[Impact turn strategy for Gridlock disad 2](#_Toc271210779)

[Extension Ev 9](#_Toc271210780)

[Leadership Turn 12](#_Toc271210781)

[Israel First Strike Impact 13](#_Toc271210782)

[At: Budget Deficits 16](#_Toc271210783)

[AT: Divided Congress Stops War 20](#_Toc271210784)

[AT: Democracy Impact 21](#_Toc271210785)

Impact turn strategy for Gridlock disad

1. They have no impact—Their impact evidence says that gridlock will increase investment in the markets—There is no internal link that says without increased investment the economy will collapse—the markets have nothing to so with the economy.

Baker 08

 Dean **Dean Baker** is co-director of the [Center for Economic and Policy Research](http://www.cepr.net/) in Washington, D.C

 <http://www.prospect.org/csnc/blogs/beat_the_press_archive?month=09&year=2008&base_name=the_stock_market_is_not_the_ec_2>.

The Stock Market Is Not the Economy

On January 3, 2001 the NASDAQ jumped more than 14 percent. What was the basis of this euphoria? Alan Greenspan had lowered the federal funds rate by a full percentage point in a rare special meeting. Investors were convinced that this meant that the fed would prevent a recession. Two months later the economy began losing jobs and entered a recession. It didn't begin adding jobs again until the fall of 2003. The moral of this story is that financial markets should not be viewed as the embodiments of wisdom about the economy. The big actors in the financial markets are subjects to bouts of fear and panic just like the rest of us. In fact, they might even be more subject to irrational mood swings because they sit around talking to each other all day. The conventional wisdom in the media was that the economy would collapse in the absence of the bailout. I know of few, if any, economists who shared this view, even among those who supported the bailout. However, the disaster view undoubtedly permeated Wall Street just as the euphoria view permeated Wall Street in January of 2001. We cannot look at the markets as an independent gauge of the impact of Congress not passing the bailout. The stock markets are reflecting the conventional wisdom in the media, they do not provide an independent assessment of the economy. Furthermore, while the sharp one-day drop is in fact scary, it actually has relatively little direct impact on the economy. As former Treasury Secretary Robert Rubin often said, "markets go up, markets go down." Lower stock prices do not cause firms to cut back investment or layoff workers. Such decisions will be made based on their assessment of the state of the economy and their specific market. None of this trivializes the dimension of the economic problems facing the country. However, these problems stem first and foremost from the loss of $4 trillion to $5 trillion of housing wealth due to the collapse of the housing bubble. The problems faced by the financial system are an important side-effect from this collapse, but we would still face enormous economic problems right now even if our financial system had somehow escaped unscathed. Reporters should not allow the panicked reactions of financial markets to lead them to misrepresent the nature of the economy's problems.

1. Their claim is empirically false—we have had a democratic majority in Congress the past two years and the economy has been recovering, not collapsing
2. The recovery in the economy is due to policy action—without that action—if we had had gridlock-- the economy would have collapsed

Brown 7-29-10

 Jeffrey, PBS reporter Did Stimulus Funding Help or Hurt U.S. Economy in the Long Run? <http://www.pbs.org/newshour/bb/business/july-dec10/economy_07-29.html> d.a. 7-30-10

And a new report released yesterday may help the president make that case. Economists Mark Zandi and Alan Blinder said the stimulus of nearly $800 billion, plus the Wall Street bailout, known as TARP, and other measures, likely warded off an outright depression.

The study found that, without those programs, the gross domestic product would be 6.5 percent lower, eight million more people would be unemployed, and prices would be falling as deflation set in.

Irwin 7-29-10

 [Neil Irwin](http://projects.washingtonpost.com/staff/articles/neil%2Birwin/) Washington Post Staff Writer Thursday, July 29, 2010 http://www.washingtonpost.com/wp-dyn/content/article/2010/07/28/AR2010072806049.html?hpid=topnews

It was barely a year ago that the economy made the transition from steep contraction toward expansion. Simultaneously, a gush of federal stimulus money started spreading through the economy. Government backstops for the financial system helped instill confidence that the system wouldn't collapse. An aggressive series of interest rate cuts and other actions by the Federal Reserve took effect. All those factors helped ease the fear of economic collapse that earlier weighed on businesses considering investment decisions and consumers thinking of purchases.

1. In the current economic setting the assumption that gridlock is good for markets is wrong, only political action can prevent economic collapse and keep international investors from pulling out of the economy

Berner 10

 **Richard Berner** is a Managing Director, Co-Head of Global Economics and Chief U.S. Economist at Morgan Stanley [http://www.morganstanley.com/views/gef/archive/2010/20100223-Tue.html. d.a](http://www.morganstanley.com/views/gef/archive/2010/20100223-Tue.html.%20d.a). 7-29-10

Even setting aside all those hurdles, with core inflation declining again, it would take some time to boost inflation sufficiently to meaningfully erode the debt.  That's all the more reason to pay attention to the other ways that fiscal pressures may vent in financial markets.  Put simply, sovereign credit risk may not immediately create inflation risk; it may instead translate into real interest rate or currency risk.  Indeed, our call for a rise in nominal 10-year Treasury yields to 5.5% is a story about real rates, in which a revival of private credit demands collides with massive Treasury borrowing needs.  Global investors will likely demand a concession to buy US debt, or they will diversify away from it.  Financial markets will, when provoked, find ways to ‘punish the printers' - in this case, meaning those whose fiscal policies are clearly on an unsustainable path. That's especially a risk in the current US political setting.  The decisions to retire by key senators on both sides of the political aisle are partly the result of moves to the left by Democrats and moves to the right by Republicans.  With both parties losing their moderate members in the middle, the distance between them becomes ever harder to bridge, and there is less mass in the center to achieve practical solutions.  And practical solutions to our budget and economic challenges are needed soon, in our view.  For financial markets, there is an element of complacency around such gridlock.  Market participants are used to thinking that political gridlock is good: It prevents politicians from interfering with the marketplace.  The financial crisis clearly exposed the flaws in that reasoning with respect to appropriate financial regulation.  Indeed, gridlock today is more likely to be bad for markets, as our budget problems are directly the result of past policies and can only be solved with political action.  The risk is that further significant upward pressure on interest rates - significant enough to be perceived to threaten the expansion - may be needed before leadership emerges to break the logjam.

1. Gridlock will crush the recovery--

Graham 10

Jed, economic policy analyst for Investor's Business Daily [The Real State Of The Economy](http://blogs.investors.com/capitalhill/index.php/home/35-politicsinvesting/1444-the-real-state-of-the-economy) <http://blogs.investors.com/capitalhill/index.php/home/35-politicsinvesting/1444-the-real-state-of-the-economy>

In other words, government outlays are now key to helping prop up an economy that appears to need extra support from fiscal policy. But at some point debt levels will threaten the recovery if not proactively addressed. Policy will be very hard to get right, particularly if the bitter partisan environment continues.

“Market participants are used to thinking that political gridlock is good. . . . (but) gridlock today is more likely to be bad for markets,” Berner wrote.

1. Gridlock is bad for markets

Ramchander et al 09

 Ramchander, Sanjay,associate professor of finance Colorado State University with Simpson, Marc W,Webb, James R Political Cycles, Partisan Orientation, Gridlock, and REIT Returns[Journal of Real Estate Portfolio Management](http://www.allbusiness.com/journal-real-estate-portfolio-management/41661-1.html) April 1, 2009 [http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html d.a](http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html%20d.a) 7-30-10

With regards to the influence of the political balance of power, Beyer, Jensen, and Johnson (2006) reject the popular notion that "gridlock is good" for equity markets. They document that equity market returns are lower and more volatile during periods of political gridlock in the government. In contrast, fixed-income securities fare much better during gridlock, suggesting that during such periods the fear among bond investors of government expansion and inflation is subdued. These results are independent of prevailing monetary policy conditions.

1. Turn, gridlock prevents responding to crises increasing the risk of economic collapse

Ramchander et al 09

 Ramchander, Sanjay,associate professor of finance Colorado State University with Simpson, Marc W,Webb, James R Political Cycles, Partisan Orientation, Gridlock, and REIT Returns[Journal of Real Estate Portfolio Management](http://www.allbusiness.com/journal-real-estate-portfolio-management/41661-1.html) April 1, 2009 [http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html d.a](http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html%20d.a) 7-30-10

Others, exploring a different dimension, suggest a relationship between political gridlock in the government, legislative enactments and market returns. In a two-party democratic system, such as in the U.S., governmental gridlock (or division) is defined as when the House of Representatives, the Senate, and the Presidency are not controlled by the same political party.2 Political harmony (or unity), on the other hand, is a condition that exists when both the legislative and executive branches of the government are controlled by the same party. On one side of the argument, several scholars, especially in the political science arena, suggest that a government in gridlock is less likely to pass "important," "significant," "landmark," or "conflictual" legislation (Edwards, Barrett, and Peake, 1997; Krehbiel, 1997; Coleman, 1999; and Bowling and Ferguson, 2001). In fact, Coleman (1999) finds that a harmonious political environment usually produces, on average, about one or two additional significant enactments per congressional session than does a divided government. Extending this line of reasoning, Byrne (2004) argues that [capital markets](http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html) are likely to perform better when chances of legislative uncertainties are vastly diminished. This gives rise to the notion that "gridlock is good," a view widely held by market participants (also see Kelly, 1993). On the other hand, political gridlock can inhibit the government's ability to react quickly to exogenous economic shocks, thereby engendering greater risks to the economy These risks may manifest themselves in the form of increased levels of public debt and higher real interest rates (see Roubini and Sachs, 1989; Grilli, Masciandaro, and Tabellini, 1991; and Alt and Lowry, 1994).

1. Turn gridlock is bad for real estate investments

Ramchander et al 09

 Ramchander, Sanjay,associate professor of finance Colorado State University with Simpson, Marc W,Webb, James R Political Cycles, Partisan Orientation, Gridlock, and REIT Returns[Journal of Real Estate Portfolio Management](http://www.allbusiness.com/journal-real-estate-portfolio-management/41661-1.html) April 1, 2009 [http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html d.a](http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html%20d.a) 7-30-10

Given the different kinds of analysis conducted in this paper, it may be useful to provide some context for our results by comparing them with existing evidence from related capital market studies. First, with respect to the presidential party premium, studies such as by Huang (1985), Chittenden, Jensen, and Johnson (1999), and Santa-Clara and Valkanov (2003) show that equity markets prefer Democratic presidents over Republican presidents. In contrast, we offer a contradictory and nuanced view that REITs perform relatively better under Republican presidents, but only when the Republican administration is coincidental with an expansionary monetary policy. Second, on the issue of the presidential election cycle, authors such as Allvine and O'Neill (1980), Booth and Booth (2003), and Beyer, Jensen, and Johnson (2008) find equity returns to be higher during the final two years of a presidential term than in the first two years. Our study corroborates this finding for REITs. What we additionally show is that this phenomenon is more pronounced under Republican administrations. Third, regarding the influence of political gridlock, Beyer, Jensen, and Johnson (2006) dispel the notion that political gridlock is good for stock markets. Our paper finds similar evidence for REITs (real estate investment trust). Finally, among the different types of REITs, hybrids are relatively more sensitive to changes in political conditions. This may have to do with their exposure to both equity and mortgage real estate investments.

Ramchander et al 09

 Ramchander, Sanjay,associate professor of finance Colorado State University with Simpson, Marc W,Webb, James R Political Cycles, Partisan Orientation, Gridlock, and REIT Returns[Journal of Real Estate Portfolio Management](http://www.allbusiness.com/journal-real-estate-portfolio-management/41661-1.html) April 1, 2009 [http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html d.a](http://www.allbusiness.com/government/elections-politics-politics-political-parties/12722545-1.html%20d.a) 7-30-10

What is the impact of political gridlock and harmony on REIT (real estate investment trust) performance? Return volatility is significantly higher during periods of congressional harmony. Furthermore, when considering the Executive and Legislative Branches of the government, we dispel the notion that gridlock is good **for REITs**. This holds true under both monetary tightening and loosening periods

1. Real Estate Investment is key to the economy

Jaffe 10

Matthew , ABC News Commercial Real Estate Threatens Economic Recovery

Congressional Panel Warns Foreclosures, Defaults Could Affect 'Nearly Every American'

http://abcnews.go.com/Business/commercial-real-estate-danger-economic-collapse-warns-congressional-panel/story?id=9799869

[Commercial real estate](http://abcnews.go.com/Business/fed-reviews-smaller-banks-delinquent-commerical-real-estate/story?id=8595972) losses -- empty office buildings, shops and hotels whose owners cannot make mortgage payments -- pose a serious threat to the stability of the country's banks and the ongoing [economic recovery](http://abcnews.go.com/search?searchtext=%22commercial%20real%20estate%22), a watchdog group warns in a new report out Thursday.

"A significant wave of commercial mortgage defaults would trigger economic damage that could touch the lives of nearly every American," says the Congressional Oversight Panel, which was created by Congress in 2008 to "review the current state of financial markets and the regulatory system."

And the turn is unique because real estate investment is stable now

Wong 10

*Chia-Peck Wong reporter for Bloomberg News*  - *Apr 20, 2010*

<http://www.bloomberg.com/news/2010-04-20/u-s-reits-may-raise-more-than-25-billion-in-2010-industry-group-says.html>. D.a. 7-30-10

Real estate investment trusts in the U.S. may exceed the $25 billion they raised last year in share sales as an economic recovery boosts investor confidence, according to the industry’s main lobbying group.

The money raised in the stock market last year principally went toward improving balance sheets after companies became too highly leveraged, said Michael Grupe, executive vice president of research at the National Association of Real Estate Investment Trusts. REITs will seek funds to acquire properties this year, he said.

“We may see an uptick in IPO activity this year,” Grupe said in an interview in Singapore. “I think we will see existing REITs acquiring property as it becomes available.”

Macerich Co., a California-based shopping mall owner, took in $1.2 billion selling 30 million shares in a secondary offering earlier this month. It initially planned to sell 18.5 million shares.

A report yesterday from the New York-based Conference Board signaled the U.S. economy will keep growing into the second half. The index of U.S. leading indicators, which measures the outlook for the next three to six months, rose 1.4 percent in March, the most in 10 months.

“Retail spending and automobile sales are up, there is some sense that the economy is recovering,” Grupe said. The gains in the share prices of U.S. REITs represent a “good indication that investors feel confident about real estate.”

1. **An unregulated free market resulting from gridlock will cause the current economy to slide into depression**

Latimer 10

Massachusetts attorney formerly of Columbia Law School <http://www.capecodtoday.com/blogs/index.php/2010/03/10/what-every-american-needs-to-understand?blog=214> What Every American Needs To Remember About Deregulated Financial Markets

The crash of 1929 led to the Great Depression, while so far the crash of 2008 has only brought on "the Great Recession," in the words of Stiglitz and other Keynesians.  After the crash of 1929, Democratic majorities in Congress, working with FDR, began assembling a panoply of regulatory laws designed specifically to prevent another devastating economic crash.  An important part of that legislation was the Glass-Steagall Act of 1933.

           Glass-Steagall prohibited financial institutions from combining investment banking, commercial banking and insurance under one corporate aegis, and that, specifically, was to prevent  individual companies from becoming so big that one or two corporate failures could bring down the entire economy again, as occurred in 1929.

           As Santayana observed over 100 years ago, before the crash of 1929, those who cannot remember the past -or will not as with today's GOP, are condemned to repeat it.  That would be fine, too, if it only affected the corporate elite and the rentier class who play with free money,  but blind faith in small government and free markets, a faith that ignores both history and reason, condemns the great mass of ordinary Americans far more than it does the very rich who cause crashes, due not only to the ever widening gap in income and wealth, but also the ability of the very rich to hide assets in overseas accounts from both creditors and Uncle Sam.

             Thus, like the song says, it is indeed "moving day" for many, many Americans, again today, due to the excessive risks taken by the deregulated financial industry on the GOP's watch.  We all know, so save your breath, that Clinton signed Gramm-Leach-Bliley in 1999, but it was a Republican bill, based on GOP free market ideology, put into effect by the Bush White House and GOP control of Congress for six years, while the issue we face today is not who was to blame but who is willing to recognize the error and take steps to correct it through responsible regulation and tax policy.

            Such willingness to undertake responsible measures to correct the present financial crisis is clearly not being shown by today's Republicans, people like Scott Brown who stated during the senatorial campaign last fall that he sees no  reason to regulate the financial industry, and who declared in his first press conference as senator the  belief, now thoroughly debunked by events, that tax cuts create jobs.  Where, for example, are all those  jobs today that were supposedly created ten years after the Bush tax cuts for the wealthy in 2000?

             The plain truth is that America cannot afford any more ideologically driven Republican misgovernance based on the naïve belief in unregulated free markets and tax cuts.   Such continued reliance on market forces alone, without a strong federal regulatory effort to curb the excesses of Wall Street, can only result in  further economic decline, turning today's Great Recession into another great depression even more devastating than the one we experienced in the 1930s.  Hundreds of thousands of debtors are facing foreclosure on their homes today, and millions more are just a paycheck away from the same fate, while they wait to see whose job will be downsized next.

Extension Ev

**A comprehensive study proves gridlock does not help markets**

Hubert 06

Mark Hulbert is editor of the Hulbert Financial Digest, Don't trust stock market as election prognosticator

Commentary: Data challenges theory that markets like political gridlock

http://www.marketwatch.com/story/data-challenges-theory-that-markets-like-political-gridlock

Providing further support for such an argument is the longstanding Wall Street belief that the stock market performs better when the government is paralyzed by gridlock. The theory underlying this belief is that gridlock makes it less likely that the federal government will do something radical, and the markets crave the stability of knowing that the status quo is not likely to change very much. But an article in the current issue of the Financial Analysts Journal calls this longstanding Wall Street belief into serious question. The article was written by Scott B. Beyer, an assistant professor of finance at the University of Wisconsin-Oshkosh; Gerald R. Jensen, a professor of finance at Northern Illinois University; and Robert R. Johnson, a managing director at the CFA Institute. [Read article](http://www.cfapubs.org/doi/pdf/10.2469/faj.v62.n5.4280) The researchers segregated all months from 1949 through 2004 into two categories according to whether there was political harmony or gridlock in Washington. They considered harmony to exist in a particular month if the presidency, the Senate and the House were controlled by the same political party. The researchers considered gridlock to exist in all the other months. The researchers found no evidence that the stock market performed better during periods of gridlock. In fact, they found limited evidence to the contrary: The stock market actually performs slightly better during periods of harmony. However, in an interview, Jensen stressed that this finding in favor of harmony is of limited statistical significance. The most important takeaway from their research, according to Jensen, is not that harmony is particularly good for stocks; instead, the important lesson to draw is about gridlock: The markets do not perform any better when it exists than when there is harmony.

Studies claiming a positive correlation between gridlock and the economy are flawed because they ignore the time lags between the adoption of policies and their impact on markets

Borek 06

 Tad Borek San Francisco-based investment adviser and attorney. Owner of Borek Financial Management, <http://www.huntinvest.com/financial/Election-effect-on-the-stock-market-595-3.htm>.

d.a. 7-30-10

To me that's **the huge flaw of the original "gridlock" premise, it ignores the time separation between policies and outcomes.** The study is looking at alignment between Congress & prez, and the concurrent stock market returns. **Even assuming that federal legislation could have these kinds of overwhelming effects on our huge economy & stock market, isn't it likely these effects will show up only much later**? Sure some things could be priced by the market quickly ("Canada imposes new tax scheme on royalty trusts"). But **for most, it could take years for the effects to materialize**. And by then who could sort out what the real cause was? Nixon decided to open up relations with China, 30 years later we have Wal-mart. Should we credit Wal-mart's growth to those years? Or do you just look at whether the stock market went up that year and assume that built into stock values were accurately predictions about Wal-mart's rise years later? It's kind of an absurd premise. I think it's silly to look at the elections and predict what might happen to the economy or market or worse, change financial plans based on that. I see this all as "data mining" on par with the Super Bowl Indicator. Thank goodness politicians don't have that kind of effect on the market! But in a way they do, if you bother to change your plans because of election hype.

**A comprehensive study proves gridlock does not help markets**

Hubert 06

Mark Hulbert is editor of the Hulbert Financial Digest, Don't trust stock market as election prognosticator

Commentary: Data challenges theory that markets like political gridlock

http://www.marketwatch.com/story/data-challenges-theory-that-markets-like-political-gridlock

Providing further support for such an argument is the longstanding Wall Street belief that the stock market performs better when the government is paralyzed by gridlock. The theory underlying this belief is that gridlock makes it less likely that the federal government will do something radical, and the markets crave the stability of knowing that the status quo is not likely to change very much. But an article in the current issue of the Financial Analysts Journal calls this longstanding Wall Street belief into serious question. The article was written by Scott B. Beyer, an assistant professor of finance at the University of Wisconsin-Oshkosh; Gerald R. Jensen, a professor of finance at Northern Illinois University; and Robert R. Johnson, a managing director at the CFA Institute. [Read article](http://www.cfapubs.org/doi/pdf/10.2469/faj.v62.n5.4280) The researchers segregated all months from 1949 through 2004 into two categories according to whether there was political harmony or gridlock in Washington. They considered harmony to exist in a particular month if the presidency, the Senate and the House were controlled by the same political party. The researchers considered gridlock to exist in all the other months. The researchers found no evidence that the stock market performed better during periods of gridlock. In fact, they found limited evidence to the contrary: The stock market actually performs slightly better during periods of harmony. However, in an interview, Jensen stressed that this finding in favor of harmony is of limited statistical significance. The most important takeaway from their research, according to Jensen, is not that harmony is particularly good for stocks; instead, the important lesson to draw is about gridlock: The markets do not perform any better when it exists than when there is harmony.

**A republican victory in midterms will destroy the economic recovery and tube the economy**

Lewison 10

Jed, Daily Kos Contributing Editor and Editor of Daily Kos How Republicans would govern and the 2010 elections <http://www.dailykos.com/story/2010/7/12/883638/-How-Republicans-would-govern-and-the-2010-elections>. D.a. 7-29-10

If they win this fall, Republicans will be back in the majority two short years after George Bush left office. The fact that Democrats -- Robert Gibbs being the latest example -- are more eager than Republicans to talk about that possibility reveals the GOP's Achilles heel: they are responsible for the policies that tanked our economy and if they are put back in power, there's no reason to believe they'd do anything differently than they did the last time around.

Democrats, meanwhile, stabilized the economy with an economic recovery plan, enacted universal health care legislation, and are on the verge of passing Wall Street reform with clean energy and immigration on the immediate horizon. There's no question that we haven't yet recovered from the Bush-Republican era, but we are recovering. To the extent things have moved too slowly, it's largely been thanks to obstructionist conservatives and misguided efforts to negotiate with them, but Democrats do have a record they can run on.

Leadership Turn

**Gridlock will crush u.s. foreign policy credibility and destroy u.s. leadership**

Biden 98

 Senator Joseph R. Biden, Jr. Bipartisan Foreign Policy at a Time of Crisis <http://www.nuclearfiles.org/menu/key-issues/nuclear-weapons/history/post-cold-war/biden_bipartisan-foreign-policy-crisis.htm>. D.a. 7-29-10

That's true now more than ever. The good news is we are the world's only remaining superpower. The bad news is, we are the world's only remaining superpower. Unless we lead, no one will. The dangers we face are many: Financial crises in Russia and Asia; Humanitarian disaster in Kosovo; Weapons of mass destruction in Iraq; Nuclear weapons in North Korea, India, and Pakistan; Missile programs in North Korea and Iran; Fragile peace in the Middle East; And continuing threats from international terrorism. The risks of not acting are obvious. There is real potential for foreign policy paralysis. In my view American foreign policy, which has already fallen victim to the antics of the Republicans in the House of Representatives, has been further harmed by this growing domestic crisis. In the face of major world problems, we cannot be distracted from our task of maintaining America's security, leadership, and credibility abroad. As I see it, the problem breaks down into two areas. In some key instances Congress is not doing its job. The need for IMF funding, payment of our UN arrearages, and sanctions flexibility regarding India and Pakistan are just three examples. I will mention others later in my remarks. In other areas, the President is limited in doing his job by the uncertainty of Congressional support. As President he has the power to act, but he has to ask himself in this political climate whether he will be cut adrift by a Congress that will not back him up. And foreign leaders, knowing of the President's difficulties, wonder whether the President can deliver on his commitments. The two most immediate cases in point are Iraq and Kosovo. In Kosovo, the Serbian special police and Yugoslav Army continue a terrorist policy that has destroyed more than two hundred villages, driven more than 300,000 ethnic Albanians from their homes, with an estimated 50,000 forced into the forests and mountains. With the onset of winter only weeks away, a humanitarian catastrophe looms. The stability of the entire southern Balkans hangs in the balance. I believe the United States and its NATO allies should give President Milosevic a date certain to cease military operations. If he fails to do so, then NATO should undertake an air campaign, whose preparations were agreed upon by the Alliance in Portugal last week. But for the President to be able to act he needs to have the support of the Congress. If that support is not asked for - or given - because of the growing chasm created by the impeachment debate, United States **leadership will be forfeited**, and the Balkan tragedy will continue.

Israel First Strike Impact

Republican victory in November will lead to an Israeli first strike on Iran

Abdi 10

Jamal Abdi is Policy Director at the National Iranian American Council. July 29, 2010 [The Republican back door to war with Iran](http://mideast.foreignpolicy.com/posts/2010/07/29/the_republican_backdoor_to_war_with_iran) [http://mideast.foreignpolicy.com/posts/2010/07/29/the\_republican\_backdoor\_to\_war\_with\_iran d.a. 7-29-10](http://mideast.foreignpolicy.com/posts/2010/07/29/the_republican_backdoor_to_war_with_iran%20d.a.%207-29-10)

A game plan to draw the United States into a third war in the Middle East may be quietly unfolding before our eyes. Late last week, Republicans in the House or Representatives unveiled H.Res.1553, a resolution providing explicit support for an Israeli bombing campaign against Iran. The measure, introduced by Texas Republican Louie Gohmert and forty-six of his colleagues, endorses Israel's use of "all means necessary" against Iran "including the use of military force". "We have got to act," Gohmert has said in regard to the measure. "We've got to get this done. We need to show our support for Israel. We need to quit playing games with this critical ally in such a difficult area." But Gohemert's resolution may be an unprecedented development--Congress has never endorsed pre-emptive military strikes by a foreign country.  What's more, this is the minority party signaling to Israel that they can count on Republican support should the President object to Israeli strikes on Iran--as did George W. Bush in 2008.  The resolution also explicitly endorses "any means necessary", a carte blanche for the use of nuclear bunker-busting bombs. The measure may be overtly political, coming just one week before the Congressional recess in which Members of Congress will return home to their districts to campaign and raise money for the upcoming midterm elections. Democrats and Republicans are in a foot race to demonstrate who can be toughest on Iran. But while Democrats continue to tout newly imposed "crippling" sanctions as evidence of their commitment to pressure, Republicans appear to be moving on to the next phase and are openly endorsing an Israeli strike. Gohmert even argued that instead of sanctions, Congress should have passed his resolution green-lighting military strikes on Iran. But by encouraging such an attack, supporters of war are effectively working to circumvent the President and his military leadership, who have warned in dire terms against military action in Iran, and instead goading a third country into launching the first strike. Once the bombing campaign has commenced, the authors of this resolution may believe, the US would have few choices but be dragged into war. In fact, this measure is no small part of a neoconservative agenda to go to war with Iran. The green light resolution is precisely what John Bolton [called for two weeks ago](http://online.wsj.com/article/NA_WSJ_PUB%3ASB10001424052748704288204575362821477769674.html) in a Wall Street Journal piece that reads as a playbook for dragging the US into military conflict with Iran. Bolton lays out a game plan in which Congress can "reassure" Israel in order to make a military strike possible. He argued that with "visible congressional support in place", the President's concerns about an Israeli strike can be short-circuited. Some of the resolution's supporters, like Michelle Bachmann, face tough re-election bids this November and are looking for more red meat to throw the hawks that make up their base.   Bachmann, who for years supported budget-busting foreign wars under George W. Bush, is now the leader of the deficit-obsessed Tea Party Caucus. The caucus has yet to produce a policy paper outlining a plan for a budget-neutral war with Iran. Others, such as Congressman Dan Burton--now the top Republican on the House Middle East Subcommittee--would hold important leadership positions to shape Iran policy were Republicans able to regain the majority this November. But by endorsing military strikes, supporters of H.Res.1553 are playing games with US national security and could provoke the US into a third war in the Middle East. By couching the resolution's endorsement of bombing Iran as an issue of Israel's right to self defense--an area that is sacrosanct for many in Congress--supporters of war are framing the question as one of support for Israel rather than the numerous other messy questions that one might want to answer before endorsing military strikes. Will this engulf the Middle East in a "destabilizing" (General Petraeus), "cataclysmic" (Joint Chiefs Chairman Mullen) regional war? Will military strikes even stop Iran's nuclear program? Or will they merely set the program back, convince Iran to leave the Nuclear Non-proliferation Treaty, and guarantee that Iran aggressively pursues a nuclear deterrent? The resolution does not go into the murky details of how devastating a military strike on Iran would be to the US and Israel, not to mention the civilian death toll in Iran, the collapse of Iran's democratic opposition movement, and the consolidation of popular support by Iran's now-disputed government. It doesn't take into account the dire warnings from US military leadership who have consistently expressed serious concerns about any military options. But it does give House Republican supporters an opportunity to pretend that they are more concerned about national security and allow them to burnish faux pro-Israel credentials. In some districts, this will play quite well in November. There are serious consequences for this transparent ploy. A Congressional green light for military strikes is not just politics; it could significantly alter perceptions for those in Israel pressing for strikes and undercut efforts by the President and US military leadership to protect against such impulses.

A preemptive strike on Iran by Israel leads to extinction from Nuclear War.

Jorge Hirsch is a Professor of Physics at the University of California at San Diego, a fellow of the American Physical Society, and organizer of a recent petition, circulated among leading physicists, opposing the new nuclear weapons policies adopted by the US in the past 5 years. He is a frequent commentator on Iran and nuclear weapons. October 17, 2005. “Israel, Iran, and the US: Nuclear War, Here We Come.” http://www.antiwar.com/hirsch/?articleid=7649. mrs

The stage is set for a chain of events that could lead to nuclear war over chemical weapons in the immediate future. If these events unfold, the trigger will be Israel, the target Iran, the nuclear aggressor the U.S. These are the reasons: The U.S. State Department determined in August 2005 that "Iran is in violation of its CWC [Chemical Weapons Convention] obligations because Iran is acting to retain and modernize key elements of its CW infrastructure to include an offensive CW R&D capability and dispersed mobilization facilities." According to the CIA, "Iran likely has already stockpiled blister, blood, choking, and probably nerve agents – and the bombs and artillery shells to deliver them – which it previously had manufactured." According to (then undersecretary for arms control and international security, now U.S. ambassador to the UN) John Bolton's testimony to the House of Representatives (June 24, 2004), "We believe Iran has a covert program to develop and stockpile chemical weapons," and on Iran's ballistic missiles, "Iran continues its extensive efforts to develop the means to deliver weapons of mass destruction," and "The 1,300-km range Shahab-3 missile is a direct threat to Israel, Turkey, U.S. forces in the region, and U.S. friends and allies." In the IAEA resolution of Sept. 24 [.pdf], Iran was found to be in "noncompliance" with its NPT safeguards agreements. Members of the Israeli parliament from across the political spectrum are urging the United States to stop Iran's nuclear programs, or Israel will "act unilaterally." Statements of grave concern about Iran's nuclear program have been made by Defense Minister Shaul Mofaz, Foreign Minister Silvan Shalom, and Mossad chief Meir Dagan (Iran poses an "existential threat" to Israel). Shin Bet chief Avi Dichter accuses Iran of plotting relentlessly to attack Israeli targets. According to the head of the Russian Atomic Energy Organization, Alexander Rumyantsev, Russia will ship the first cargo of nuclear fuel for Iran's Bushehr's reactor at the end of 2005 or early 2006. Israel bombed Iraq's Osirak nuclear reactor (which was under IAEA supervision) in 1981 just before nuclear fuel was loaded into it (to prevent nuclear fallout). President Bush has said that "all options are on the table" if diplomacy fails to halt Iran's nuclear program. The U.S. House of Representatives on May 6, 2004, by a vote of 376-3, called on the United States to use all appropriate means to deter, dissuade, and prevent Iran from acquiring nuclear weapons. In the recently released draft document "Doctrine for Joint Nuclear Operations" [.pdf], the Pentagon states that it will respond to the threat of WMD (which includes chemical and biological weapons) with nuclear weapons. Conclusion: according to Israel, the U.S. administration, and 99.2 percent of the U.S. House of Representatives, Iran will not be allowed to have access to any nuclear technology. No diplomatic options to achieve that goal will remain when Russia and China veto Security Council sanctions, or if the IAEA refuses on Nov. 24 to refer Iran to the Security Council. Military action will occur before Russia ships uranium fuel to Iran, and will inevitably lead to the use of nuclear weapons by the U.S. against Iran. How will it all get started? No matter how much Bush and Cheney want it, the U.S. Senate is unlikely to authorize the bombing of Iranian installations out of the blue. Unless there is some major disturbance in Iraq that can be blamed on Iran, Israel is likely to pull the trigger. It knows how to and has every motivation to do so. Once Israel drops the first bomb on an Iranian nuclear facility, as it did with Iraq's Osirak reactor in 1981, there is no return. Bushehr is likely to be the first target; other installations will follow. Iran will respond – how can it not? At a minimum, it will shoot missiles at Israel. It may or may not shoot at U.S. forces in Iraq initially, but given the U.S.-Israel "special relationship," there is no way the U.S. will stay out of the conflict. Many of Iran's targeted facilities are underground, and U.S. bombs will be needed to destroy them all. Once the U.S. enters the conflict, 150,000 U.S. troops in Iraq will be at risk of Iranian missiles with chemical warheads, or of being overrun by Iran's conventional forces streaming into Iraq. According to the Pentagon planning [.pdf], nuclear weapons will be used: "To demonstrate U.S. intent and capability to use nuclear weapons to deter adversary use of WMD." "Against an adversary using or intending to use WMD against U.S., multinational, or alliance forces or civilian populations…" "[O]n adversary installations including WMD, deep, hardened bunkers containing chemical or biological weapons or the C2 infrastructure required for the adversary to execute a WMD attack against the United States or its friends and allies" "[T]o counter potentially overwhelming adversary conventional forces…" "For rapid and favorable war termination on U.S. terms…" "To ensure success of U.S. and multinational operations…" That makes six independent reasons for nuking Iran. The first nuclear bomb used in an act of war after "Little Boy" and "Fat Man" should be code-named "Demo" – for "demonstration" that we can do it, don't mess with us, for "democracy" on the rise in the Middle East, and for the "Democrats" in Congress who will go along with the program. As with Hiroshima and Nagasaki, we will be told it saved lives, ours and theirs. You know the script. The upshot: a nuclear superpower will have nuked a non-nuclear state that is an NPT signatory and is cooperating with the IAEA, at the instigation of a state that is not an NPT signatory, that reportedly has over 100 nuclear bombs of its own, and that initiated hostilities with an unprovoked act of military aggression. Given these prospects, the U.S. government should be doing its utmost to restrain Israel, yet it is doing exactly the opposite. It should be trying to achieve a diplomatic solution, but it refuses to even talk to Iran. The ongoing diplomatic effort by the EU is simply designed to provide cover for the planned military action, just as in the case of Iraq. How many times must Bush play the same game before the EU finally learns it is being used? And how many times will it take for the U.S. citizenry to learn? The U.S. public and its representatives in Congress, preoccupied with the deception and subsequent disaster of the Iraq invasion, are blind to the enormously bigger deception and disaster unfolding just before their eyes. Do the majority of American citizens, from whom the authority of the administration is derived, really want to be drawn by Israel into a nuclear conflict? Is this really in the United States' best interest? The sane world needs to tell the U.S. and Israeli governments to back off. And the United States needs to tell Israel, in no uncertain terms, that it will not allow (American-supplied) Israeli bombers carrying (American supplied) bunker-busting bombs over Iraqi airspace, and that it will not aid, abet, or condone such an attack. By not demanding this of the Bush administration, the U.S. Congress is complicit in what is about to happen and is betraying the trust of the people it represents. There is a rational way to avoid this disaster. Let Iran pursue a civilian nuclear program. Over 30 countries have civilian nuclear programs, while only nine have nuclear weapons. Let the Nobel-prize winning IAEA and Mohamed ElBaradei do their job! The U.S. can guarantee Israel's safety by assuring Israel that any threat to its existence from a non-nuclear nation will be met with the full force of U.S. conventional forces, and any threat from a nuclear nation will be met with U.S. nuclear forces. If Iran were to withdraw from the NPT and not allow international supervision of its programs, it would still take several years for it to acquire a nuclear weapon. There would still be plenty of time to act. Otherwise? Welcome to the new world order, where the U.S. can nuke any non-nuclear country at will. Refrain from having a nuclear deterrent at your own risk. All nations that can will become nuclear, others on their way will be nuked, and all-out nuclear war will become an absolute certainty. Bye-bye, world.

At: Budget Deficits

Increasing the deficit is key to the economy

Faux 10

Jeff Faux – Distinguished Fellow and founder of the Economic Policy Institute the country's leading think tank on the political and economic issues , PhD in Economics from Harvard Myths about the federal budget deficit July 7, 2010 <http://webcache.googleusercontent.com/search?q=cache:5cPs8SR2AycJ:www.epi.org/analysis_and_opinion/entry/myths_about_the_federal_budget_deficit/+budget+deficits+not+to+economy&cd=7&hl=en&ct=clnk&gl=us> d.a. 7-30-10

The Commission on Deficit Reduction has an opportunity to make a major contribution to both economic policy and democratic decision-making in our country. To do so, it must confront the myths that dominate the debate over the projected federal fiscal deficit. To fail in this basic task would be a major disservice to the nation. The current national debate -- as reflected in Congress, the media, and polls -- is driven by an assessment of our economic crisis which misdiagnoses it in three ways: -- The notion that the central problems of large scale unemployment and deteriorating incomes have been resolved and the government should not expand its economic stimulus but instead should contract it in order to reduce future deficits. -- The idea that austerity is needed to assure long-term prosperity. -- The often deliberate effort to use the legitimate issue of deficit reduction to shrink the civilian public sector. As a result, “everything” is not on the table, as Obama has claimed, and the public remains confused about the real trade-offs. Individual members of the Commission might not entirely subscribe to this misdiagnosis, but the consistent and obsessive focus on the long-term fiscal imbalance has dangerously distorted the debate over the country’s immediate economic needs. The Commission has a responsibility to disabuse the country of these myths. In doing so, it should make clear the following points --The economy needs more stimuli, which requires a larger deficit now. Last year's $789 billion government stimulus commitment (The American Recovery and Reinvestment Act) “worked.” It halted the drop in unemployment and growth, breaking the free-fall in the wake of the financial collapse. But by any reasonable measure, it was not enough to get the battered job market growing again. Fifteen million Americans are out of work. Roughly 10 million more can only find part-time jobs or have disappeared from the labor force. State and local governments are shredding the social safety net. In a nation where the vast majority live paycheck to paycheck, 45 percent of the jobless have not worked in six months. And the fierce competition for jobs is shrinking the paychecks of those who still have them. The basic economic problem is not very complicated: If no one spends, no one works. Since the financial market crash in late 2008, consumers, businesses, and state and local government have cut back on their spending. In order to keep people working, as the Great Depression taught us, the federal government must therefore compensate by increasing its own fiscal deficit. As jobs return, consumers resume buying, businesses respond by investing, and state and local government revenues grow. When we're back to full employment, the federal budget should return to balance.

Cuts in the deficit are worse for the economy

Faux 10

Jeff Faux – Distinguished Fellow and founder of the Economic Policy Institute the country's leading think tank on the political and economic issues , PhD in Economics from Harvard Myths about the federal budget deficit July 7, 2010 <http://webcache.googleusercontent.com/search?q=cache:5cPs8SR2AycJ:www.epi.org/analysis_and_opinion/entry/myths_about_the_federal_budget_deficit/+budget+deficits+not+to+economy&cd=7&hl=en&ct=clnk&gl=us> d.a. 7-30-10

--Austerity will not produce growth, it will undercut it.

The rationale for giving deficit reduction primacy over growth is that the bond markets’ fear of inflation must be placated. But as many people have pointed out, there is no evidence that the bond markets -- as opposed to people who claim to speak for them—are worried about inflation. And the experience of the last two years should certainly have taught us the dangers of economic policies guided by those who confidently predict what these markets will do.

If anything, the evidence is that Hoover-ist cutbacks in government spending during times of high unemployment have the opposite effect, as we can see in the current case of Ireland, where the government tightened budgets in order to attract global investors. The predictable result was a slowdown in growth. This made Irish business prospects less profitable, with the result that international investors are now demanding a roughly 3 percentage point premium on their loans in that country.

The claim that deficits are key is a myth

Faux 10

Jeff Faux – Distinguished Fellow and founder of the Economic Policy Institute the country's leading think tank on the political and economic issues , PhD in Economics from Harvard Myths about the federal budget deficit July 7, 2010 <http://webcache.googleusercontent.com/search?q=cache:5cPs8SR2AycJ:www.epi.org/analysis_and_opinion/entry/myths_about_the_federal_budget_deficit/+budget+deficits+not+to+economy&cd=7&hl=en&ct=clnk&gl=us> d.a. 7-30-10

--The problem is revenue.

It is no secret that much of the political promotion of deficit reduction as the priority, uber alles, comes from people who want to reduce the role of government in the domestic economy. The Commission should therefore be very careful to make clear that there is no economic rationale for some superimposed limit on the government share of the GDP. It all depends on the country’s needs at the moment.

But the public has been thoroughly confused by the assertions that we are spending more than we can afford and that there is some one kind of spending that is at fault -- the so called “entitlements” crisis.

By any reasonable measure, the citizens of the United States, collectively, can afford the current levels of spending. That they do not tax themselves sufficiently is a result of political irresponsibility -- the persistent message sent to the people that we can have the levels of government spending we want without paying for it. The Commission should therefore bring whatever influence it has to expose that fraud and make clear that, in order to do the things that the country needs, we will require more revenue.

Claims that deficits are bad are a myth

Krugman 10

 Paul, Nobel prize winning economist 'US budget deficit not a problem' <http://economictimes.indiatimes.com/news/international-business/US-budget-deficit-not-a-problem/articleshow/5539330.cms> d.a. 7-30-10

|  |
| --- |
|  |
| These days it’s hard to pick up a newspaper or turn on a news program without encountering stern warnings about the federal budget deficit. The deficit threatens economic recovery, we’re told; it puts American economic stability at risk; it will undermine our influence in the world. These claims generally aren’t stated as opinions, as views held by some analysts but disputed by others. Instead, they’re reported as if they were facts, plain and simple. Yet they aren’t facts. Many economists take a much calmer view of budget deficits than anything you’ll see on TV. Nor do investors seem unduly concerned: US government bonds continue to find ready buyers, even at historically low interest rates. The long-run budget outlook is problematic, but short-term deficits aren’t – and even the long-term outlook is much less frightening than the public is being led to believe. So why the sudden ubiquity of deficit scare stories? It isn’t being driven by any actual news. It has been obvious for at least a year that the US government would face an extended period of large deficits, and projections of those deficits haven’t changed much since last summer. Yet the drumbeat of dire fiscal warnings has grown vastly louder. To me – and I’m not alone in this – the sudden outbreak of deficit hysteria brings back memories of the groupthink that took hold during the run-up to the Iraq war. Now, as then, dubious allegations, not backed by hard evidence, are being reported as if they have been established beyond a shadow of a doubt. Now, as then, much of the political and media establishments have bought into the notion that we must take drastic action quickly, even though there hasn’t been any new information to justify this sudden urgency. Now, as then, those who challenge the prevailing narrative, no matter how strong their case and no matter how solid their background, are being marginalized. And fear-mongering on the deficit may end up doing as much harm as the fear-mongering on weapons of mass destruction.  |

Increasing the deficit in the short term is the key to solving long term deficits

Stiglitz 10

 March 11, 2010 by [The Capital Times (Wisconsin)](http://host.madison.com/ct/news/opinion/column/article_50a6e6ae-41f8-5881-a6cb-cc79af71c3dc.html)

The Dangers of Deficit Reduction

by Joseph E. Stiglitz professor of economics at Columbia University

<http://www.commondreams.org/view/2010/03/11-7> d.a. 8-1-10

Most economists also agree that it is a mistake to look at only one side of a balance sheet (whether for the public or private sector). One has to look not only at what a country or firm owes, but also at its assets. This should help answer those financial-sector hawks who are raising alarms about government spending. After all, even deficit hawks acknowledge that we should be focusing not on today's deficit, but on the long-term national debt. Spending, especially on investments in education, technology and infrastructure, can actually lead to lower long-term deficits.

Faster growth and returns on public investment yield higher tax revenues, and a 5 to 6 percent return is more than enough to offset temporary increases in the national debt. A social cost-benefit analysis (taking into account impacts other than on the budget) makes such expenditures, even when debt-financed, even more attractive.

Finally, most economists agree that, apart from these considerations, the appropriate size of a deficit depends in part on the state of the economy. A weaker economy calls for a larger deficit, and the appropriate size of the deficit in the face of a recession depends on the precise circumstances.

**Galbraith 10**

There Is No Economic Justification for Deficit Reduction

Statement to the Commission on Deficit Reduction
by [James K. Galbraith](http://utip.gov.utexas.edu/JG/default.html), Lloyd M. Bentsen, jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, and Vice President, [Americans for Democratic Action](http://www.adaction.org/), June 30, 2010<http://mrzine.monthlyreview.org/2010/galbraith160710.html>

Markets Are Not Calling for Deficit Reduction, Now or Later. Let me turn next to a larger economic question.  Do deficit projections matter?  Are they important?  Was the President well-advised to frame the mandate of the Commission as he did? What, in short, are the economic consequences of a high public deficit and a rising debt-to-GDP ratio, and what (if any) benefits are to be expected from creating an expectation that deficits will come down and that the debt-to-GDP ratio will fall? The idea that US economic policy should aim for a path of reduced deficits in the future is shared by liberals and conservatives, and it is, from a political standpoint, a very powerful idea.  The Commission's charter takes for granted that this goal is desirable.  It specifies that your objective is to achieve a balanced "primary budget" -- net of interest payments, by 2015. Yet your charter does not say why this is an appropriate goal.  It cites no study to which one might refer.  It does not explain why 2015 is the right target date, as opposed to (say) 2025 or even 2050.  It does not spell out the economic consequences -- if any -- of failing to meet the stated objective. Does the requirement make economic sense?  I shall tackle that question in two parts.  The first accepts the view most people hold of the fiscal and financial world.  The second reflects, from an operational standpoint, how that world actually works in practice. Most informed laymen believe that the Federal government must borrow in order to spend.  They believe that the interest rate on Treasury securities is set in a market for government bonds.  The markets impose discipline on the government.  Thus their idea is that "fiscal responsibility" will produce low long-term interest rates and tolerable borrowing conditions for the federal government, while "irresponsibility" will be punished by higher, and eventually intolerable, debt service costs. Accepting this view for the moment, what does the present level of long-term interest rates tell us?  As I write, thirty-year Treasury bonds are yielding just over four percent -- or just a little more than half their yield a decade back.  On the argument just given, this must be an extraordinary success of virtuous policy.  It seems that Wall Street has made a strong vote of confidence in the fiscal probity of our current policies.  This vote is unqualified, backed by money, contingent on nothing.  It therefore represents a categorical rejection, by Wall Street itself, of the CBO's doomsday scenarios and all other deficit-scare stories. On this theory, it follows that the mandate to reduce the primary deficit to zero by 2015 is unnecessary.  Such an action can hardly reduce interest rates -- neither short nor long-term -- which are already historically low. But wait a minute, some may say.  Yes interest rates are low at the moment.  But bond markets are fickle, they can turn on a dime.  And what then? Yes, it is possible that interest rates could rise.  But the problem with this argument is that it takes us away from the premise of rationality.  If bond markets are fickle and arbitrary, who is to say what they will do in response to any particular policy?  In the face of irrational markets, the sensible policy is to borrow heavily for so long as they are offering a good deal.  One may say that all good things end, and perhaps they will.  But if markets are irrational, then by construction you cannot prevent this by "good behavior." The conclusion from this section is that one cannot logically argue that markets insist on deficit reduction.  Either the markets are rationally unworried about deficits, or they are acting irrationally right now, in which case they can hardly "insist" on anything. 9. In Reality, the US Government Spends First and Borrows Later; Public Spending Creates a Demand for Treasuries in the Private Sector. As noted, the above argument is based on the common belief that the government must borrow in order to spend, and thus that the government faces "funding risks" in private markets.  Such risks exist, of course, for private individuals, for companies, for state and local governments, and for national governments such as Greece that have ceded monetary sovereignty to a central bank.  But the situation of the United States government is quite different. The U.S. government spends (and the Federal Reserve lends) in a very simple way.  It does so by writing checks -- in fact simply by marking up numbers in a computer.  Those numbers then appear in the bank accounts of the payees, who may be government employees, private contractors, or the recipients of federal transfer programs. The effect of government check-writing is to create a deposit in the banking system.  This is a "free reserve."  Banks of course prefer to earn interest on their reserves.  Thus they demand a US Treasury bond, which pays more interest without incurring any form of credit or default risk.  (This is like moving a deposit from a checking to a savings account.)  The Treasury can meet that demand, or not, at its option -- it can permit, or not permit, the stock of US Treasury bonds in circulation to increase. So long as U.S. banks are required to accept U.S. government checks -- which is to say so long as the Republic exists -- then the government can and does spend without borrowing, if it chooses to do so.  And if it chooses to issue Treasuries to meet the demand, it can do that as well.  There is never a shortfall of demand for Treasury bonds; Treasury auctions do not fail. In the real world, the government creates demand for bonds by spending above the level drained by taxation from the system.  The extent to which those bonds are held locally, or abroad (another common source of worry), depends on the US current account deficit.  This also has nothing to do with approval or disapproval by foreign bankers, central bankers, or their governments of American deficit policy.  A foreign country cannot acquire a US Treasury bond unless someone outside the United States has acquired dollars to pay for them, which is generally done by running a trade surplus with the United States.  And when foreigners do acquire those dollars, then like domestic banks they prefer to earn interest, which is why they buy Treasury bonds. Insolvency, bankruptcy, or even higher real interest rates are not among the actual risks to this system.  The actual risks in this system are (to a minor degree) inflation, and to a larger degree, depreciation of the dollar.  However at the moment there is wide agreement that a lower dollar would be a good thing -- against the Chinese RMB and now also the euro.  So it is difficult to believe that the goal of deficit reduction per se serves any coherent, or presently desirable, economic objective. We can conclude that there is actually no economic justification for the target of reducing the primary deficit to zero by 2015 or any other date.  The right economic objectives are to meet real problems, not those conjured from thin air by economists.  Bringing about a rapid end to unemployment, **caring properly for an aging population, cleaning up the Gulf of Mexico, coping with our energy insecurity and with climate change are all far more important objectives than reducing a projection of future budget deficits.**

**There Is No Economic Justification for Deficit Reduction**

Deficite are caused by the recession not the reverse

Glbreath 10

Statement to the Commission on Deficit Reduction
by [James K. Galbraith](http://utip.gov.utexas.edu/JG/default.html), Lloyd M. Bentsen, jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, and Vice President, [Americans for Democratic Action](http://www.adaction.org/), June 30, 2010 <http://mrzine.monthlyreview.org/2010/galbraith160710.html>

Overwhelmingly, the present deficits are caused by the financial crisis.  The financial crisis, the fall in asset (especially housing) values, and withdrawal of bank lending to business and households has meant a sharp decline in economic activity, and therefore a sharp decrease in tax revenues and an increase in automatic payments for unemployment insurance and the like.  According to a new IMF staff analysis, fully half of the large increase in budget deficits in major economies around the world is due to collapsing tax revenues, and a further large share to low (often negative) growth in relation to interest payments on existing debt.  Less than ten percent is due to increased discretionary public expenditure, as in stimulus packages.

This point is important because it shows that the claim that deficits have resulted from "overspending" is false, both in the United States and abroad**.**

AT: Divided Congress Stops War

|  |
| --- |
|  |

Empirically divided govt does not reduce war

Ramsey 09

Michael D. Ramsey Professor of Law, University of San Diego Law School Professor of Law, University of San Diego Law School The Review of Politics (2009), 71:169-171 Cambridge University Press

Copyright © University of Notre Dame 2009

The authors themselves seem to succumb to this temptation in their conclusion (chapter 8), where they get somewhat carried away by distaste for the George W. Bush administration. They attribute Bush's aggressive use of force (and general aggressive use of presidential power) in part to the fact that “during Bush's first term and the early part of his second … Republicans retained control of both chambers of Congress” (229). To begin, this is not factually accurate. After Vermont Senator James Jeffords left the Republican Party in May 2001, Democrats controlled the Senate until the end of 2002; during this time Congress authorized broad uses of force against al-Qaeda and in Iraq. Further, **the periods of united government Bush did enjoy** (in early 2001 and beginning in 2003) **were not remarkable for initiations of major conflicts**. True, **Bush began the Iraq war in 2003, but that had already been approved by Congress under partially divided government** and there is no reason to think different results in the November 2002 elections would have altered Bush's decision. Iraq aside, the 2003–2006 Bush administration was circumspect in initiating major conflicts despite substantial provocation from Syria and Iran (no doubt because the U.S. military was already heavily committed in Iraq and Afghanistan and public opinion had turned against the Iraq war). Thus the picture of the Bush administration turned loose by united government to initiate force is misleading. More broadly, **there have been approximately ten years of united government in the last forty years** (1977–1980, 1993–1994, early 2001, and 2003–2006); none of these periods saw major initiations of conflict (aside from the 2003 Iraq war, which had already been authorized). For reasons having little to do with Congress, neither the president nor the public had much appetite for new conflicts during these times. Conversely, modern periods of divided government have witnessed frequent initiations of force. Recent history does not suggest that united or divided government is decisive. The book's central claims are not to the contrary; indeed, the authors frequently emphasize that Congress's influence is often marginal and that it depends more on the size and cohesiveness of the opposition party than simply on divided government. Nonetheless, straining to tie their conclusions to headline-grabbing issues, the authors' somewhat overstated final chapter detracts from an otherwise careful presentation.

# AT: Democracy Impact

The most important model for new democracies is a government that can get things done—A signal of judicial activism to constrain government is a bad signal

Finn 04

[John E. Finn](http://muse.jhu.edu.www2.lib.ku.edu:2048/journals/good_society/v013/13.3finn.html#top#top) is a Professor of Government at Wesleyan University 2004

 The Good Society 13.3 (2004) 12-16

Perhaps less obviously, the rule of law may also contribute to democratization by increasing the capacity of newly democratic regimes to govern. In many respects, rule of law values promote governmental efficiencies by ensuring the consistent and uniform application of rules, guarding against governmental corruption, and by making governmental actions transparent. In short, the rule of law can facilitate the actual process of governing. Long experience suggests that the survival and strength of nascent democracies depends in some measure on the ability of those governments to fulfill the mandates of any government: to secure order and promote the public weal. An understanding of the rule of law that sees it first as a set of limits on power obscures the ways in which the rule of law complements and enables power. It also risks making the rule of law seem less attractive to elites, who whether acting on the basis of self-interest or public purpose are unlikely to see the "limiting" aspects of the rule of law as a useful device for new regimes concerned with the creation and maintenance of stable governments. Understanding how the rule of law promotes energetic and effective governance will make it more appealing as a principle of constitutional design and as a live feature of democratic states.

2. No solvency—The problem in new democracies with the judiciary is money

Diamond 2K

DIAMOND - senior research fellow at the Hoover Insti-tution 2000

 (Larry, Journal of Democracy 11.3 (2000) 91-106)

Many emerging democracies have some or all of these institutions of horizontal accountability, but typically they do not function very effectively. Like the judicial systems in these countries, they are politically influenced or constrained and lack the resources and authority to do a serious job. All of these institutions need to be empowered. They need a huge infusion of human capital--training for judges, lawyers, prosecutors, paralegals, accountants, and technical and research support staff. And they need other**,** "harder" infusions of capital: more money for higher salaries, computers, and other equipment. Most of all, they need the political incentive and authority to exercise their functions. As with the judiciary, they must be institutionally isolated from political interference in appointments, supervision, administration, and funding. Countries need to design new bodies to oversee these agencies of horizontal accountability, drawn perhaps from the senior ranks of the judiciary or respected actors in civil society who are at least somewhat removed from partisan politics.

Turn, an effective Congress is key to democracy signals—

Fish 06

[M. Steven Fish](http://muse.jhu.edu.www2.lib.ku.edu:2048/journals/journal_of_democracy/v017/17.1fish.html#top#top) is associate professor of political science at the University of California at Berkeley 2006

 Journal of Democracy 17.1 (2006) 5-20

This essay proposes a new and arguably more fruitful way of thinking about how political institutions influence democratization, one that examines the capacity or power of specific offices. In particular, it focuses upon the strength of the legislature and its consequences for the advance of democracy. The evidence shows that the presence of a powerful legislature is an unmixed blessing for democratization*.*

AN EFFECTIVE LEGISLATURE IS THE KEY TO STABILIZING FRAGILE DEMOCRACIES

DIAMOND - senior research fellow at the Hoover Insti-tution 2000

 (Larry, *Journal of Democracy* 11.3 (2000) 91-106)

The problems afflicting the troubled democracies can be solved only with more skillful, responsive, transparent governance. In a good half of the strategic swing states today, democracy hangs in the balance. It may not yet be hanging from a thread (as, in retrospect, it clearly was in Pakistan), but it is very far from secure. Better governance means improving the performance and integrity of the state, but in a democracy that cannot be accomplished without politics. Many of the needed reforms require legislative action. In a country plagued with multiple crises of governance, mobilizing a sustainable coalition for reform is a maddeningly difficult but quintessentially political task--as President Fernando Henrique Cardoso has discovered in Brazil.

An effective Congress is the key model for democracy

David Dreier - USAID Democracy and Governance Conference June 13, 2005

 <http://hdac.house.gov/news/usaid/usaid_speech_0605_1.htm>

And I believe that Congress can provide important leadership to help these new democracies find their footing - to make sure the change is good. Central to the success of democracy is a functional, strong, independent legislature. Yet, in fledgling democracies, the elected legislature often lacks the expertise and technical capabilities to successfully act as a check on the executive's power, or even perform the most basic of their responsibilities. I believe that our first branch of government, the legislative branch, has a vital role to play in this effort by working directly with foreign parliaments.

Turn, Extensive judicial activism is a bad model for transitional democracies

Taylor 06

[Matthew M. Taylor](http://muse.jhu.edu.www2.lib.ku.edu:2048/journals/latin_american_research_review/v041/41.2taylor.html#top#top) is an Assistant Professor of Political Science at the University of São Paulo 2006

 Latin American Research Review 41.2 (2006) 269-280

In a typically insightful essay that sets the tone for the volume, Shapiro cautions against excessive optimism about judicial review's potential contributions to democratic consolidation: not only have high courts in developed democracies not always succeeded in influencing policy, but they have often been forced to make choices between fights they can win and those they cannot, so as to live to fight another day. The U.S. Supreme Court clearly has chosen its battles carefully: in federalism cases, the Court has "placed itself on the side of the winners," while in separation of powers cases where political controversy is greater, it has "been almost entirely a spectator" (7–8). In a third area, individual rights, Shapiro notes that it took the Court more than 130 years before it had built up sufficient support to confer rights in the mid-twentieth century and even then it had to make tradeoffs: "ultimately, it actually gave up protecting reds at the cost of protecting blacks" (12).

Walking this tightrope between expanding rights and preserving judicial power is the key challenge facing courts in new democracies. Roux's essay on South Africa is particularly innovative, illustrating how the high court has exploited the "discretionary gaps" in legal rules to expand its institutional strength. The absence of a political question doctrine on the American model—also largely missing in Latin American courts—forces the court both to "avoid deciding issues that might bring it into conflict with the political branches, and to take on politically useful issues that might not present themselves for decision again" (95). Several essays argue, however, that the courts may be able to build their power more effectively through small-scale judicial action than through conflictual constitutional review. Uprimny, for example, notes the difference between the 'dramatic justice' of the Colombia constitutional court's intervention in policy and the greater importance citizens attach to resolving the problems of everyday 'routine justice' (66).