old Keynesian Government Spending Multipliers February 2009 <http://www.volkerwieland.com/docs/CCTW%20Mar%202.pdf> SN)

We think it is best to start by conducting a fresh set of simulations with a macroeconomic model other than one of those used in Figure 1. We focus on the Smets-Wouters model of the U.S. economy.3 The Smets-Wouters model is representative of current thinking in macroeconomics. It was recently published in the American Economic Review and is one of the best known of the empirically-estimated “new Keynesian” models. It is very similar to, and “largely based on” according to Smets and Wouters, another well-known empirically-estimated new Keynesian model developed by Christiano, Eichenbaum and Evans (2005). The Smets-Wouters model was highlighted by Michael Woodford (2009) as one of the leading models in his review of the current consensus in macroeconomics.4 The term “new Keynesian” is used to indicate that the models have forward looking, or rational, expectations by individuals and firms, and some form of price rigidity, usually staggered price or wage setting. The term also is used to contrast these models with “old Keynesian” models without rational expectations of the kind used by Romer and Bernstein.5 New Keynesian models rather than old Keynesian models are the ones commonly taught in graduate schools because they capture how people’s expectations and microeconomic behavior change over time in response to policy interventions and because they are empirically estiimated and fit the data. They are therefore viewed as better for policy evaluation. In assessing the effect of government actions on the economy, it is important to take into account how households and firms adjust their spending decisions as their expectations of future government policy changes. We first show that the assumptions made by Romer and Bernstein about monetary policy—essentially an interest rate peg for the Federal Reserve—are highly questionable according to new Keynesian models. We therefore modify that assumption and look at the impacts of a permanent increase in government purchases of goods and services in the alternative model. According to the alternative model the impacts are much smaller than those reported by Romer and Bernstein. We then consider more realistic scenarios. We look at the impact when government spending follows the fiscal policy legislation enacted in February 2008 and we look at a scenario in which monetary policy is more responsive. For these scenarios the impact with the alternative model is even smaller.

Spending Good

Government stimulus creates jobs, strengthening local and global economies

Simon Kapenda ’11 **(**Bachelor of Science in Economics from Ohio State University, prince simon, *Government Spending Infuses Economic Growth and Employment Creation*, Feb 24, 2011, http://princesimon.wordpress.com/2011/02/24/government-spending-infuses-economic-growth-and-employment-creation/) EK

**CNN.com is reporting that Boeing has been awarded a $3.5 billion Pentagon contract, which ultimately may be worth $35 billion, to build Air Force tankers. An injection of capital like this in government spending creates large ripple effects for more job creation in the economy.** Here is how it works; when Boeing has been awarded this contract, the demand for parts to build these tankers goes up, meaning that Boeing will order parts from different companies in the country and overseas who make the parts Boeing needs to build these tankers. Each time, when Boeing orders parts from different companies, it creates ripple effects of employers increasing their production, hence hiring perhaps more workers. And this also happens in foreign economies wherever Boeing orders parts. **As workers earn their salaries, they have more money to spend in local retail stores, again, retail stores will see an increase in consumer spending, hence they will order more supplies.** As they order supplies from its suppliers, the demand for goods increases, enabling suppliers to retail stores to hire more workers, and order more supplies from their suppliers. In the end, **you have powerful activities in the economy. And that’s how the government creates employment opportunities by spending in a local economy.** In Namibia, when the Namibia Defense Force orders the Indian-made helicopters, spending about N$74 million per each helicopter, it helps to create employment opportunities in India; same concept as Boeing above. **For the government to help create employment opportunities, it is a good thing to spend in the local economy.**

NASA Investment is Profitable

A 37-year-long study concludes that investment in NASA is Profitable.

Dr. Henry R. **Hertzfeld ’98** [Research Professor of Space Policy and International Affairs at George Washington University, Measuring the Returns To NASA Life Sciences Research and Development, September 30, 1998, <http://www.gwu.edu/~spi/assets/docs/lifesci.htm>, TB]

**The cumulative value added to the economy from the fifteen firms in this study that can be attributed to the investments of the NASA Life Sciences program was approximately $1.5 billion** ($1997).**This value added is based on total sales of $2.3 billion** (1997$) **that occurred from 1960 through 1997. These fifteen firms received a total of approximately $64 million to perform research for NASA**.  However, in order to market a commercially successful product, a significant amount of additional R&D was necessary.  We estimate that these **fifteen firms added approximately another $200 million** in R&D funds **to the initial NASA R&D contracts or grants.  This $200 million** clearly **shows that the leverage of NASA Life Sciences R&D is a powerful and significant factor** in this segment of the economy. **These results are very conservative**.  **The impact of NASA’s** Life Sciences **investments runs** fartherand **much deeper than these figures indicate.**  First, as described below, **we collected a tremendous amount of evidence that points to a large societal gain** (benefits derived from using the innovative products as well as non-quantifiable health-related gains) **from this small sample** of successful life sciences products.  Second, there is evidence that **many other firms and innovations are in some part derived from NASA’s** Life Sciences **R&D.**  **Some firms that chose not to participate in this study have demonstrated** productsand **benefits.  Others have yet to be identified from the historical database.**  And, as evidenced in other reports, on-going **NASA** R&D **continues to generate ideas and innovations with vast potential**.To put the data from these fifteen firms in perspective, we estimate that **NASA has invested approximately $3.7 billion** ($1997) **over 37 years in life sciences R&D programs**.  Many thousands of research grants and contracts have been awarded to universities, not-for-profit firms, and industry throughout this program.  Therefore, **our sample of firms represents an extremely small percentage of the NASA Life Sciences investment.** Yet, **with a** cumulative **value-added measured at $1.5 billion from these firms alone, it is evident that the life sciences programs have generated robust returns in addition to their mission success**.  And, **since we have taken a very conservative approach to measuring benefits** by not including in the reported aggregate numbers any downstream, or social, benefit measures, **it can safely be concluded that this NASA program has returned at least its cumulative investment to the United States.  It is highly probable that further research** and analysis of the program **would show economic impacts far greater than the $3.7 billion investment.**

Social Benefits

Investing in NASA’s Research and Development has numerous social benefits.

Dr. Henry R. **Hertzfeld ’98** [Research Professor of Space Policy and International Affairs at George Washington University, Measuring the Returns To NASA Life Sciences Research and Development, September 30, 1998, <http://www.gwu.edu/~spi/assets/docs/lifesci.htm>, TB]

**The companies** in this study that **have developed** innovations sell their products in many different markets.  Many of these products are devices that are used by other companies or by medical practitioners to save money in their operations, perform operations that couldn’t be performed before, or to generate new revenues and business opportunities.  The Cox Sterilizer, for example, is a device that can sterilize dental instruments very quickly.  The inventor claims that a dentist using this device can dramatically reduce his inventory of tools since he can reuse the same tools more quickly in his practice. **The Baro-cuff is a research device**.  It is an instrument used for measuring the pressure in the carteriod artery.  In its present configuration it is too expensive to be mass produced and sold as a routine instrument for doctors or hospitals.  But**, it is extremely valuable as a research tool, permitting faster and more accurate measures** than otherwise available**.  Its benefits are in making research more efficient and more productive**.  This benefit does not easily translate to monetary measures of social benefits, but there is no doubt that these benefits exist and are very important to the users of this instrument. **The gas chromatograph which has been used by NASA in its space missions,** **is also used** by the non-space and non-medical industry.  It has a number of applications.  For example, one of its customers is Fairfax Co., Va. where the instrument is used to monitor gases that are emitted from trash disposal facilities.  It also is used by a pharmaceutical company **to analyze and separate gases and other components of the manufacturing process** in order to reuse some chemicals.  They estimated that the pharmaceutical company may have saved over $1 million using this device. Another type of industry benefit is the creation of new business opportunities from these spinoffs.  The Orbitron is an example of a device that has been tested by NASA for use in astronaut training but is now sold by the company as an amusement park “ride.”  The company claims that a purchaser of the Orbitron can recoup his investment in about three months and generate about $150,000 per year in revenue by selling the rides at parks and fairs.  Jobs are created, taxes are paid on the revenues, and overall benefits to the economy are created.  Although this type of spinoff application may have virtually no connection to health care, medicine, or even the space program, the fact that NASA tested and used the device is an important factor in its acceptance in the business world and the advertising goodwill generated by the connection to the space program. In addition, astronaut training was very valuable to the company and to those small businessmen who are now employed because of this machine. The makers of Orbitron indicate that they are doing additional medical-related research, using the device to test for its effect on free-radicals, seasickness, and other health-related problems. Social benefits include the use of these innovations by the medical community.  **Several of the companies selling spinoff medical products have demonstrated that the devices produce much faster measurements than prior devices used in hospitals and doctors’ offices**.  The automated microbial bioassay system marketed by Bio-Merrieux/Vitek, for example, produces results within 24 hours rather than several days as with traditional techniques.  It also can be operated by less skilled technicians saving the higher wage costs as well as saving time.  Other time saving medical spinoffs include the Diatek ear thermometer and the gas chromatograph.  The market for these devices may be relatively small, since they are not products normally bought by the general public, but their value is in decreasing the operating costs and increasing the efficiency and productivity of the hospitals and laboratories that purchase the equipment. **Social benefits also accrue directly to the general public.  These may be the hardest to measure because they often are benefits that improve the quality of life**.  For example, the temperature “pill” that can be swallowed by a patient enables doctors to monitor and test for conditions internal to the body without having to perform surgery.  Not only are hospital and other costs saved, but the patient is much more comfortable and does not have to undergo invasive procedures that may entail other risks.  The cool suit technology (ILC) that owes its development to the original space suit research is another device that has had numerous medical and industrial uses.  It has been adopted to be worn by patients suffering from multiple sclerosis (by cooling the body, more movement and less pain occurs).  It also is used in some industrial situations where employees must work in high temperature situations (e.g. steel furnaces).  It also has been used in helmets used by race car drivers.  There is even a company that is using the technology to keep beer kegs cool. **Although some of the spinoff uses are not medical and not even related to space, they do generate jobs, income, and productivity benefits**.  Nonetheless, **the major benefits are to the medical establishment and to human beings.  The more advances that are made and the better the diagnosis and treatment of diseases and illnesses, the more spinoff benefits accrue to these NASA-stimulated innovations**.  People using these devices and advances often can continue working, or return to the work force faster.  They may need fewer medical procedures, and they often may even live longer as a result.  Measuring these types of social benefits is controversial and difficult—it often involves valuing human life and assessing the net benefits of increasing the life span of human beings.  We have not attempted to perform those measures in this study, but we do recognize that some of the metrics developed by economists and others have calculated very significant economic impacts from medical R&D.

Economics – Small Business

Small Business in particular benefits from NASA spending.

Dr. Henry R. **Hertzfeld ’98** [Research Professor of Space Policy and International Affairs at George Washington University, Measuring the Returns To NASA Life Sciences Research and Development, September 30, 1998, <http://www.gwu.edu/~spi/assets/docs/lifesci.htm>, TB]

Many of the **smaller firms have been successful in marketin**g commercial **spinoff products.  Even though the sales totals may not appear large** on a national scale, **their contributions are frequently very significant within the expertise of the firms’ industry and in their local economies**.  The “typical” smaller firm in our sample had between 25 and 40 employees and generated between $5 million and $10 million in annual sales. **Some of these firms “owe their existence” to NASA and to the space program,** in that the origins of their R&D and commercial product line are largely traced to the needs of the space program. Because of this history, many of the firms are founded, owned, and operated by engineers or scientists with a NASA background. **These firms tend to be profitable.**  In the interviews, managers appeared to be satisfied with the development and progress of their companies.  **They tended to focus on the R&D aspects and on the potential for large future expansion, often identifying both new technologies and new markets for their products and expertise.**  However, they also expressed a natural reluctance to “bet the firm” on a large expansion effort.  These companies did not have the capital resources or the technical expertise to launch a national marketing, advertising, and distribution program for the expansion they often envisioned,  and they did not seem willing to give up a large portion of their equity or ownership in the company to generate the capital needed for the expansion.  In effect, they were operating profitable companies, they were comfortable in their markets and market position, and had little motivation to take the large risks associated with a major expansion.

 International Coop is Normal Means

NASA regularly collaborates with other countries.

Major David A**. Ehrlich in 2010** (Student at the Naval Postgraduate School, DTIC Online, *America’s Access to Space: Assuring Future Affordability*, December 2010, <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA536415&Location=U2&doc=GetTRDoc.pdf>, TB)

The quandary that this problem highlights is how the DoD should go about achieving the proper balance between a strong defense industrial base and a reasonable and realistic fiscal approach toward space launch. There are proponents, both in the government and academic fields, who argue that the answer to this dilemma lies in the continued support and funding of the space launch industry as it exists today. These supporters stress that it is vital to maintain and expand the “intellectual capital” and technological innovations that can be harvested by the DoD’s continued support of the aerospace industry. However, **a growing number of people believe that the answer lies** not in maintaining the status quo, but rather in expanding the means by which we can achieve our goal of assured access to space through more **collaboration and competition**. This idea is not new or revolutionary. The **N**ational **A**eronautics and **S**pace **A**dministration (NASA) **has come to rely on international collaboration to achieve its mission, most recently with the** construction and operation of the **International Space Station**. What will be new is the idea of making this the norm, not the exception, for the DoD.

NASA Investment Profitable

Investing in NASA is key to our place in the global marketplace.

James J Haggerty in 1996 (Author of *Apollo: Lunar Landing*, ProQuest CSA, *Spinoff 1996*, December 1996, <http://md1.csa.com/partners/viewrecord.php?requester=gs&collection=TRD&recid=N0225392AH&q=nasa+stimulate+economy&uid=790890628&setcookie=yes>, TB)

By their challenging nature, NASA programs are particularly demanding of technological input. Meeting the aeronautical and space goals of the past four decades has necessitated leading edge advancements across a diverse spectrum that embraces virtually every scientific and technological discipline. Technology is simply knowledge and, like other forms of knowledge, it is often broadly applied and transferable. For that reason, the vast storehouse of technology NASA has built is a national resource, a bank of knowledge available for commercial applications and enhancements to the quality of life-"spinoff"-to new products and processes of benefit to the national economy, industrial efficiency and human welfare. Multiple use of technology has never been more important. Budgetary stringency is reducing the amount of government funding available for new research and development, but at the same time intensifying international competition demands increasing technological innovation to strengthen the U.S. posture in the global marketplace. Reuse of technology offers a relatively inexpensive supplementary means of partnering with industry focused on bringing new products and processes to the market. More than a thousand of spinoff products and processes have emerged from reapplication of technology developed for NASA mission programs. Each has Contributed some measure of benefit to the national economy, productivity or lifestyle; some bring only moderate increments of gain, but many generate benefits of significant order with economic values in the millions of dollars. Other technologies with moderate economic return have added measurably to the quality of life of U.S. citizens. Collectively, they represent a substantial dividend on the national investment in aerospace research. By Congressional mandate, it is NASA's responsibility to promote expansion of spinoff in the public interest. Through its Technology Transfer Program, NASA seeks to encourage greater use of its technological resources by providing a link between the technology and those who might be able to put it to advantageous use. The program's aim is to broaden and accelerate the transfer accomplishments and thereby to gain national benefit in terms of new products, services, and new jobs. This publication is an instrument of-and documents the outcome of-that purpose.

NASA’s Spinoffs Overstated

NASA’s spinoff benefits have been historically overstated.

Ronald Rosenberg in 1989 (Writer for the Boston Globe, Google Books, *Spinoffs: A Myth is Born*, July 17, 1989, <http://books.google.com/books?id=nNCxkcKP1HUC&pg=PA57&lpg=PA57&dq=spinoffs:+a+myth+is+born+boston+globe+tang+teflon+velcro&source=bl&ots=dZ13M_pJ-I&sig=qIowJVCEx1LHPTCLWOnaZNZuABU&hl=en&ei=pnAfTp7yCKjiiALc9IWqAw&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBgQ6AEwAA#v=onepage&q=boston%20globe&f=false>, TB)

What do Tang, Velcro, and Teflon all have in common? They were all NOT spinoffs of the Apollo Space program. In the public mind all three are inextricably linked to the moon landing program, but all were developed long before the National Aeronautics and Space Administration ever heard of them. It’s true that the astronauts did wear space suits coated with Teflon and some drank powdered Tang orange drink while sitting in spacecraft that had patches of Velcro on the walls. But the belief that the three products were fruits of the space program is a testament to the myth-making power of Madison Avenue, not to the technology-driving power of the race to the moon. “It was a myth that the public bought,” chuckles Thomas O. Paine, NASA administrator between 1968 and 1970, who oversaw seven Apollo missions. What Apollo did, says Paine, was to popularize Velcro and Teflon and their less-known innovations by finding new innovations for them. That is not to say that Apollo did not have an enormous impact on technology. In fact, Paine said in a telephone interview, the hallmark of the program was encouraging scientists and engineers to explore ideas at the forefront of technology. Over time, many of those ideas turned into industrial and consumer products.

NASA Spinoffs Exaggerated

NASA exaggerates their claims of useful spinoffs.

John A. **Alic in 1992** (Expert at the University of Harvard’s Belfer Center for Science and International Affairs, Google Books, *Beyond Spinoff: Military and Commercial Technologies in a Changing World*, April 1992, <http://books.google.com/books?id=nNCxkcKP1HUC&pg=PA57&lpg=PA57&dq=spinoffs:+a+myth+is+born+boston+globe+tang+teflon+velcro&source=bl&ots=dZ13M_pJ-I&sig=qIowJVCEx1LHPTCLWOnaZNZuABU&hl=en&ei=pnAfTp7yCKjiiALc9IWqAw&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBgQ6AEwAA#v=snippet&q=nasa&f=false>, TB)

Government agencies—particularly those such as the National Aeronautics and Space Administration that are continually pressured to justify their activities—tout the spinoff value of their investments in sometimes extravagant claims. NASA actively pursues its congressional mandate to “promote expansion of spinoff in the public interest.” It publishes an annual report called *Spinoff* to chronicle each year’s transfer of NASA technology to other sectors of the economy, and sponsors touring exhibits at science and technology museums that feature examples drawn from the “more than 30,000 items, including the Velcro and the Jarvik artificial heart…developed from technology associated with the nation’s space program.” Department of Defense officials, too, are quick to remind the Congress of the indirect economic benefits of defense technical activity. However, DoD’s mission—if not for its budget—is unchallenged, and with the exception of the controversial Strategic Defense Initiative Organization, DoD devotes less attention than NASA to claiming credit for and advertising its spinoffs. However, there have always been skeptics of spinoff. In the late 1950s, annoyed by the exaggerated claims for spinoff benefits from Atomic Energy Commission research, Dr. Ralph Lapp called it “drip-off” to convey his opinion that very little momentum accompanied the transfer of defense technology to commercial companies. Samuel Doctors concluded that NASA’s Technology Utilization Program “was founded primarily in response to political pressures and has continued to be used as a device for partial justification of NASA R&D funding, rather than as a technical project in its own right.” And popular examples of spinoff products that are cited in press reports as deriving from space technology—Velcro, Tang, and Teflon, are spurious. Although marketing of each of these products benefited from favorable NASA publicity, their technical origins were not military- or space- related.

NASA Research Stimulates Community

NASA generates jobs and profits in the Bay Area.

Karen Hanner in 2010 (NASA employee, NASA News, *NASA Ames Stimulates Economy with Jobs, Education*, May 10, 2010, <http://researchpark.arc.nasa.gov/docs/economic_study.pdf>,TB)

**An**other **economic school,** typified by the BIS, **asserts that** **an obsessive focus on short-term economic results got us into trouble, and we should not repeat that mistake**. Piling up too much debt now may make future crises worse. Ignoring incipient signs of inflation will spawn more inflation. Good policies will ultimately be rewarded with sound growth. This seems wise but raises practical concerns. **It may be that** **gobs of stimulus can't rescue the global economy but that gobs of austerity might sink it**. Our predicament is that **it's not just a few countries that face austerity but most advanced nations**. We've arrived at a historical reckoning of the post-World War II welfare state, burdened with aging populations and huge debts. Germany's gross public debt is 87 percent of its economy (gross domestic product); [Japan](http://realclearworld.com/topic/around_the_world/japan/?utm_source=rcw&utm_medium=link&utm_campaign=rcwautolink)'s, 213 percent; Britain's, 89 percent; and the [United States](http://realclearworld.com/topic/around_the_world/united_states/?utm_source=rcw&utm_medium=link&utm_campaign=rcwautolink)', 101 percent, reports the BIS. (Its debt definition results in higher numbers than the standard U.S. measure.) [Greece](http://realclearworld.com/topic/around_the_world/greece/?utm_source=rcw&utm_medium=link&utm_campaign=rcwautolink) is not alone. **The United States, Europe and Japan still constitute roughly half the world economy. If all cut spending and raised taxes (to control debt) and increased interest rates (to pre-empt inflation), where would growth come from?**

Spending Bad

Spending now only makes it more difficult for businesses to recover.

Patrick Hynes in 11 (President of Hynes Communications, has addressed students at Harvard, Big Government, *It’s Not a Debt Ceiling, It’s a Debt Wall*, June 28, 2011, <http://biggovernment.com/phynes/2011/06/28/its-not-a-debt-ceiling-its-a-debt-wall/> TB)

Marc Nuttle – lawyer, businessman, and consultant to leaders in a dozen different countries – makes an interesting point about government debt. [While Washington is atwitter over the pending vote to raise the debt ceiling, Nuttle says **the real issue is the debt wall**](http://debtwall.org/the-debt-wall/). He defines the Debt Wall as that point at which **there isn’t enough loose money in the world to fund the deficits of the** 185 **nations currently running in the red.** **The U.S. of course is the biggest offender with a current deficit in excess of $1.6 Trilliion and a total debt around $14 Trillion**. Typically, a person’s solvency is measured by looking at their debt to equity ratio. For countries, it is the debt to Gross Domestic Product (GDP). The preferred maximum is 70% to 80%. Greece is now at 125%. The U.S. is at 100%. Based upon world liquidity, the amount of money available to fund the annual deficits of the world’s governments, is about $9 trillion max. But projections for the total deficits actually accrued by nations this year is more like $10 trillion – and rising. **To fund** that **additional debt, money will have to be taken out of other markets and investments. Attracting that money will require huge interest rate increases.** Today **our government pays about 1%. Once we hit** Nuttle’s **Debt Wall, the government will have to pay 6%, or 7% or even more**. Greece is now offering its bonds at 30% and not finding many takers. Businesses won’t be able to survive due to huge interest rate increases. Jobs will be lost as those businesses fail. Even more families will lose their homes as unemployment skyrockets. Retirement savings will be ruined as the markets fall off. **And, of course, pleading a catastrophic fall off in revenues**, liberals in **Washington will attempt to tax everything that moves and many things that don’t**. In Marc Nuttle’s words, “it’s an economic death spiral that will damage our families, our communities our way of life.” This is not a political issue about whether we want the federal government to provide schools, libraries, welfare, healthcare or defense. **This is an economic issue that left unattended will result in an already dysfunctional government being unable to provide any services at all**.

 Keynesian Economics Good

Alan S. Blinder in 2008 (Gordon S. Rentschler Memorial Professor of Economics at Princeton University, **former economic adviser to President Clinton, John Kerry, and Al Gore**, The Concise Encyclopedia of Economics, *Keynesian Economics*, no month given, <http://mysite.avemaria.edu/gmartinez/Courses/ECON201/pdf/Keynes_NewClassical.pdf> TB)

The massive **U.S. tax cuts between 1981 and 1984 provided something approximating a laboratory test of these alternative views**. What happened? The private saving rate did not rise. Real interest rates soared, even though a surprisingly large part of the shock was absorbed by exchange rates rather than by interest rates. With fiscal stimulus offset by monetary contraction, real GNP growth was approximately unaffected; it grew at about the same rate as it had in the recent past. Again, **this all seems more consistent with Keynesian** than with new classical theory. **Finally, there was the European depression of the eighties, which was the worst since the depression of the thirties. The Keynesian explanation is straightforward**. Governments, led by the British and German central banks, decided to fight inflation with highly restrictive monetary and fiscal policies. The anti-inflation crusade was strengthened by the European Monetary System, which, in effect, spread the stern German monetary policy all over Europe. **The new classical school has no comparable explanation**. New classicals, and **conservative economists in general, argue that European governments interfere more heavily in labor markets** (with high unemployment benefits, for example, and restrictions on firing workers). **But most of these interferences were in place in the early seventies, when unemployment was extremely low.**

Keynesian Economics (Description)

A brief description of Keynesian Economics.

Paul Krugman in 2008 (Nobel Peace Prize Winner in Economics, The New York Times, *How Did Economists Get It So Wrong?*, September 6, 2009, <http://193.136.173.17/~afreitas/aulas/Macro%20policies/How%20Did%20Economists%20Get%20It%20So%20Wrong.pdf>, TB)

This faith was, however, shattered by the Great Depression. Actually, even in the face of total collapse some economists insisted that whatever happens in a market economy must be right: “Depressions are not simply evils,” declared Joseph Schumpeter in 1934 — 1934! They are, he added, “forms of something which has to be done.” But many, and eventually **most, economists turned to the insights of John Maynard Keynes for** both an explanation of what had happened and **a solution to future depressions**. Keynes did not, despite what you may have heard, want the government to run the economy. He described his analysis in his 1936 masterwork, “The General Theory of Employment, Interest and Money,” as “moderately conservative in its implications.” **He wanted to fix capitalism, not replace it**. But he did challenge the notion that free-market economies can function without a minder, expressing particular contempt for financial markets, which he viewed as being dominated by short-term speculation with little regard for fundamentals. And **he called for active government intervention —** printing more money and, if necessary, **spending heavily on public works — to fight unemployment during slumps**. It’s important to understand that Keynes did much more than make bold assertions. “**The** General **Theory**” **is a work of profound, deep analysis** — analysis **that persuaded the best young economists of the day**. Yet the story of economics over the past half century is, to a large degree, the story of a retreat from Keynesianism and a return to neoclassicism. The neoclassical revival was initially led by Milton Friedman of the University of Chicago, who asserted as early as 1953 that neoclassical economics works well enough as a description of the way the economy actually functions to be “both extremely fruitful and deserving of much confidence.” But what about depressions?

Keynesian Economics Good

**The Nobel Peace Prize Winner in Economics acknowledges that Keynesian Economics is the most accurate method.**

Paul Krugman in 2008 (Nobel Peace Prize Winner in Economics, The New York Times, *How Did Economists Get It So Wrong?*, September 6, 2009, <http://193.136.173.17/~afreitas/aulas/Macro%20policies/How%20Did%20Economists%20Get%20It%20So%20Wrong.pdf>, TB)

So here’s what I think **economists** have to do. First, they **have to face up to the inconvenient reality that financial markets fall** far **short of perfection**, that they are subject to extraordinary delusions and the madness of crowds. Second, **they have to admit** — and this will be very hard for the people who giggled and whispered over Keynes — **that Keynesian economics remains the best framework we have for making sense of recessions and depressions**. Third, they’ll have to do their best to incorporate the realities of finance into macroeconomics. Many economists will find these changes deeply disturbing. **It will be a long time, if ever, before the new, more realistic approaches to finance and macroeconomics offer the same kind of clarity, completeness and sheer beauty** that characterizes the full neoclassical approach. To some economists that will be a reason to cling to neoclassicism, despite its utter failure to make sense of the greatest economic crisis in three generations. This seems, however, like a good time to recall the words of H. L. Mencken: “There is always an easy solution to every human problem — neat, plausible and wrong.”

Tech Key to Econ

High technology is key to job and economic growth

ScienceDaily, June 24, 2011- **http://www.sciencedaily.com/releases/2011/06/110623130751.htm*“*High Technology, Not Low Taxes, May Drive US States' Economic Growth” DG**

While lower taxes were not factors in economic growth, the researchers, who released their findings in the current online issue of Environment and Planning C: Government and Planning, said **policies that promoted the use of high technology and entrepreneurship were significantly correlated with job creation and economic growth. States with more technology classes in school, higher domain name registrations and more people online tended to economically outperform states with a lower emphasis on technology. "It does indicate that states that have already moved into the online economy are better able to create jobs**," Goetz said. The researchers examined data from each state for 2000 to 2007. **The datasets included common economic growth measures including changes in income, poverty, income inequality and employment.** They also collected data on economic development strategies used by the states to promote economic growth, such as estate, personal income, corporate and property taxes; regulatory policies; tax incentives; and public expenditures on education, public safety and highways. Goetz, who worked with Mark Partridge, professor, and Shibalee Majumdar, doctoral student, both of Ohio State University; and Dan Rickman, professor, Oklahoma State University, said **lowering taxes is often categorized as a race-to-the-bottom policy and investing money in technology is considered a race-to-the-top strategy. "Race-to-the-top policies are generally defined as those involving investments in education, entrepreneurship and infrastructure**," said Goetz. "In contrast, race-to-the-bottom policies involve competition among the states for jobs by using lower taxes and industrial recruitment incentives."Goetz said that the importance of finding the right mix of race-to-the-top and race-to-the-bottom policies to stir economic recovery is growing for state officials. **"Economic growth is an important issue that preoccupies economists,**" said Goetz. **"It's especially important with the lackluster economy and the threat of a possible double-dip recession."**

Clean technology is key to job and economic growth

VOA News May 07, 2011 *-* ***The Voice of America is one of the world's most trusted sources for news and information from the United States and around the world. http://www.voanews.com/english/news/Obama-Clean-Energy-Key-to-Economic-Growth-121435244.html* “Obama: Clean Energy Key to Economic Growth” *DG***

U.S. President Barack Obama has renewed his call for pursuing clean energy sources, **like biofuels and natural gas,** to break the U.S. dependence on foreign oil while growing the economy**. Delivering his weekly address from a hybrid technology plant in the state of Indiana,** Obama says in the short term, domestic oil production is growing, reaching its highest level last year since 2003**. But the president says** in the long term, the U.S. should be investing in clean energy technology and securing the jobs it will generate**. Obama says that he supports the nation living within its means in these difficult fiscal times, but says** he refuses to cut investments in clean energy that will help the United States out-compete and out-innovate other countries.

**UN chief believes clean energy would drive economic growth.**

Atique Naqvi January 17, 2011 - **http://www.kippreport.com/2011/01/clean-energy-to-drive-economic-growth-says-un-chief/ “Clean energy to drive economic growth, says UN chief” DG**

Sustainable energy solutions and environment-friendly policies of governments would drive economic growth across the world in the near future, said United Nations Secretary-General Ban Ki-Moon at the opening ceremony of this year’s World Future Energy Summit in Abu Dhabi today. Speaking at the summit, he said the world needs a global clean energy revolution to provide universal access to sustainable energy solutions to billions of people on the planet, who have very limited access to electricity. Countries around the world are working to improve their energy efficiency levels; China has become the second largest user of wind energy, while South Korea is witnessing increased public investment in sustainable and renewable energy projects.

Depression Inevitable

**Depression is inevitable**Casey 06 (Doug Casey, free market economist, chairman of Casey Research, editor of International Speculator, World Net Daily, The Greater Depression, June 8, 2006, <http://www.wnd.com/index.php?pageId=36515>) PS

My view is that the longest, and certainly most important, trend in history is the ascent of man. I have little doubt that it will not only continue but accelerate. But that doesn't mean there won't be nasty setbacks along the way. As I have said before, possibly the best definition of a depression is a period when most people's standard of living drops significantly. You can also define it as a period when distortions in the economy and misallocations of capital are liquidated. The distortions are almost always the result of government intervention in the economy through things like taxes, regulation and currency inflation. Those are the factors that caused the unpleasantness that began in 1929. Since the government is exponentially more powerful and invasive today than it was in either the 1920s or the 1970s, I expect the consequences will be much worse this time around. Things could have come unglued, and almost did, back in the 1970s. I don't see how we'll dodge the bullet this time – although that's not really a good analogy, in that, for reasons we don't have time to explore in depth, a depression is probably inevitable this time. The only serious question in my mind is whether it will be essentially deflationary in nature, as it was the case in the U.S. in the 1930s, or inflationary like in Germany in the 1920s. My guess is the latter because the government is so much more powerful today. Or it could actually be both at once, in different sectors of the economy. How? Inflation could drive interest rates to 20 percent. This would collapse the bond and real estate markets, wiping out trillions of dollars of purchasing power – which is deflationary. Meanwhile, that same inflation doubles the cost of food and fuel – in other words, the opposite of what we've mostly had for the last generation, when we had "good" inflation in stocks, bonds and property, but stable or dropping prices in "cost of living" items. This time the pattern could reverse, which would be a nightmare for most people. And as people become more focused on speculation in a generally futile attempt to stay ahead of financial chaos, they inevitably divert effort from economic production, which will decrease the general standard of living even more. The situation isn't made easier by the possibility that we're facing Peak Oil – the start of a secular decline in world oil production. Or the fact that Americans, both individually and collectively, are deeply in debt and living on the kindness of strangers. The problem with debt is that it artificially increases our standard of living. But when we pay it off, especially with interest, it reduces our standard of living in a very real way.

Despite stimulus policies, the massive debt ensures an inevitable “third depression”

Morgan 10 (Tim Morgan, Tullett Prebon Global Head of Research, Towards the New Normal, The “New Normal” and the Denouement of Irresponsibility, July 6, 2010, [http://www.tullettprebon.com/announcements/strategyinsights/notes/2010/SIN20100706.pdf) PS](http://www.tullettprebon.com/announcements/strategyinsights/notes/2010/SIN20100706.pdf)

<http://www.tullettprebon.com/announcements/strategyinsights/notes/2010/SIN20100706.pdf>

In recent weeks it has become very clear that the trend amongst developed world governments is to abandon the effort to revive their economies through fiscal stimulus, and to focus instead on curbing frightening deficits and escalating debts. Critics, principally of the Keynesian persuasion, believe that this is a colossal mistake, a repeat of the errors of the 1930s which will tip the global economy into what Paul Krugman has called “the third depression” Behind policies and headlines lies a fierce battle to establish a new intellectual orthodoxy to fill the gap created by the discrediting, since 2008, of the unfettered laissez-faire market ideology which has ruled the roost since the 1970s. The Keynesian belief that retrenchment will create an economic slump is right, but tells only half of the story. Even if governments had stuck to stimulus policies, a deep and prolonged recession would have been inevitable anyway, through the sheer scale of the burden of debt (public, corporate and private) which has been taken on by the countries of the developed world. The current economic slump is totally unlike all other post-War recessions in that it is a de-leveraging downturn, not a de-stocking one. Unfettered market capitalism has burdened the system with debt, the guiding logic having been ‘want it now, pay for it later’. Well, ‘later’ has now arrived.

NASA Key to Econ

NASA Cuts Kills Jobs

Romm, 10 (Tony Romm, tech reporter for politico pro and is the lead author of morning tec.4-6-10, “job losses resulting from new NASA budget a “serious” concern, http://thehill.com/blogs/hillicon-valley/technology/91339-job-losses-resulting-from-new-nasa-budget-a-serious-concern-nasa-chief-says, Accessed 7-13-11,SAM) SM

**NASA Administrator Charles Bolden** on Thursday **expressed concern that the end of his agency's manned space flight program could result in a significant number of lost jobs.**While the top space chief did defend **the White House's proposal to end the Constellation program, which sets the goal of returning astronauts to the moon and first traveling to Mars, he lamented the likelihood that the agency's new budget mandate could come at the cost of 10,000 jobs at the Kennedy Space Center and other key bases.**

NASA key to jobs, and stimulates the economy

Karen Hanner, 10 (Karen Hanner,5-10-10, Ames Research Center, Moffett Field, Calif. NASA.gov “NASA Ames Stimulates Economy With jobs, Innovation”, http://www.nasa.gov/centers/ames/news/releases/2010/10-38AR.html,Accessed 7-12-11, SAM) SM

NASA’s Ames Research Center generated 5,300 jobs and $877 million in total annual economic activity in the nine-county San Francisco Bay Area in 2009, according to a new economic benefits study. The study found that nationally, NASA Ames supports more than 8,400 jobs and generates $1.3 billion in annual economic activity. Coordinated by the NASA Research Park Office and prepared by Emeryville-based Bay Area Economics (BAE) in association with Architecture, Engineering, Consulting, Operations and Management’s San Francisco office, the study also reported that NASA Ames produced 5,900 jobs and contributed $932 million to California’s economy in 2009. The study also forecast that NASA Ames’ total economic impacts will grow significantly as its NASA Research Park (NRP) is completed.

Tech Key to Econ

Technology is key to econ

Comstock, 10 (Doug Comstock, 12-13-10,office of science and technology policy, “Rockets to Rookies: NASA Helps Build Colorado Econ”, http://www.whitehouse.gov/blog/2010/12/13/rockets-rockies-nasa-helps-build-colorado-economy, Accessed 7-12-11,SAM) SM

Today, **Colorado Governor Bill Ritter, Jr., and NASA** Deputy **Administrator Lori Garver are announcing a new Technology Acceleration Program (TAP) that will leverage space technology from NASA to help accelerate economic growth and create new jobs in Colorado.** This public-private partnership will create a regional economic innovation cluster focused on aerospace and energy technologies.  Under this model, Federal and state governments will work together with industry and academia to strengthen Colorado’s economy.

NASA Key to Econ

NASA Builds NRP Which Stimulates Econ

Karen Hanner, 10 (Karen Hanner,5-10-10, Ames Research Center, Moffett Field, Calif. NASA.gov “NASA Ames Stimulates Economy With jobs, Innovation”, http://www.nasa.gov/centers/ames/news/releases/2010/10-38AR.html,Accessed 7-12-11, SAM) SM

**Currently host to more than 70 on-site industry, university and non-profit partners, NRP will ultimately comprise 5.7 million square feet of new construction for research and development offices, university classrooms and laboratories, rental housing, museums, and a conference and education center. New construction at NRP is expected to total approximately $2.8 billion, generating an average of 1,700 construction jobs annually over the next 15 years in the Bay Area, 1,900 in California, and more than 2,800 nationally.** “With the unemployment rate in the Bay Area for construction workers at 30 per cent**, the development of the NASA Research Park may create thousands of jobs** that will help put people to work **and stimulate the local economy.** It is these types of projects that create a triple bottom line: higher education, economic development and good jobs,” said Neil Struthers, chief executive officer of the Santa Clara and San Benito Building and Construction Trades Council.Upon full occupancy**, NRP partners may further stimulate the local, state, and national economy with new jobs and economic activity. Bay Area Economics estimated that NRP would trigger $4 billion in new annual economic activity resulting in an additional 21,400 jobs in the Bay Area region. The study also predicted that nationally, NRP will contribute $5.8 billion in new annual economic activity and 33,800 new permanent jobs.**

NASA educates which is important to job growth

Karen Hanner, 10 (Karen Hanner,5-10-10, Ames Research Center, Moffett Field, Calif. NASA.gov “NASA Ames Stimulates Economy With jobs, Innovation”, http://www.nasa.gov/centers/ames/news/releases/2010/10-38AR.html,Accessed 7-12-11, SAM) SM

**NASA is working to educate the next generation of scientists, engineers, and technical professionals, and operates a comprehensive set of educational programs that teach students and train teachers in science, technology, engineering and math.** The NRP’s educational partners include the University of California Santa Cruz, Carnegie Mellon University, Santa Clara University, Foothill / De Anza Community College, United Negro College Fund Special Programs Corporation, and Singularity University.

Spending cuts force NASA to cut jobs

Sanz,10(Alex Sanz, award winning broad cast journalist, 6-10-10, ,”NASA order immediate cuts; job lose expected”, http://www.khou.com/news/local/NASA-orders-immediate-cuts-job-losses-expected-96062894.html, Accessed 7-14-11,SAM) SM

**NASA has ordered its major contractors to immediately scale back work on the Constellation project because they are in violation of federal spending rules. They fear as many as 5,000 jobs in Alabama, Colorado, Florida, Texas and Utah may be cut over the next several weeks.** Some of the job losses could impact the Johnson Space Center. Earlier this year**, the president proposed a new direction for the space agency that would end Constellation** -- the nation's planned return to the moon -- **and rely on private aerospace companies to ferry astronauts to the International Space Station.**

NASA shuttle retirement proves spending cuts kill’s jobs

Neale,10(Rick Neale,reporter for florida today, 2-26-10,”23,000 now expected to lose jobs after shuttle retirement”, http://www.floridatoday.com/article/20100226/NEWS0204/2260321/23-000-now-expected-lose-jobs-after-shuttle-retirement, Accessed 7-14-10,SAM) SM

 **The local economic forecast tied to President Barack Obama's proposed NASA budget keeps growing bleaker. Revised projections now show that about 23,000 workers at and around Kennedy Space Center will lose their jobs because of the shuttles' retirement and the new proposal to cancel the development of new rockets and spacecraft. That sum includes 9,000 "direct" space jobs and** -- conservatively speaking -- **14,000 "indirect" jobs at hotels, restaurants, retail stores and others that depend on activity at the space center**, said Lisa Rice, Brevard Workforce president. **The organization's earlier estimate of 7,000 direct jobs reflected just the retirement of the shuttle program. The updated numbers also include the cancellation of Project Constellation and other initiatives as outlined in the president's 2011 budget.**

Space Key to Econ

Space Exploration Stimulates Economy

Karen Hanner, 10 (Karen Hanner,5-10-10, Ames Research Center, Moffett Field, Calif. NASA.gov “NASA Ames Stimulates Economy With jobs, Innovation”, http://www.nasa.gov/centers/ames/news/releases/2010/10-38AR.html,Accessed 7-12-11, SAM) SM

**As Ames explores space and our planet, it stimulates economic growth by employing scientists and engineering professionals, promoting technology innovation, and preparing the workforce of the future — all to enhance the health, growth, and long-term competitiveness of the Bay Area and the nation.**

NASA Key to Econ

NASA important to job growth

Hinton, 11(Christopher Hinton, aerospace reporter, 7-4-11, “Space-shuttle retirement a blow to Florida”, http://www.marketwatch.com/story/space-shuttle-retirement-a-blow-to-florida-2011-07-08, Accessed 7-14-11,SAM ) SM

**Annually, the John F. Kennedy Space Center contributed some $4.1 billion to the** Sunshine **State‘s economy**, according to a federal report, **or about 0.5% of its gross domestic product. In 2008, the center employed some 15,000 people, generating about $1.1 billion in wages and supported an additional 25,000 jobs**, including contract workers as well as workers in the catering, tourism and other service-related industries.

NASA budget for manned spacecraft development can make 5,000 jobs

Skirble, 10(Rosanne Skirble, 2-4-10,” Budget Cuts end NASA’s plan to put people back on the moon”, http://www.newjerseynewsroom.com/science-updates/budget-cuts-end-nasas-plan-to-put-astronauts-back-on-moon, Accessed 7-14-11,SAM) SN

Critics of the planned changes are concerned that **4,600 of 15,000 jobs at the Kennedy Space Center in Florida will be cut with the end of the Space Shuttle Program.** Alexander expects many of those highly trained workers to find new jobs in private industry. He notes tha**t a $6 billion item in the proposed NASA budget would support commercial manned spacecraft development that could create as many as 5,000 jobs, about a third of which would be in Florida. That's based on a program about half the size of what is being proposed by the administration. It would also spur job growth in Colorado, Texas and California**, he says**, at the same time that the program to go back to the moon would not have been creating jobs.**

Statistics prove that NASA cuts drops jobs

**Suciu, 11**(Peter Suciu, very successful freelance writer, 7-8-11, “End of Space Shuttle Program To Have Far Reaching Impacts”, http://www.cnbc.com/id/43469916/End\_of\_Space\_Shuttle\_Program\_To\_Have\_Far\_Reaching\_Impact, Accessed 7-14-11,SAM)

While the final missions of the half century-long space program have been good for business in Brevard County, Fla., after the last launch, things could be very different**. The Brevard Workforce**, a local network of career centers**, estimates some 23,000 jobs could be lost. These include 9,000 "direct" space industry jobs, along with 14,000 "indirect" jobs at hotels, restaurants, retail stores and other businesses that depend on the space center** at Cape Canaveral.According to the Florida Agency for Workforce Innovation**, there were 197,800 jobs on Florida’s Space Coast in May 2010, and a year later that figures was already down about 3 percent.**

Stimulus Was Underpowered

The stimulus was underpowered from the get-go Krugman 10 (Paul Krugman, columnist for the New York Times, Professor of Economics and International Affairs at Princeton University, recipient of the Nobel Prize in economics, New York Times, How Did We Know the Stimulus Was Too Small?, July 28, 2010, [http://krugman.blogs.nytimes.com/2010/07/28/how-did-we-know-the-stimulus-was-too-small/?scp=6&sq=Paul%20Krugman%20stimulus&st=cse](http://krugman.blogs.nytimes.com/2010/07/28/how-did-we-know-the-stimulus-was-too-small/?scp=6&sq=Paul%2520Krugman%2520stimulus&st=cse)) PS

Those of us who say that the stimulus was too small are often accused of after-the-fact rationalization: you said this would work, but now that it hasn’t, you’re just saying it wasn’t big enough. The quick answer to that accusation is that people like me said that the stimulus was too small in advance. But the longer answer is that it’s all in the math: Keynesian analysis provides numbers as well as qualitative predictions, and given reasonable projections of the economy’s path in January 2009, the proposed stimulus just wasn’t big enough. Let’s go back to the tape, [January 9, 2009](http://www.nytimes.com/2009/01/09/opinion/09krugman.html): Even the C.B.O. says, however, that “economic output over the next two years will average 6.8 percent below its potential.” This translates into $2.1 trillion of lost production. “Our economy could fall $1 trillion short of its full capacity,” declared Mr. Obama on Thursday. Well, he was actually understating things. To close a gap of more than $2 trillion — possibly a lot more, if the budget office projections turn out to be too optimistic — Mr. Obama offers a $775 billion plan. And that’s not enough. Now, fiscal stimulus can sometimes have a “multiplier” effect: In addition to the direct effects of, say, investment in infrastructure on demand, there can be a further indirect effect as higher incomes lead to higher consumer spending. Standard estimates suggest that a dollar of public spending raises G.D.P. by around $1.50. But only about 60 percent of the Obama plan consists of public spending. The rest consists of tax cuts — and many economists are skeptical about how much these tax cuts, especially the tax breaks for business, will actually do to boost spending. (A number of Senate Democrats apparently share these doubts.) Howard Gleckman of the nonpartisan Tax Policy Center summed it up in the title of a recent blog posting: “lots of buck, not much bang.” The bottom line is that the Obama plan is unlikely to close more than half of the looming output gap, and could easily end up doing less than a third of the job. In practice, it was even worse, because one of the key elements of the plan — aid to state and local governments — was cut back sharply in the Senate. We ended up with only about $600 billion of real stimulus over that two-year period. So this wasn’t a test of fiscal stimulus, even though it has played out that way in the political arena: the whole thing was obviously underpowered from the start.

Spending Good

Lack of federal spending has failed to bring down unemployment Krugman 2010 (Paul Krugman, columnist for the New York Times, Professor of Economics and International Affairs at Princeton University, recipient of the Nobel Prize in economics, New York Times, Hey, Small Spender, October 10, 2010, [http://www.nytimes.com/2010/10/11/opinion/11krugman.html?adxnnl=1&ref=paulkrugman&adxnnlx=1310832008-Uod+ukh7y6bjR3GJdSb+7Q)](http://www.nytimes.com/2010/10/11/opinion/11krugman.html?adxnnl=1&ref=paulkrugman&adxnnlx=1310832008-Uod+ukh7y6bjR3GJdSb+7Q) PS

Here’s what you need to know: The whole story is a myth. There never was a big expansion of government spending. In fact, that has been the key problem with economic policy in the Obama years: we never had the kind of fiscal expansion that might have created the millions of jobs we need. Ask yourself: **What major new federal programs have started up since Mr. Obama took office?** Health care reform, for the most part, hasn’t kicked in yet, so that can’t be it. So are there giant infrastructure projects under way? No. Are there huge new benefits for low-income workers or the poor? No. Where’s all that spending we keep hearing about? It never happened. To be fair, spending on safety-net programs, mainly unemployment insurance and Medicaid, has risen —because, in case you haven’t noticed, there has been a surge in the number of Americans without jobs and badly in need of help. And there were also substantial outlays to rescue troubled financial institutions, although it appears that the government will get most of its money back. But when people denounce big government, they usually have in mind the creation of big bureaucracies and major new programs. And that just hasn’t taken place. Consider, in particular, one fact that might surprise you: The total number of government workers in America has been falling, not rising, under Mr. Obama. A small increase in federal employment was swamped by sharp declines at the state and local level — most notably, by layoffs of schoolteachers. Total government payrolls have fallen by more than 350,000 since January 2009. Now, direct employment isn’t a perfect measure of the government’s size, since the government also employs workers indirectly when it buys goods and services from the private sector. And government purchases of goods and services have gone up. But adjusted for inflation, they rose only 3 percent over the last two years — a pace slower than that of the previous two years, and slower than the economy’s normal rate of growth. So as I said, the big government expansion everyone talks about never happened. This fact, however, raises two questions. First, we know that Congress enacted a stimulus bill in early 2009; why didn’t that translate into a big rise in government spending? Second, if the expansion never happened, why does everyone think it did? Part of the answer to the first question is that the stimulus wasn’t actually all that big compared with the size of the economy. Furthermore, it wasn’t mainly focused on increasing government spending. Of the roughly $600 billion cost of the Recovery Act in 2009 and 2010, more than 40 percent came from tax cuts, while another large chunk consisted of aid to state and local governments. Only the remainder involved direct federal spending. And federal aid to state and local governments wasn’t enough to make up for plunging tax receipts in the face of the economic slump. So states and cities, which can’t run large deficits, were forced into drastic spending cuts, more than offsetting the modest increase at the federal level. The answer to the second question — why there’s a widespread perception that government spending has surged, when it hasn’t — is that there has been a disinformation campaign from the right, based on the usual combination of fact-free assertions and cooked numbers. And this campaign has been effective in part because the Obama administration hasn’t offered an effective reply. Actually, the administration has had a messaging problem on economic policy ever since its first months in office, when it went for a stimulus plan that many of us warned from the beginning was inadequate given the size of the economy’s troubles. You can argue that Mr. Obama got all he could — that a larger plan wouldn’t have made it through Congress (which is questionable), and that an inadequate stimulus was much better than none at all (which it was). But that’s not an argument the administration ever made. Instead, it has insisted throughout that its original plan was just right, a position that has become increasingly awkward as the recovery stalls. And a side consequence of this awkward positioning is that officials can’t easily offer the obvious rebuttal to claims that big spending failed to fix the economy — namely, that thanks to the inadequate scale of the Recovery Act, big spending never happened in the first place. But if they won’t say it, I will: if job-creating government spending has failed to bring down unemployment in the Obama era, it’s not because it doesn’t work; it’s because it wasn’t tried.

Public Works Good

Public work programs are key to solving individual debt- this is the linchpin of the economic problemsKrugman 11 (Paul Krugman, columnist for the New York Times, Professor of Economics and International Affairs at Princeton University, recipient of the Nobel Prize in economics, New York Times, Against Learned Helplessness, May 29. 2011, <http://www.nytimes.com/2011/05/30/opinion/30krugman.html?_r=3&ref=opinion>) PS

But then, who is talking seriously about job creation these days? Not the Republican Party, unless you count its ritual calls for tax cuts and deregulation. Not the Obama administration, which more or less dropped the subject a year and a half ago. The fact that nobody in power is talking about jobs does not mean, however, that nothing could be done. Bear in mind that the unemployed aren’t jobless because they don’t want to work, or because they lack the necessary skills. There’s nothing wrong with our workers — remember, just four years ago the unemployment rate was below 5 percent. The core of our economic problem is, instead, the debt — mainly mortgage debt — that households ran up during the bubble years of the last decade. Now that the bubble has burst, that debt is acting as a persistent drag on the economy, preventing any real recovery in employment. And once you realize that the overhang of private debt is the problem, you realize that there are a number of things that could be done about it. For example, we could have W.P.A.-type programs putting the unemployed to work doing useful things like repairing roads — which would also, by raising incomes, make it easier for households to pay down debt. We could have a serious program of mortgage modification, reducing the debts of troubled homeowners. We could try to get inflation back up to the 4 percent rate that prevailed during Ronald Reagan’s second term, which would help to reduce the real burden of debt. So there are policies we could be pursuing to bring unemployment down. These policies would be unorthodox — but so are the economic problems we face. And those who warn about the risks of action must explain why these risks should worry us more than the certainty of continued mass suffering if we do nothing. In pointing out that we could be doing much more about unemployment, I recognize, of course, the political obstacles to actually pursuing any of the policies that might work. In the United States, in particular, any effort to tackle unemployment will run into a stone wall of Republican opposition. Yet that’s not a reason to stop talking about the issue. In fact, looking back at my own writings over the past year or so, it’s clear that I too have sinned: political realism is all very well, but I have said far too little about what we really should be doing to deal with our most important problem. As I see it, policy makers are sinking into a condition of learned helplessness on the jobs issue: the more they fail to do anything about the problem, the more they convince themselves that there’s nothing they could do. And those of us who know better should be doing all we can to break that vicious circle.

Jobs Are Amazing – Their Ev is biased

Failure to create jobs is masked by excuses- political controversy should not interfere with solving for realistic consequencesKrugman 11 ((Paul Krugman, columnist for the New York Times, Professor of Economics and International Affairs at Princeton University, recipient of the Nobel Prize in economics, The Salt Lake Tribune, Can’t or Won’t?, July 12, 2011, <http://www.sltrib.com/sltrib/opinion/52169105-82/economy-government-workers-excuse.html.csp>) PS

If you were shocked by Friday’s job report, if you thought we were doing well and were taken aback by the bad news, you haven’t been paying attention. The fact is, the U.S. economy has been stuck in a rut for a year and a half. Yet a destructive passivity has overtaken our discourse. Turn on your TV and you’ll see some self-satisfied pundit declaring that nothing much can be done about the economy’s short-run problems (reminder: This “short run” is now in its fourth year), that we should focus on the long run instead. This gets things exactly wrong. The truth is that creating jobs in a depressed economy is something government could and should be doing. Yes, there are huge political obstacles to action — notably, the fact that the House is controlled by a party that benefits from the economy’s weakness. But political gridlock should not be conflated with economic reality. Our failure to create jobs is a choice, not a necessity — a choice rationalized by an ever-shifting set of excuses. Excuse No.1: Just around the corner, there’s a rainbow in the sky. Remember “green shoots”? Remember the “summer of recovery”? Policymakers keep declaring that the economy is on the mend — and Lucy keeps snatching the football away. Yet these delusions of recovery have been an excuse for doing nothing as the jobs crisis festers. Excuse No.2: Fear the bond market. Two years ago The Wall Street Journal declared that interest rates on U.S. debt would soon soar unless Washington stopped trying to fight the economic slump. Ever since, warnings about the imminent attack of the “bond vigilantes” have been used to attack any spending on job creation. But basic economics said that rates would stay low as long as the economy was depressed — and basic economics was right. The interest rate on 10-year bonds was 3.7 percent when The Wall Street Journal issued that warning; at the end of last week it was 3.03 percent. How have the usual suspects responded? By inventing their own reality. Last week, Rep. Paul Ryan, the man behind the GOP plan to dismantle Medicare, declared that we must slash government spending to “take pressure off the interest rates” — the same pressure, I suppose, that has pushed those rates to near-record lows. Excuse No.3: It’s the workers’ fault. Unemployment soared during the financial crisis and its aftermath. So it seems bizarre to argue that the real problem lies with the workers — that the millions of Americans who were working four years ago but aren’t working now somehow lack the skills the economy needs. Yet that’s what you hear from many pundits these days: High unemployment is “structural,” they say, and requires long-term solutions (which means, in practice, doing nothing). Well, if there really was a mismatch between the workers we have and the workers we need, workers who do have the right skills, and are therefore able to find jobs, should be getting big wage increases. They aren’t. In fact, average wages actually fell last month. Excuse No.4: We tried to stimulate the economy, and it didn’t work. Everybody knows that President Barack Obama tried to stimulate the economy with a huge increase in government spending, and that it didn’t work. But what everyone knows is wrong.