# Infrastructure Bank Affirmative

# \*\*\*1AC\*\*\*

### Plan – 1AC

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

### State Budget Advantage – 1AC

#### Advantage one: State Budgets

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

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

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

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

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

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

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

The Role of the Federal Government

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

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

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

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

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

#### Scenario 1: Education

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

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

#### That destroys American primacy

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

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

#### Great power wars

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

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

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

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

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

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

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

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

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

#### Scenario 2: Bioterrorism

#### State budget cuts destroys bioterror responsiveness

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

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

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

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

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

#### Nuclear war

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Timing of Action

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

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

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

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

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

Conclusion

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

### Growth Advantage – 1AC

#### Advantage two: Growth

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

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

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

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

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

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

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

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

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

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

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

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

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

#### It’ll kill resiliency

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Scenario 1: Recovery

#### US crisis tanks the global economy

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

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

#### Double-dip risks nuclear war

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

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

#### Scenario 2: Protectionism

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Protectionism snowballs and causes nuclear war

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

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

#### China bashing causes war with China

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

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

#### Extinction

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

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

#### Scenario 3: Capitalist Leadership

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

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

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

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

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

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

#### It’s real and causes extinction

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

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

### Solvency – 1AC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

 caps Federal loans at 50% of anticipated project costs

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

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

to the Treasury)

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

Rationale

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

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

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

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

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

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

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

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

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

These State-driven arrangements warrant a number of observations:

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

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

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

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

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

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

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

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

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

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

Doubling Annual Investment

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

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

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

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

Energize Private Sector

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

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

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

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

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

Results Oriented

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

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

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

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

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

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

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

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

## \*\*\*Solvency

### A2: Alt Cause – Bank Key to Investment

#### Private investors profess support and financing of NIB due to stability and other benefits

Reuters, 2011

(7-20-11, http://www.reuters.com/article/2011/07/20/usa-infrastructure-bank-idUSN1E76J1FH20110720, “U.S. Infrastructure Bank Could Lure Private Capital”, TVB)

Establishing a U.S. infrastructure bank is key to attracting private capital for public works, a diverse group of witnesses told a Senate panel on Wednesday as lawmakers worried about finding enough funds to cover current transportation costs.¶ "The bank would provide a project with a base of capital that could then attract ... outside private investment," said Robert Dove, managing director of the Carlyle Group, a private global investment firm.¶ For many years, state and local governments have discussed using private-public partnerships known as "P3s" to finance transportation. In a common P3 structure, a private company leases and maintains a road for decades. It collects tolls and receives tax credits for the road's depreciation.¶ "While many states and local governments are focusing on these matters, top-down leadership is also needed that includes a vision for the country and common P3 principles," said J. Perry Offutt, managing director at Morgan Stanley & Co, LLC.¶ Many investors are pension or infrastructure funds that put money into projects around the world. The bank's support, he said, would reassure investors there is political will to complete a project. President Barack Obama has pledged to create a national infrastructure bank since first running for the highest office three years ago. Obama renewed his push with the budget he proposed in February by requesting that Congress put $5 billion a year for six years into establishing a bank.¶ The 30 largest infrastructure equity funds raised $180 billion over the last five years for projects, Polly Trottenberg, assistant secretary for transportation policy in the Obama Administration, told Wednesday's hearing. She called the infrastructure bank "one of the most promising ideas for leveraging more private-sector dollars.¶ "Rigorous benefit-cost analysis would focus funding on those projects that produce the greatest long-term public benefits at the lowest cost to the taxpayer," Trottenberg said. "This is achieved, in part, by encourag(es)ing private sector participation in projects in order for them to be competitive."¶ The bank would provide grants, loans and loan guarantees for passenger and freight transportation in urban, suburban and rural areas, Trottenberg said. It would also coordinate and consolidate other federal financing programs.

#### Status quo investment procedures are expensive and inefficient; plan is key – Major CEO’s promise funding and approval of NIB and tax incentive is due to draw more support

Greene, Studied Philosophy at Oxford University and is a syndicated columnist for U.S. News, 2011

(Brian, 9-6-11, http://www.usnews.com/news/articles/2011/10/06/is-obamas-national-infrastructure-bank-the-answer-on-jobs, “Is Obama’s National Infrastructure Bank the Answer on Jobs?”, TVB)

Support for the National Infrastructure Bank from Democratic members of Congress and senior White House officials is unsurprising, but the Progressive Policy Institute's forum also featured leaders of multinational businesses. Dan DiMicco, the chairman and CEO of Nucor, North America's largest steel manufacturing company, explained, "What's good for America is good for Nucor." DiMicco clarified by saying that his company is interested in changing the trend of sending domestically manufactured steel abroad for building projects. Ed Smith, CEO of Ullico Inc., a major provider of insurance and financial solutions for labor unions, described his company's idea of the "double bottom line" approach. The strategy involves looking for investments that produce both profits and jobs, a criteria that infrastructure investment fits well. Daryl Dulaney, president and CEO of Siemens, was open in his concern that doing business in the United States was getting too expensive. He explained that a Siemens operation that produces wind turbines in Fort Madison, Iowa, had to rebuild railways in the area to transport its product. "How many companies are going to do that?" he asked the panel.¶ Large businesses with overseas cash like the ones represented at the forum are possible targets for capitalization of the National Infrastructure Bank. While the idea is not explicitly spelled out in the president's bill, Warner noted that one of the ideas making the rounds in Washington is to allow big corporations to repatriate funds from overseas tax-free with the caveat that a set percentage of the cash must be used to fund the infrastructure bank.¶ While the panel seemed to be unanimous that a federally regulated infrastructure bank is a good idea, Washington Post columnist Steven Pearlstein raised the question of whether or not people should be optimistic about this component of the American Jobs Act when so much of the bill is currently undergoing bipartisan disagreement.

### A2: Accountability Turn

#### The Bank solves accountability – requirements and benefit-cost analysis

Rendell 12

(Ed, Former Pennsylvania Governor, 2012, <http://www.center-forward.org/2012/03/19/issue-point-example/>, “Building America’s Future:” WL)

But in order for this to translate to programs at the federal level, there must be wholesale reform of the current transportation program structure. Americans are clamoring for greater accountability and transparency to ensure that scarce resources are being invested on the right projects that will bring long term economic benefits. Federal transportation policy still largely adheres to an agenda set over 50 years ago during the Eisenhower Administration. It’s time to bring bold and visionary changes to our current policies and bring our transportation policy into the 21st century. One way to bring greater accountability and transparency is to stand up a National Infrastructure Bank.¶ A properly constructed Bank will take politics out of the decision making process and will invest in projects based on merit and help to finance critical projects of national or regional significance. Right now, **if multiple states wanted to complete a project crossing multiple jurisdictions or infrastructure sectors**, **there is no singular place to** which they can **apply for financial assistance**. A National Infrastructure Bank can fill that void by leveraging dollars from state and local governments as well as the private sector and subjecting all requests to a benefit-cost analysis. Clear accountability and transparency requirements would be part of the process

### A2: No Good Investment

#### Now is key – strong demand from eager private banks – flexibility, studies, and investment returns prove

Department of Treasury and Council of Economic Advisers, March 23

(3-23-12, http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf, “A New Economic Analysis of Infrastructure Investment: A Report Prepared by the Department of the Treasury with the Council of Economic Advisers”, TVB)

President Obama’s FY 2013 Budget proposes a bold plan to renew and expand America’s infrastructure. The plan includes a $50 billion up-front investment connected to a $476 billion six-year reauthorization of the surface transportation program and the creat(e)ion of a National Infrastructure Bank. In support of this commitment, the Department of the Treasury, with the Council of Economic Advisers, has updated our analysis of the economic effects of infrastructure investment. The new data and analyses confirm and strengthen our finding that now is an ideal time to increase our investment in infrastructure for the following four key reasons:¶ Well-designed infrastructure investments have long-term economic benefits and create jobs in the short run;¶ This economic activity and job creation is especially timely as there is currently a high level of underutilized resources that can be used to improve and expand our infrastructure;¶ Middle-class Americans would benefit disproportionately from this investment through both the creation of middle-class jobs and by lowering transportation costs for American households; and¶ There is strong demand by the public and businesses for additional transportation infrastructure capacity.¶ Return on Investment¶ Many studies have found evidence of large private sector productivity gains from public infrastructure investments, in many cases with higher returns than private capital investment. Research has shown that well-designed infrastructure investments can raise economic growth, productivity, and land values, while also providing significant positive spillovers to areas such as economic development, energy efficiency, public health, and manufacturing.¶ However, not every infrastructure project is worth the investment. Investing wisely in infrastructure is critically important, as is facilitating private financing for public infrastructure. Traditional funding methods limit the flexibility and cost-effectiveness of infrastructure financing. For example, there is currently very little direct private investment in our nation’s highway and transit systems due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in these types of infrastructure projects. Newer funding initiatives address some of these funding shortcomings. The establishment of a National Infrastructure Bank would enable greater private sector co- investment in infrastructure projects. A National Infrastructure Bank would also allow for the rigorous analysis required to direct support to projects with both the greatest returns to society and the long-run economic benefits that can justify up-front investments.

#### Ibank will make good investments – merit based investments

Geithner 11

(Timothy, Secretary of the Treasury, 2-9-11, <http://www.treasury.gov/connect/blog/pages/investing-in-infrastructure-to-build-up-middle-class-jobs-and-long-term-growth.aspx>, “Investing in Infrastructure to Build Up Middle-Class Jobs and Long-Term Growth” WL)

While we need to increase our overall level of infrastructure investment, we must also reform the ways in which we invest. Not all infrastructure investments are good investments, and too often we have seen transportation projects exemplify the worst of Washington – the bridges to nowhere that rightly make American taxpayers cringe. The President’s Budget recognizes this and will make some difficult choices, proposing significant spending cuts, including to some programs we would preserve in better times. However, it is not enough to spend less. Government must also spend wisely.¶ That’s why the President’s plan will reform our current system to promote merit-based investment by creating a National Infrastructure Bank, which will select projects on the basis of rigorous analysis. The National Infrastructure Bank will also draw private capital to invest in American infrastructure so that we can better leverage scarce taxpayer dollars. We will support projects that produce significant returns on our investment, allow Americans more choices in their modes of transportation, and improve the interconnectedness of our existing transportation networks to maximize the value of our current infrastructure.¶

## \*\*\*Econ Advantage

### Econ Advantage – UQ – Econ Down

#### Recession by 2013

Politi, writer for FT Business, July 3, 2012

(James,7-3-2012, <http://www.ft.com/intl/cms/s/0/092aa032-c524-11e1-940d-00144feabdc0.html#axzz20L2GHkha>, IMF warns of ‘downside risks’ to US) SQR

The IMF said the US remained “vulnerable to contagion” from the growing debt crisis in the eurozone, warning that financial stresses could be transmitted through a “generalised increase in risk aversion and lower asset prices”. It added that lower demand in Europe, and US dollar appreciation could hurt American exporters.

Domestically, if Congress does not take action before December 31, the US will suffer a fiscal contraction of $600bn – or roughly 4 per cent of gross domestic product – in 2013, which could plunge the country back into recession as scheduled tax increases and spending cuts take effect.

Republicans and Democrats are at odds over the solution to the fiscal impasse, with no obvious path to a deal until after the November election. However, fears are growing that it may also be hard to agree a deal late in the year and there are mounting concerns that uncertainty about the “fiscal cliff” could damage business and consumer confidence this year.

The IMF is recommending that the US should limit the contraction in its deficit as a percentage of GDP to 1 per cent next year, which would mean reversing much of the scheduled tightening.

#### US approaching recession

Pylas, writer for the Associated Press, July 6, 2012

(Pan, 7-6-2012, <http://abcnews.go.com/Business/wireStory/asia-stocks-fall-global-stimulus-measures-16722397#.T_3Ny82jaIE>, US Jobs Data Add to Markets' Growth Concerns) SQR

Nearly all investors around the world are fearing global markets will soon collapse, warns Ed Dempsey, chief investment officer of Pension Partners, who expects the United States will be officially back in recession by the third or fourth quarter.¶ With yields in U.S. Treasurys and bonds in most industrialized countries at record lows, the global fear of collapse is priced in the market and there is a major market shift coming soon, Dempsey told Yahoo.¶ The fear trade is very priced in “and it’s all over the world,” he said.¶ Editor's Note: Economist Warns: 50% Unemployment, 100% Inflation Possible¶ “Some people say it’s the Fed. Well, the Fed doesn’t explain places like Denmark, Austria and Canada. If you saw this morning, there were negative yields. France, Germany and Denmark now have negative yields on their short-term paper,” Dempsey added. “Around the world, the single narrative of collapse has taken hold.”¶ The global collapse investors are waiting for hasn’t happened yet.¶ “Looking back, 2011 had historic volatility, flat stock prices and low yields. We now have yields lower, volatility is low, but we have an S&P 500 that is up almost 9 percent,” he noted. “If you step back, you can make an argument that the collapse trend is beginning to change.”¶ The problem for investors, according to Dempsey, is buying bonds at 1.6 percent.¶ “It’s like flying a plane at about 50 feet off the ground,” he said. “There’s no room for error.”¶ When investors make 8 or 9 percent on bonds, they do not have to worry much about what the stock market does.¶ “But if you’re going to make 0 percent on your money market or 1.5 percent on your 10-year Treasury while the S&P goes up 9 percent or goes up 15 percent or starts to run away, that’s a real problem. That’s a problem for your wealth,” Dempsey noted.¶ The current yields are lower than they were after the collapse of Lehman Brothers Holdings Inc. ¶ “The key word is ‘after,’ after Lehman Brothers,” he stressed. “But you don’t have the event.”¶ While some might consider the economic crises in Europe and China as events, Dempsey does not, noting, “It’s a process.”¶ “Lehman was an event. You had record low yields after Lehman, you now have yields lower than post-Lehman, but you don’t have this single event,” he added. “And bears have to answer for the fact that we have an S&P up 9 percent.¶ “I’m not saying that the event can’t happen or it won’t happen, I’m simply saying that bond investors are positioned as if it [the cataclysmic event] has already occurred, and therein lies the opportunity,” he said.¶ “If you do not get this systemic event, then there’s room to go up,” Dempsey noted, predicting a scenario that could result in a gain of 30 to 40 percent in the S&P 500 for the year.¶ “We’re obviously in the midst of a slowdown. It’s obvious to anyone,” he said, anticipating the U.S. will be officially back in recession by the third or fourth quarter.¶ “I don’t know that we’ve ever entered a recession with yields this low and corporations healthier,” Dempsey stated. “You have corporations that have the best balance sheet they’ve had in 50 years. In many cases these are wonderful companies that yield sometimes twice the 10-year Treasury.

#### Recession likely as economy is stalling

WSJ Market Watch, market annalists, July 2,2012

(Market Watch, 7-2-2012, http://articles.marketwatch.com/2012-07-02/commentary/32500884\_1\_factory-sector-manufacturing-index-manufacturing-sector, Recession now much more likely) SQR

There’s no way to sugarcoat it: The already-sluggish U.S. economy is stalling out, stung by doubts about our economic and fiscal future. The Institute for Supply Management reported that its manufacturing index dropped to 49.7% in June from 53.5% in May, signaling that the manufacturing sector is contracting for the first time since mid-2009. Read our complete news coverage of manufacturing activity shrinking in June.¶ ¶ By itself, the decline in the ISM index below the benchmark 50% level does not mean that the economy is in a recession, but it does make it much more likely. A reading of 49.7% is consistent with slow, but positive growth of about 2.4%, according to the ISM.¶ ¶ The manufacturing sector has been the most robust part of the economy coming out of the recession, but that momentum has now been lost. The U.S. has now caught the fever racing through Europe and China.¶ ¶ ¶ The decline in the ISM was led by the biggest one-month drop in new orders since October 2001, just after the Twin Towers were destroyed. The new-orders index now stands at 47.8%, a level that’s extremely rare outside of recessions.¶ ¶ Production at factories continued to grow in June, just barely. And employment growth continued to shine in June, although how long that can last without more orders is anyone’s guess. The drop in the overall ISM was accompanied by a steep drop in the prices-paid index.¶ ¶ Manufacturing is no longer a dominant part of the U.S. economy, accounting for about 19% of the economy’s gross output and about 9% of employment.¶ ¶ However, the factory sector reacts quickly to changing economic circumstances and can serve as a sort of canary in the coal mine for the rest of the economy. Cutbacks in manufacturing inevitably lead to reductions in the services industries.

#### US Economy is Slowing

Reuters, news agency, July 11, 2012

(Reuters, 7-11-2012, <http://in.reuters.com/article/2012/07/11/idINL3E8IB2TK20120711>, Slowing US Economy will weigh on regional banks: BMO) SQR

BMO Capital Markets downgraded two banks and cut its price targets on the stock of several others saying a slowing economic recovery in the United States will likely hurt regional banks as loan growth softens and margins come under pressure.¶ Regional banks have struggled to grow profits over the last two years, as the U.S. Federal Reserve continues to keep interest rates low and fewer Americans want to take on additional debt.¶ The Fed, which has held overnight interest rates near zero since December 2008, reiterated its expectation that rates would stay "exceptionally low" through at least last 2014.¶ "The Fed's policy of a prolonged low interest rate environment will weigh on profitability and earnings power for the bank group," analysts led by Peter Winter wrote in a note.¶ Mortgage banking is also expected to slow in the fourth quarter and into 2013, BMO said, downgrading Cullen/Frost Bankers Inc (CFR.N) and Sterling Bancorp (STL.N) to "underperform" from "market perform."¶ There have been indications that loan demand recently weakened and business borrowers have grown more cautious, BMO analyst Winter said.¶ Peter Winter is rated five stars for the accuracy of his earnings estimates on U.S commercial banks under his coverage, according to Thomson Reuters StarMine data. StarMine awards five stars to the top 10 percent of analysts.¶ BMO said it expects competitive loan pricing and limited room to reduce deposit costs to pressurize net interest margins.¶ The brokerage cut its price target on the stock of 10 U.S. banks, including Comerica Inc (CMA.N), New York Community Bancorp Inc (NYB.N), First Republic Bank (FRC.N) and Sterling Bancorp (STL.N). [ID:nWNAB2600]¶ Guggenheim Securities also cut its price targets on the stock of several banks in the United States, including Community Bank System Inc (CBU.N) and Hudson City Bancorp Inc (HCBK.O). [ID:nWNAB2639]¶ The S&P Bank Index .BIX closed down about 1 percent on Wednesday.

#### No Improvement in US Job Growth

Bennett, writer for CNN, July 11th, 2012

(Jonathon, 7-11-2012, CNN, <http://www.cnn.com/2012/07/11/opinion/bennett-obama-economy-excuses/index.html>, Obama's running out of excuses on economy) SQR

Amost three years into recovery, the U.S. economy added only 80,000 jobs in June, marking its third consecutive month of poor job growth. The Wall Street Journal noted that the United States gained just 225,000 jobs in the past three months combined, making it the weakest quarter of job growth since the labor market began to recover in 2010. The unemployment rate, still 8.2%, has been stuck above 8% for 41 straight months, the longest streak since the Great Depression.A government report found that 85,000 Americans left the workforce in June to enroll in the Social Security Disability Insurance program. That means that more workers joined the federal government's disability program in June than got new jobs.

#### Economy stagnant- despite efforts

Samuelson, writer for Washington Post, July 8th, 2012

(Robert, 7-8-2012, <http://www.washingtonpost.com/opinions/robert-samuelson-why-us-economic-policy-is-paralyzed/2012/07/08/gJQARBEwWW_story.html>, Why U.S. economic policy is paralyzed) SQR

We are now facing the consequences of all these permissive defoa icits. The recovery is lackluster. Economic growth creeps along at 2 percent annually or less. Unemployment has exceeded 8 percent for 41 months. But economic policy seems ineffective. Since late 2008, the Federal Reserve has kept interest rates low. And budget deficits are enormous, about $5.5 trillion since 2008.

#### Jobs numbers point to another recession

Malhotra, writer for Epoch times, July 11, 2012

(Heide, 7-11-2012, <http://www.theepochtimes.com/n2/business/us-unemployment-may-hinder-recovery-263610.html>, US Unemployment May Hinder Recovery) SQR

A review of the latest U.S. unemployment situation from various sources does not provide much hope for a quick recovery of the U.S. economy. This realization exaggerates the impression by a number of market experts that a recession may be on the horizon.

“Deteriorating June U.S. job numbers point to recession. … Month after month, U.S. job numbers disappoint. It is becoming increasingly apparent the U.S. economy is not improving; it is deteriorating,” said Michael Lombardi, a market expert and chartered financial planner, in a July 6 article on the Profit Confidential website.

#### Low job gain correlate with economy decline

Associated Press, news agency, July 6th, 2012

(Indianapolis Business Journal, 7-6-2012, <http://www.ibj.com/u-s--employers-add-only-80-000-jobs-as-economy-struggles/PARAMS/article/35400>, U.S. employers add only 80,000 jobs as economy struggles) SQR

U.S. employers added only 80,000 jobs in June, a third straight month of weak hiring that shows the economy is still struggling three years after the recession ended.¶ The unemployment rate was unchanged at 8.2 percent, the Labor Department said in its report Friday.¶ The economy added an average of just 75,000 jobs a month in the April-June quarter. That's one-third of the 226,000 a month created in the first quarter.¶ For the first six months of the year, U.S. employers added an average of 150,000 jobs a month. That's fewer than the 161,000 a month for the first half of 2011. And it suggests that three years after the Great Recession officially ended, the job market is weakening instead of strengthening.¶ "It's a disappointing report," said George Mokrzan, director of economics at Huntington National Bank in Columbus, Ohio. He said the job gains are consistent with sluggish economic growth.¶ Stock futures fell modestly after the report came out. Dow Jones industrial average futures were down 24 points before the report at 8:30 a.m., and were down 76 points minutes later.¶ Yields for government bonds sank, an indication that investors were putting money into the Treasury market. The yield on the 10-year U.S. Treasury note was 1.59 percent just before the report and 1.56 percent after it came out.¶ A weaker job market has made consumers less confident. They have pulled back on spending, even though gas prices have plunged.¶ High unemployment could shift momentum to Mitt Romney, the presumptive GOP presidential nominee. An Associated Press-GfK poll released last month found that more than half of those surveyed disapproved of President Barack Obama's handling of the economy.¶ The economy is growing too slowly to lower the unemployment rate. Obama is expected to face voters with the highest unemployment rate of any president since the Great Depression, and the economy is the top issue for many voters.

### Econ Advantage – Link – Plan Solves

#### An IBank would solve 2 of America’s top problems while becoming self-sustainable

Bloomberg 11

(8-10-11, <http://www.bloomberg.com/news/2011-08-11/a-bank-that-can-get-americans-on-the-road-and-on-the-job-view.html>, “A Bank That Can Get Americans on the Road and on the Job: View” WL)

Among the legion of problems facing the U.S., two stand out: Unemployment remains appallingly high, and the public works undergirding our economy are in alarmingly bad shape. Creating a national infrastructure bank presents a harmonized solution to these two problems that should be feasible even in austere times.

Airports and transportation networks, levees and dams, water and energy systems are deteriorating. The American Society of Civil Engineers estimates that 25 percent of our bridges are deficient, 7 billion gallons of clean water are wasted each day because of leaking pipes, and a third of our major roads are in poor or mediocre condition. The costs of all this to U.S. businesses -- in delays, accidents, lost productivity, red tape -- are enormous.

Yet improving such facilities adequately, the ASCE estimates, would require a five-year investment of $2.2 trillion. If you’ve been within shouting distance of Washington lately, you know that finding anything near such a sum is an impossibility. So a revitalization program that doesn’t rely entirely on federal munificence is crucial.

Enter the infrastructure bank, which would provide loans or loan guarantees for big projects deemed to be in the public interest -- and attract private investment by offering cheap access to capital and a path to profit from tolls, fares and other charges.

The bank could leverage the government’s outlay to lend more. An initial $5 billion a year for five years could result in $50 billion or more in loans. And because these loans would be paid back with interest, the institution could become self- sustaining. Financing for such a bank should be seen as an investment, not “spending.”

Replacing Jobs

The resulting projects would not only improve lives and safety, but would also go some way toward replacing the many construction jobs lost in the recession and housing meltdown. Every dollar spent on public infrastructure yields a $1.59 boost to gross domestic product, estimates Mark Zandi of Moody’s Analytics.

There are many suggestions for how to structure such a bank, including a Senate proposal sponsored by John Kerry, Democrat of Massachusetts, and Kay Bailey Hutchison, Republican of Texas, which earned the strange-bedfellow support of both the AFL-CIO and the U.S. Chamber of Commerce. Representative Rosa DeLauro, Democrat of Connecticut, has introduced a House bill, and President Barack Obama has advanced a plan that mixes loans and grants.

All these proposals have merits and deficiencies. Any final version must contain a few critical elements that ensure that the bank spends federal money efficiently and that there’s little risk to taxpayers.

Critical Elements

It should have an independent board of directors that would evaluate competing loan requests using a transparent cost- benefit analysis, thus avoiding pork-barrel political machinations. Its board should be biased toward approving projects that use intelligent congestion pricing and similar user charges to produce a steady stream of revenue and help ensure long-term solvency. It should be permitted to issue long- term bonds and to sell the loans it makes as securities in capital markets. And, as a caution, it should require a project’s sponsors and private investors to provide at least, say, half the total cost.

It won’t be perfect. The gruesome tales of Fannie Mae and Freddie Mac suggest the perils of independent financial institutions that have implicit federal backing.(DeLauro’s bill attempts to prevent similar problems by saying explicitly that the bank will not be guaranteed by the government.)

Finding seed money will not be easy, but the costs of not doing anything would be greater. The U.S. Chamber of Commerce estimates that aging transportation infrastructure cost the economy almost $2 trillion in 2008 and 2009. And reality will keep intruding: Bridges and roads do not repair themselves, and jobs do not magically materialize. In an era of diminished national ambition, an idea that addresses two of the country’s most persistent problems is a good investment.

#### An Infrastructure Ibank would be successful, empirics prove, without it the recession will deepen further

Wasik 11

(John, a personal finance columnist/blogger for Reuters, the world's largest news service, he covers investing/investor protection, financial planning, taxes, insurance, retirement, college and life planning, 8-5-11, http://blogs.reuters.com/reuters-money/2011/08/05/job-creation-fixing-america-with-an-infrastructure-bank/ “Job creation: Fixing America with an infrastructure bank”, WL)

We have iPhones, iPods and iPads. Why not an “iBank?”¶ This wouldn’t be an electronic gizmo that’s obsolete in a year, though. It would be a public-private partnership to bolster America’s infrastructure. It will create jobs, cut the deficit and repair what needs to be fixed all over the country.¶ An infrastructure bank, or iBank, solves a lot of problems without busting the budget. Instead of providing direct government grants or earmarks for specific projects, loans are made by a government-banking entity.¶ The U.S. is inexcusably late to the game on this time-tested idea. The European Investment Bank has financed some $350 billion in projects from 2005 through 2009. China spent 9 percent of its gross domestic product — also roughly $350 billion — to build subways, highways and high-speed rail in 2009 alone. Brazil invested $240 billion over the past three years.¶ The idea is not without high-level support. President Obama recently called for the creation of an iBank. In backing a U.S. iBank, Senator John Kerry of Massachusetts testified last year that “a national infrastructure bank will make Americans builders again.”¶ If the iBank became reality — and really it’s a necessity to compete in a globalized economy — there’s no shortage of projects. According to the American Society of Civil Engineers, more than $2 trillion is needed to fix U.S. bridges, dams, waterways and wastewater plants.¶ The sheer scale of a big fix is staggering: Some 69,000 bridges need to be repaired. The outdated electrical grid needs to be modernized everywhere. You can build solar plants and windmills all you want, but if you have no power lines to transport the electrons from the deserts and plains, you’re whistling in the wind.¶ Several spin-offs of an iBank have been floating around for years, and the idea already has support across the political spectrum. A “Clean Energy Bank” would fund solar energy equipment. Sen. Bernie Sanders of Vermont, supports legislation that would install 10 million roof solar panels. Sen. Mark Kirk of Illinois proposed a “Lincoln Legacy” infrastructure bill.¶ How is the iBank different from just handing out the money to each Congressional district and letting the local representative decide where the money should go?¶ In Kerry’s vision, federal dollars would be matched with private dollars from pension funds and endowments. Kerry told the Time’s Joe Klein recently that “a $10 billion federal contribution will leverage about $640 billion in private investments.” Kerry claims he has support from business, labor and Republican Senators.¶ Instead of doling out pork-barrel funding for bridges to nowhere, an independent board would decide which projects are needed most. It’s the inverse of a military base closing commission. Instead of shutting down facilities, this entity would greenlight and finance the most-worthy projects.¶ One thing an iBank wouldn’t be is another big-check stimulus plan, which Congress passed in 2009. That nearly $800 billion package was a huge fiscal band-aid to help states, school districts and wage earners through the recession. Yes, there were some public works projects that created short-term jobs, but the bulk of the money went to tax relief and the states.¶ The U.S. needs a new approach to economic triage. The June jobs report was nothing short of dismal as employment growth hit a wall with only 18,000 new jobs coming on the market.¶ Crumbling infrastructure will cost the U.S. economy nearly 1 million jobs and shave $3.1 trillion from gross domestic product by 2020, the Society of Civil Engineers estimates.¶ What about the budget? Isn’t there a disconnect between the current passion for cutting the federal deficit and spending money to fix America?¶ There’s little question that putting people to work will help the economy. Working people pay income, sales and property taxes, which flow back into communities. The steadily employed buy homes, vehicles and appliances. Increased tax revenue in turn reduces the deficit.¶ The iBank may be able to accomplish what a decade of personal income and estate-tax cuts didn’t: Provide the necessary public-private capital to revive the economy. Not even Harry Potter can make magic work on the U.S. economy without some significant infrastructure investment. Job creation: Fixing America with an infrastructure bank.

### Econ Advantage – Internal Link – US K2 Global

#### US Econ failure has global effects

LaFranchi, staff writer for CS Monitor, July 3, 2012 (Howard, 7-3-2012, <http://www.csmonitor.com/Business/2012/0703/Fiscal-cliff-US-must-avoid-even-the-threat-of-it-IMF-chief-warns>, 'Fiscal cliff': US must avoid even the threat of it, IMF chief warns) SQR

The International Monetary Fund on Tuesday joined the chorus of voices warning the United States that failure to deal with the impending “fiscal cliff” of tax hikes and automatic spending cuts looming at the beginning of next year threatens an already “tepid” recovery. Not only would “failure to reach an agreement to address tax and revenue issues” result in a “severe” blow to the US economy, says IMF Managing Director Christine Lagarde, but simply the threat of a failure to avoid the cliff would also result in “negative repercussions for the rest of the world.”¶ The IMF’s red flag to US policymakers is part of a review of the US economy that predicts a slightly lower growth rate than the fund anticipated in a spring estimate. The US economy will grow 2 percent this year, the fund now predicts, down from the 2.1 percent it forecast in April. The IMF also revised down slightly its growth estimate for 2013, to 2.25 percent.¶ The fiscal cliff is the name given to the combination of automatic federal-government spending cuts and expiration of Bush tax cuts that will take effect Jan. 1 without government action. Concern about it has been growing on the domestic front for several months. But the IMF’s alarm signals mounting apprehension among international economic players as well.¶ For the US alone, doing nothing and going over the fiscal cliff would reduce US economic growth to “marginally positive, if at all,” said Ms. Lagarde at a press briefing in Washington Tuesday. But she suggested that the US also needs to consider the crucial role its economy plays in the global economy.¶ “Too strong a contraction of the US economy ... will have a significant spillover effect outside the US,” she said.¶ The IMF review underscores the importance of “a multilateral approach to economic policy management,” especially by big economic powers like the US.¶ The review of the US economy, Lagarde noted, also says upfront that events in Europe in particular – a failure to stabilize and strengthen the eurozone, for example – will have an impact on US economic prospects.¶ Yet in reviewing the report on the US economy with journalists, she noted wryly that participation in the global economy entails “a receiving end and a sending end” – adding that “it’s more natural for leaders to speak of the receiving – what’s happening to me.”¶ Whether by design or not, those words conjured up images of President Obama emphasizing with European leaders the need for them to address without delay the eurozone’s weak links and to consider more stimulus to get the European economy out of recession.¶ On the other hand, the evidence of Mr. Obama welcoming European advice on handling the US economy – or on backing away from the fiscal cliff – is less clear.¶ But as Lagarde said, it is the role of the IMF to remind even a power like the US, the fund’s largest shareholder, both of what if likes to hear and what it doesn’t.

#### US Economy decline affects global economy

Gulf News, news agency, July 5th 2012

(Gulf News, 7-5-12, <http://gulfnews.com/business/economy/imf-warns-us-against-cutting-deficit-too-fast-1.1044649>, IMF warns US against cutting deficit too fast) SQR

The IMF warned that leaving the measures to take effect could force a US contraction early next year, slamming an already fragile world economy.

Lagarde highlighted that the US fiscal and debt issues have eroded confidence in the country.

“The domestic effect would be severe, with negative spillovers to the rest of the world,” Lagarde said.

The IMF noted the nation’s debt ceiling will need to be raised in early 2013, after a historic battle over the same issue in Congress last year roiled markets and cost the United States its coveted triple-A debt rating for the first time.

The looming debt crunch was “bringing back the risk of heightened uncertainty and financial market disruption,” the Washington-based institution said, calling for the limit to be lifted as soon as possible.

The IMF criticized President Barack Obama’s proposed fiscal 2013 budget, which calls for slashing the nation’s deficit by three percentage points to about 5.5 per cent of gross domestic product.

#### Domestic failure spills over globally

Politi, writer for FT Business, July 3, 2012

(James,7-3-2012, <http://www.ft.com/intl/cms/s/0/092aa032-c524-11e1-940d-00144feabdc0.html#axzz20L2GHkha>, IMF warns of ‘downside risks’ to US) SQR

The International Monetary Fund warned that “downside risks” to the US economy had intensified, urging policy makers to take steps to boost recovery and avoid a “fiscal cliff” at the end of the year.

Christine Lagarde, IMF managing director, said a “failure to reach an agreement on tax and spending policies” was one of the main clouds hanging over the “tepid” US recovery. The so-called fiscal cliff, a combination of tax rises and spending cuts that could take effect at the end of the year, threatened to damage the domestic economy and have “significant spillover effects” around the world.

### Econ Advantage – Econ Impact – Nuke War

#### Economic depression leads to war

Yulu 03 (Zhang, 07-25-03 <http://english.peopledaily.com.cn/200307/25/eng20030725_120962.shtml> “Viewpoint: Economic Recession-Blasting Fuse of Modern War” 07-11-12)

After the establishment of the capitalist system in Western countries, the market economy gradually replaced the natural economy to hold a dominant position. The market economy, more often than not, presented itself as a "surplus economy". The economic crisis is the result of this kind of relative excess and a passive method for eliminating the excess. During the period of recession, there are sharp social contradictions, stockpiling commodities and declining production, under this circumstance, the State must bear the responsibility to eliminate excess and stimulate production. The most effective method to solve this contradiction is to increase military spending. The development of armaments and military industry can, on the one hand, consume huge amounts of "surplus" materials and, on the other hand, can speed up the transfer of military science and technology to civilian enterprises and comply with the requirement for the large-scale updating of fixed assets during the recession period. The interactions of the two major forces--the sharp domestic contradictions and the expansion of military strengths-are bound to cause certain big powers to cherish the motive to lift themselves out of the "quagmire" of recession by relying on war. No wonder before the Iraq war completely came to an end, certain American "experts" began to calculate how large a role the Iraq war could play for US economic recovery. ¶ As a matter of fact, the United States is quite experienced in making a big fortune out of war and making use of war to remedy recession. World War I helped the United States to secure its throne as the world's number one power, World War II helped it to attain the position as a superpower. Victory in the Gulf War, to a certain extent, helped bring about a "new economy" and a period of 10-year-long economic prosperity for the United States. ¶ Owing to US military might, many countries have attached themselves to or are dependent on America politically and militarily, as a result, US hegemony pushes its way through, thus objectively making the United States become the country enjoying the most "stability" in the world. US present economic difficulty is associated with the declining investment rates resulted from enterprises' overproduction capacity and companies' accounting scandals, thus laying bare the aspect of false prosperity of its "new economy", but the most direct fuse of US economic recession is the "9.11" incident, it exposes the weakness of the US "security system", predicting that the "investment paradise" is facing challenges. So, in a certain sense, American economic recession is caused by the threat to its hegemony, not purely due to economic factors. ¶ The US government is well aware of the relations among US economic prosperity, its security and world security, the United States holds that to maintain US economic prosperity, it is essential to ensure national security, restore the "investment paradise" position and create neither too big nor too small troubles to the world, leaving other parts of the world in a state of "controlled" insecurity. Only by doing so, can the United States "gain benefits as can a fisherman". That's why the United States is going all out to attack "terrorism" at all costs, which presently poses the greatest threat to the country; blockade so-called disobedient "axis of evil countries", guard against potential competitors such as China, Russia and Europe, and reestablish a "secured islet". The Afghanistan war produced the effect of "killing three birds with one stone", dealt a heavy blow to terrorism and at the same time helped US influence to penetrate into regions close to China and Russia. Guided by this policy and inspired by victory gained in the anti-terrorism war, the United States started attacks on Iraq in defiance of world people's strong anti-war cries. This action was neither taken out of the emotional impulse of President George W. Bush, nor was it taken purely for oil interests.

#### Economic fall causes Nuclear war.

Friedberg and Schoenfeld, Aaron, Prof. Politics. And IR, 2008 [at Princeton’s Woodrow Wilson School and Visiting Scholar at Witherspoon Institute, and Gabriel, Senior Editor of Commentary and Wall Street Journal, “The Dangers of a Diminished America”, 10-28, <http://online.wsj.com/article/SB122455074012352571.html> 07-12-12]

Protectionist sentiments are sure to grow stronger as jobs disappear in the coming slowdown. Even before our current woes, calls to save jobs by restricting imports had begun to gather support among many Democrats and some Republicans. In a prolonged recession, gale-force winds of protectionism will blow.¶ Then there are the dolorous consequences of a potential collapse of the world's financial architecture. For decades now, Americans have enjoyed the advantages of being at the center of that system. The worldwide use of the dollar, and the stability of our economy, among other things, made it easier for us to run huge budget deficits, as we counted on foreigners to pick up the tab by buying dollar-denominated assets as a safe haven. Will this be possible in the future? Meanwhile, traditional foreign-policy challenges are multiplying. The threat from al Qaeda and Islamic terrorist affiliates has not been extinguished. Iran and North Korea are continuing on their bellicose paths, while Pakistan and Afghanistan are progressing smartly down the road to chaos. Russia's new militancy and China's seemingly relentless rise also give cause for concern. If America now tries to pull back from the world stage, it will leave a dangerous power vacuum. The stabilizing effects of our presence in Asia, our continuing commitment to Europe, and our position as defender of last resort for Middle East energy sources and supply lines could all be placed at risk. In such a scenario there are shades of the 1930s, when global trade and finance ground nearly to a halt, the peaceful democracies failed to cooperate, and aggressive powers led by the remorseless fanatics who rose up on the crest of economic disaster exploited their divisions. Today we run the risk that rogue states may choose to become ever more reckless with their nuclear toys, just at our moment of maximum vulnerability. The aftershocks of the financial crisis will almost certainly rock our principal strategic competitors even harder than they will rock us. The dramatic free fall of the Russian stock market has demonstrated the fragility of a state whose economic performance hinges on high oil prices, now driven down by the global slowdown. China is perhaps even more fragile, its economic growth depending heavily on foreign investment and access to foreign markets. Both will now be constricted, inflicting economic pain and perhaps even sparking unrest in a country where political legitimacy rests on progress in the long march to prosperity. None of this is good news if the authoritarian leaders of these countries seek to divert attention from internal travails with external adventures.

#### Economic collapse causes nuclear war

Harris and Burrows, PhD in European History, 09 (Mathew J. and Jennifer 4-1-09 <http://www.twq.com/09april/docs/09apr_Burrows.pdf> “Revisiting the Future: Geopolitical Effects of the Financial Crisis” 07-11-12)

Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample Revisiting the Future opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups\_inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. 36 Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

### Econ Advantage – China Bashing Internal Link – China War

#### US Economic decline causes protectionism against China—Escalates into trade war

Lopa, Major in International Relation, 11 (Maisha 03-17-11 http://macaulay.cuny.edu/eportfolios/lopa/2011/03/17/us-china-trade-deficit-a-result-of-changing-international-distributions-of-power/ “US-China Trade Deficit: A Result of Changing International Distributions of Power” 07-11-12)

Furthermore, the function of US Gross Domestic Product that is reliant on trade is much higher today than it was in 1929 which has made it are more sensitive to trade volatility and deficit. Lastly, increasing gap in income has made US workers much for vulnerable to international trade volatility. As substantiated in prospect theory, which states that, we care more about losses than gains, US workers fear outsourced jobs and lower wages more than they anticipate a growing economy as a result of free trade. Trade in the US has become politicized and democracy has made the US an inefficient arbiter of trade policies as it is reflected the current trade deficit against China.¶ ¶ Historically, countries have wanted some protectionists measure to win small benefits and advantages over other nations and to protect its infant industries. However, in most cases, protectionist measures that have escalated into trade wars have not benefitted the competing nations or the international economy. The Smoot Hawley Tariff, which was a protectionist policy enacted by US Congress, led to trade wars and terrible economic outcomes. More recent protectionist policies such as the Obama administrations move to put tariffs on Chinese tires had no impact on domestic tire production or employment[3]. The Chinese duty on American poultry is seen as retaliation against American duty on tires. This is a clear example of escalating trade war.

#### Economic collapse in US causes lashout with protectionism

Austin 9 (Michael, Resident Scholar – American Enterprise Institute, and Desmond Lachman – Resident Fellow – American Enterprise Institute, “The Global Economy Unravels”, Forbes, 3-6, <http://www.aei.org/article/100187> 07-13-12)

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

### Econ Advantage – China Bashing Impact – Nuke War

#### China bashing triggers a global economic depression and a hot war between the US & China

Droke 10 (Clif, Editor – Momentum Strategies Report, “America and the Next Major War’, Green Faucet, 3-29, <http://www.greenfaucet.com/technical-analysis/america-and-the-next-major-war/79314>)

In the current phase of relative peace and stability we now enjoy, many are questioning when the next major war may occur and speculation is rampant as to major participants involved. Our concern here is strictly of a financial nature, however, and a discussion of the geopolitical and military variables involved in the escalation of war is beyond the scope of this commentary. But what we can divine from financial history is that "hot" wars in a military sense often emerge from trade wars. As we shall see, the elements for what could prove to be a trade war of epic proportions are already in place and the key figures are easily identifiable. Last Wednesday the lead headline in the Wall Street Journal stated, "Business Sours on China." It seems, according to WSJ, that Beijing is "reassessing China's long-standing emphasis on opening its economy to foreign business....and tilting toward promoting dominant state companies." Then there is Internet search giant Google's threat to pull out of China over concerns of censorship of its Internet search results in that country. The trouble started a few weeks ago Google announced that it no longer supports China's censoring of searches that take place on the Google platform. China has defended its extensive censorship after Google threatened to withdraw from the country. Additionally, the Obama Administration announced that it backs Google's decision to protest China's censorship efforts. In a Reuters report, Obama responded to a question as to whether the issue would cloud U.S.-China relations by saying that the human rights would not be "carved out" for certain countries. This marks at least the second time this year that the White House has taken a stand against China (the first conflict occurring over tire imports). Adding yet further fuel to the controversy, the U.S. Treasury Department is expected to issue a report in April that may formally label China as a "currency manipulator," according to the latest issue of Barron's. This would do nothing to ease tensions between the two nations and would probably lead one step closer to a trade war between China and the U.S. Then there was last week's Wall Street Journal report concerning authorities in a wealthy province near Shanghai criticizing the quality of luxury clothing brands from the West, including Hermes, Tommy Hilfiger and Versace. This represents quite a change from years past when the long-standing complaint from the U.S. over the inferior quality of Chinese made merchandise. On Monday the WSJ ran an article under the headline, "American Firms Feel Shut Out In China." The paper observed that so far there's little evidence that American companies are pulling out of China but adds a growing number of multinational firms are "starting to rethink their strategy." According to a poll conducted by the American Chamber of Commerce in China, 38% of U.S. companies reported feeling unwelcome in China compared to 26% in 2009 and 23% in 2008. As if to add insult to injury, the high profile trial of four Rio Tinto executives in China is another example of the tables being turned on the West. The executives are by Chinese authorities of stealing trade secrets and taking bribes. There's a touch of irony to this charge considering that much of China's technology was stolen from Western manufacturing firms which set up shop in that country. It seems China is flexing its economic and political muscle against the West in a show of bravado. Yet one can't help thinking that this is exactly the sort of arrogance that typically precedes a major downfall. As the Bible states, "Pride goeth before destruction, and an haughty spirit before a fall." In his book, "Jubilee on Wall Street," author David Knox Barker devotes a chapter to how trade wars tend to be common occurrences in the long wave economic cycle of developed nations. Barker explains his belief that the industrial nations of Brazil, Russia, India and China will play a major role in pulling the world of the long wave deflationary decline as their domestic economies begin to develop and grow. "The are and will demand more foreign goods produced in the United States and other markets," he writes. Barker believes this will help the U.S. rebalance from an over weighted consumption-oriented economy to a high-end producer economy. Barker adds a caveat, however: if protectionist policies are allowed to gain force in Washington, trade wars will almost certainly erupt and. If this happens, says Barker, "all bets are off." He adds, "The impact on global trade of increased protectionism and trade wars would be catastrophic, and what could prove to be a mild long wave [economic] winter season this time around could plunge into a global depression." Barker also observes that the storm clouds of trade wars are already forming on the horizon as we have moved further into the long wave economic "winter season." Writes Barker, "If trade wars are allowed to get under way in these final years of a long wave winter, this decline will be far deeper and darker than necessary, just as the Great Depression was far deeper and lengthier than it should have been, due to growing international trade isolationism. He further cautions that protectionism in Washington will certainly bring retaliation from the nations that bear the brunt of punitive U.S. trade policies. He observes that the reaction from one nation against the protectionist policies of another is typically far worse than the original action. He cites as an example the restriction by the U.S. of $55 million worth of cotton blouses from China in the 1980s. China retaliated by cancelling $500 million worth of orders for American rain. "As one nation blocks trade, the nation that is hurt will surely retaliate and the entire world will suffer," writes Barker.

## \*\*\*State Budget Advantage

### State Budgets Adv – Biodiversity Addon – 2AC

**State Budget Cuts shut down the Biodiversity Program**

**DeSantis ’12**

(Nick, DeSantis, January 12, 2012 <http://chronicle.com/article/Budget-Cuts-Force-Biodiversity/130331/>, “Budget Cuts Force Biodiversity Program to Close”)

**Budget cuts have forced a key biodiversity database to close, leaving scientists and researchers without a unified tool to access biological data from across state and federal agencies.¶ The U.S. Geological Survey's National Biological Information Infrastructure program and its popular Web site will shut down on Jan. 15 due to the elimination of the program's 2012 federal budget.** The program's closure follows a series of drastic cuts that reduced its budget to zero in 2012 from $7 million in 2010.¶ Created in 1994 within what was then the National Biological Service of the Department of the Interior, **the program gives researchers a direct link to biodiversity information** that would otherwise be spread across a range of government agencies. With a few clicks**, researchers can access a variety of environmental data, from taxonomic information about plants and animals to news covering the spread of wildlife diseases.** Experts said the futures of some databases supported by the program are now uncertain, even as efforts are under way to archive the material.¶ **Researchers "could do one-stop shopping with NBII**", according to Henry L. Bart Jr., a professor of ecology, evolution, and organismal biology at Tulane University who directs a biodiversity research institute there. But after the program closes Sunday, he said, "they'll have to use a new resource." Mr. Bart said he expects the closure to have a significant effect on researchers who rely on the site to browse data sets outside their areas of expertise.¶ Maria A. Jankowska, chair of the American Library Association's task force on the environment, said she was "shocked" to learn of the impending closure. By the time she received the news in late December, she said, it was too late to protest**: Her associations's midwinter meeting, at which she could have proposed a resolution on behalf of the closing program, meets five days after it is scheduled to shut down.¶ Frederick W. Stoss, an associate librarian at the University at Buffalo**, said the resource is part of a "soft underbelly" of government programs that is easy for outsiders to criticize, but actually provides vital information on some of the most pressing environmental problems. Mr. Stoss said some institutions are trying to work together to preserve the material, but they are unlikely to match the convenience and breadth of the program's resources. Researchers looking for biodiversity data in the future will likely have to hunt down individual sources instead of visiting a single access point.¶ **"Someone has to go back and essentially reinvent the wheel because somebody has hidden the wheel,"** Mr. Stoss said.¶ Before the closure, the Geological Survey is working with its partner organizations to ensure that some of the data sets available through the program will be maintained, though long-term access remains uncertain, according to Michael McDermott, the agency's deputy director of core science, analytics, and synthesis. But Mr. Stoss said even if the agency's partners are able to sustain the data over the long term, the information will still be more difficult for scholars to locate.¶ **"It just makes the search for the information and data that much more time-consuming, if it can be done at all,"** he said.

#### Must reverse species extinction or put human survival at risk:

California Academy of Sciences, last modified 8/21/2004 (HYPERLINK "http://www.calacademy.org/research/library/biodiv.htm" http://www.calacademy.org/research/library/biodiv.htm)

Currently, more than 10,000 species become extinct each year and while precise calculation is difficult, it is certain that this rate has increased alarmingly in recent years. The central cause of species extinction is destruction of natural habitats by human beings. **Human survival itself** may **depend upon reversing this accelerating threat to species diversity**. Among the millions of undescribed species are important new sources of food, medicine and other products. When a species vanishes, **we lose access to the survival strategies** encoded in its genes through millions of years of evolution. We lose the opportunity to understand those strategies which may hold absolutely essential options for **our own future survival as a species**. And we lose not only this unique evolutionary experience, but emotionally, we lose the unique beauty, and the unique spirit, which mankind has associated with that life form.

### XT – State Budget Crisis Now

**State Budget cuts coming now**

**Quesinberry 7-5**

(JUSTIN QUESINBERRY, Reporter at NBC, July 05, 2012, <http://www2.nbc17.com/news/2012/jul/05/state-budget-cuts-planned-parenthood-money-ar-2410767/>, “State budget cuts Planned Parenthood money”)

RALEIGH, N.C. --¶ **Planned Parenthood is losing state funding as part of a decision** by the Republican-led General Assembly.¶ According to the agency, **lawmakers cut off about $200,000 to Planned Parenthood by preventing health departments from contracting with family planning service providers.**¶ Last year, lawmakers did the same thing, but specifically cut the agency's money, according to Irene Godinez, public affairs for Planned Parenthood Health Systems.¶ The courts ruled against that, she said.¶ This time, **lawmakers did not specifically mention Planned Parenthood**, but it's **funding** is still impacted.¶ **State money cannot be used for abortions**, Godinez said.¶ “We know that a significant amount of a patients will have to either go without these lifesaving cancer screenings and pap smears and birth control or they'll have to go and wait in long lines at local health departments,” she said.¶ **Planned Parenthood groups are now discussing how to fight the cut**.¶ They're not ruling out legal action, Godinez said.

**State Budget cuts now**

**Quigley 7-10**

(Joan Quigley, The Jersey Journal, July 10th 2012, <http://www.nj.com/hudson/voices/index.ssf/2012/07/no_victors_in_budget_battle.html>, “Quigley: No victors in state budget showdown”)

**The budget sent to the governor was smaller than the one he proposed, but then Christie cut it even further. It set aside funds for a possible tax cut at the end of the year, but that won't happen unless rosy revenue projections are met.** Christie called legislators back into session on July 2 and talked for almost an hour about why they should act now to cut next year's taxes. They had to listen to his remarks but since he could not compel them to act, they merely recessed, saying they'd see what shape the state's economy is in next fall. Then the Governor set off on a series of unreality shows boasting about his ability to earn bipartisan support.¶ before that, however, he line-item-vetoed some of the Democrats' favorite projects. **He knocked the Earned Income Tax Credit back to 20 percent although legislators wanted 25 percent. He refused to return a larger portion of energy tax receipts funds to municipalities despite pleas from mayors. For the third year he vetoed $7.4 million funding for women's health programs and refused to put money into the UEZ program.**¶ He conditionally vetoed an increased tax for millionaires, unsuccessfully trying to turn it into a tax credit. He refused to sign a bill allowing towns to quickly convert foreclosed properties into affordable housing. **While he was at it, he snatched unspent affordable housing funds from municipalities for the state treasury.**

**State Budget cuts are still coming**

**AP 7-10**

(AP, July 10 2012, <http://www.westkentuckystar.com/News/State/Kentucky/Budget-Revenues-Top-Projections-Cuts-Still-Coming.aspx>, “Budget Revenues Top Projections, Cuts Still Coming”)

FRANKFORT, KY - A slowly recovering Kentucky economy has pushed tax revenues beyond what had been projected by a panel of economic experts over the past year.¶ Budget Director Mary Lassiter said Tuesday the state's General Fund tax revenue for the fiscal year that ended June 30 was $83 million more than expected.¶ Despite the good news, the state still faces budget cuts in the coming year because of lingering financial woes from the economic recession.¶ Lassiter said she hasn't yet determined if the state ended the fiscal year with a budget surplus because all expenditures for the year haven't yet been accounted for. If there is a surplus, Lassiter said the money would be applied to necessary government expenses or deposited in the state's rainy day fund.

#### State are cutting their budget now

Merrit 7-7

Ed Merritt, Professor of Management at California State University, July 7th 2012, <http://potomacteapartyreport.wordpress.com/2012/07/07/western-maryland-legislators-score-big-vote-for-a-business-friendly-maryland/>, “Western Maryland legislators score big! Vote for a business-friendly Maryland”

Maryland Business for Responsive Government (MBRG) today issued its annual Roll Call, scoring legislators on their votes during the regular and May special sessions of the 2012 Maryland General Assembly.¶ For the first time in the publication’s 27 year history, more than half of the issues in both the House and the Senate focused on the budget issues and tax increases passed by the General Assembly.¶ [....]¶ “There is no single, more important indicator for economic development in this State than the budget,” said Democratic-Co Chair Marvin Mandel.¶ While states are cutting their budgets an average of 2.7% nationally, Maryland increased its budget by $1.2 billion. Increases in income tax rates, reductions in exemptions and increases in fees were a few of the additional costs imposed on Maryland taxpayers and businesses as the General Assembly was called back into special session in May to fund calls for increased spending.

#### Some district schools lost a lot of money on budget cuts

George ‘12

Carmen George, Burlington College team after serving as Marketing and Development Manager for Good News Garage, July 5th 2012, <http://www.sierrastar.com/2012/07/05/58737/area-school-districts-brace-for.html>, “Area school districts brace for more state cuts”

Additionally, if voters don't approve the tax hike, the 2012-13 and 2013-14 school years could be reduced by 15 days on top of the five-day reduction already allowable.¶ Yosemite's reserve fund is down to 1.3% for 2012-13 compared to the 19.2% cushion it had in 2009-10, and the district has already cut everything down to the "bare bones," Vasan said.¶ Management has been cut by 50%, teachers have been cut by 34% and classified positions (maintenance, custodial and transportation) have been cut by 30%, he said. Class sizes have risen and the school year was also cut by three days in 2011-12.¶ "Our district has lost $5 million in the past five years due to state funding cuts and declining enrollment," Vasan said. "We have sacrificed staff, resources and the quality of our children's education."¶ California is now amongst the bottom five states in student performance and education spending. How much we spend on our children's education matters, Vasan said.¶ Yet while California ranks amongst the worst in spending for education, it ranks the highest nationwide for prison spending -- more than five times what it spends per student, Vasan added.¶ "It is time that the future of our children and their educational needs drive education funding instead of economic policy dictating the demise of our education quality," he said.

**State Budgets coming**

**Childress 7-10**

(Gregory Childress, Writer at Heral Sun, July 10 2012, <http://www.heraldsun.com/view/full_story/19257311/article-UNC-board-puts-final-touches-on-budget>, “UNC board puts final touches on budget”)

CHAPEL HILL – In a conference call Tuesday, the UNC Board of Governors put the final touches on the university system’s $2.5 billion budget.¶ The board met Tuesday to vote on how the system would allocate state funding for salaries, operations and capital improvements.¶ And while the system did not get all of what it requested, officials said state appropriations are fair given the tough fiscal situation in which the state finds itself.¶ “Top priorities were funded partially or fully, including building reserves, enrollment growth, our faculty recruitment and retention fund and new base financial aid,” said Charlie Perusse, the system’s vice president for finance. “Overall we were very pleased.”¶ The budget restored $9.1 million in cuts in the budget for fiscal year 2012-13, provides $6.8 million in recurring operating funds for facilities and $2.7 million in nonrecurring funds and increases financial aid funding by $25.6 million to bring the total financial aid program funding to $141 million.¶ Funding for enrollment growth was also included in the budget but only grew by $1.4 million. ¶ As a result, most campuses will only get about half of the enrollment funding regardless of whether they meet system goals under the new performance-based funding model that rewards campuses for graduating students and operating more efficiently. ¶ “I think everyone understands that this is not satisfactory for any one campus, but is a system solution that everyone understands shares the pain,” said UNC System President Tom Ross.¶ The system also received half -- $11.5 million of the $23.1 million -- state lawmakers appropriated from the Statewide Reserve for Repairs and Renovations.

**State Budget coming**

**Feran 7-11**

Tom Feran, July 11th 2012, a reporter with The Plain Dealer in Cleveland, <http://www.politifact.com/ohio/statements/2012/jul/11/ohio-democratic-party/ohio-democratic-party-says-kasich-budget-forced-lo/>, “Ohio Democratic Party says Kasich budget forced local cuts, tax increases, layoffs”

One was the city of Lima. Its finance director said it had a balanced budget as recently as 2008, but faced a $2 million deficit in its general fund, largely because of state budget cuts, despite "reducing the general fund consistently for the past 10 years," the Lima News reported.¶ Another was Sycamore Township, near Cincinnati. It laid off most of its firefighters in May 2012 because, township officials said, state budget cuts would eliminate half of the community's general fund revenue.**¶** A third was the Berea school district, which passed a 3.9-mill operating levy in March 2012 after reducing its budget by $5.1 million for reasons that included the loss of state dollars.¶ According to the Ohio School Boards Association, school levies passed in March 2012 at an "exceptionally high" rate of 74 percent, the highest level since November 2000. The usual passage rate for school levies in Ohio is about 54 percent, the group said.

**Financial woes prove th**a**t the States are going to experience some budget cuts**

**CBS News 7-11**

(CBS News, July 11th 2012, <http://www.cbsnews.com/8301-505245_162-57470195/general-fund-revenues-exceed-projections-by-$83m/>, “General Fund revenues exceed projections by $83M”)

FRANKFORT, Ky. — Thanks to a slowly recovering economy, Kentucky raised more General Fund tax revenues during the past year than a panel of economic experts had predicted, the state's chief financial officer said Tuesday.¶ Budget Director Mary Lassiter said the state ended the last fiscal year on June 30 with $83 million more than expected.¶ Despite the good news, the state still faces budget cuts in the coming year because of financial woes from the still lingering economic recession.¶ Lassiter said she hasn't yet determined if the state ended the fiscal year with a budget surplus because not all expenditures for the year have been accounted for. If there is a surplus, Lassiter said the money would be applied to necessary government expenses or deposited in the state's rainy day fund.¶ Senate Republican Leader Robert Stivers said the revenue report reflects a balanced budget, good news at a time when the state's top accountants are concerned about "continued volatility" in the economy.**¶** "It gives us a little cushion, but very little, going into the next fiscal year," Stivers said. "The raw numbers sound great to the individual, but when you take it as being just 1 percent of the overall state budget, it's a small amount."¶ Kentucky has been wrestling with financial woes for the past four years, and lawmakers passed a no-frills budget earlier this year.**¶** That budget denied pay raises to Kentucky's more than 30,000 state government workers and stripped cost-of-living increases from the pensions of government retirees.¶ The budget requires 8.4 percent spending cuts for most government agencies in the coming year, an especially difficult task for agencies that have already trimmed their budgets by more than 30 percent over the past four years.¶ Revenue for the fiscal year that just ended totaled $9 billion, which was 3.8 percent higher than the previous fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### \*\*\*Bioterror Scenario

### **Bioterror Scenario – State Budget Cuts Kill Bioterror**

#### **State Budgets Eroding Bioterrorism Response Efforts**

Walker, Washington Correspondent December 20, 2011

(Emily, 7-12-12, <http://www.medpagetoday.com/InfectiousDisease/Surveillance/30333> “Report Claims Cuts Weaken U.S. Bioterrorism Response”. bcd) (Reviewed by Robert Jasmer, MD; Associate Clinical Professor of Medicine, University of California, San Francisco)

State and federal budget cuts are eroding the nation's ability to respond to bioterrorism and public health emergencies, according to a new report.¶ Since 2008, more than 49,000 state and local public health jobs have been eliminated either because of layoffs or attrition, and 60% of state health agencies have cut entire programs.¶ WASHINGTON -- State and federal budget cuts are eroding the nation's ability to respond to bioterrorism and public health emergencies, according to a report from the Trust for America's Health and the Robert Wood Johnson Foundation.¶ Federal funds for state and local preparedness have declined by 38% from fiscal year (FY) 2005 to FY 2012, according to the report, which was released Tuesday. In addition, 4o states and Washington, D.C., have cut state public health funds in the past year.¶ Following the Sept. 11 attacks, an assessment of the nation's ability to protect public health determined the country was "structurally weak in almost every area."¶ In the past decade, the federal government, states, and local governments have attempted to strengthen their ability to protect public health, and the situation even looked like it was improving based in part on the nation's fast response during the H1N1 outbreak in 2009, according to the report authors.¶ Also, the Centers for Disease Control and Prevention (CDC) grew from having just a makeshift emergency operations center 10 years ago to having a state-of-the-art one today.¶ However, in recent years, budget cuts have stripped away funding, and future funding for preparedness looks grim, the report authors wrote.¶ Since 2008, more than 49,000 state and local public health jobs have been eliminated either because of layoffs or attrition, and 60% of state health agencies have cut entire programs, according to the report, which examined state and federal budget data.¶ All 50 states and Washington, D.C., made cuts in the Hospital Preparedness Program (HPP) from FY 2010 to FY 2011. That program, run by the Department of Health and Human Services (HHS) provides funding and support to hospitals to help them prepare for public health emergencies.¶ In 2008 and 2009, the CDC awarded nearly $14 million in grants to nine universities to help them form Preparedness and Emergency Response Research Centers (PERRCs) to study how best to respond to disasters and translate the information guidelines for public health departments. That research has resulted in the publication of 64 peer-reviewed articles on disaster preparedness, according to the report, which is issued annually.¶ But the federal fiscal 2011 budget slashed PERRC funding by 40%, and the proposed budget for 2012 contains further cuts.¶ In addition, all 10 state-based labs that are capable of Level 1 chemical testing -- meaning they can detect exposure to chemical agents including mustard gas, nerve gas, and other toxic chemicals, and assist the CDC if it becomes overloaded -- are at risk of being eliminated, which would leave the CDC and the Department of Defense as the only labs with full ability to test for chemical terrorism and accidents.¶ "We're seeing a decade's worth of progress eroding in front of our eyes," Jeff Levi, PhD, executive director of the Trust for America's Health, said on a Tuesday morning call with reporters. "Preparedness had been on an upward trajectory, but now some of the most elementary capabilities – including the ability to identify and contain outbreaks, provide vaccines and medications during emergencies, and treat people during mass traumas – are experiencing cuts in every state across the country."¶ The federal budget cuts are expected to continue because the 2012 proposed budget outlines cuts for hospital preparedness, vaccine development, and FEMA. In addition, because the "super committee" tasked with identifying more than a trillion dollars in cuts in federal spending failed to reach an agreement last month, an automatic cut of $1.2 trillion from federal spending over 10 years was triggered. Unless Congress votes to avert that trigger, a 10% cut in domestic programs -- including public health preparedness programs -- will go into effect in 2012, Levi said.¶ The report authors recommend assuring dedicated funding for public health preparedness, improving the ability to provide medical care for a mass influx of patients, and improving biosurveillance capabilities to better detect and track outbreaks or attacks.¶ "The old adage is that it's better to be safe than sorry," James Marks, MD, director of the Health Group of the Robert Wood Johnson Foundation, said in a press release. "Unfortunately, if we ignore preparedness now, we'll be sorry later when the next emergency strikes"

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#### **State Budgets Cuts Hamper Bioterror Response Time**

Ahlers, Reporter for CNN News, December 20th 2011

(Mike, 7-12-12, http://security.blogs.cnn.com/2011/12/20/bioterror-security-at-risk/December 20th, 2011, “Bioterror Security at risk” .bcd)

Recent and proposed budget cuts at all levels of government are threatening to reverse the significant post-9/11 improvements in the nation's ability to respond to natural diseases and bioterror attacks, according to a report released Tuesday.¶ "We're seeing a decade's worth of progress eroding in front of our eyes," said Jeff Levi, executive director of the Trust for America's Health, which published the report with the Robert Wood Johnson Foundation.¶ Budget cuts already have forced state and local health departments to cut thousands of health officials, the report says. Cuts are jeopardizing the jobs of federal investigators who help states hunt down diseases, threatening the capabilities at all 10 "Level 1" state labs that conduct tests for nerve agents or chemical agents such as mustard gas, and may hurt the ability of many cities to rapidly distribute vaccines during emergencies, it says.¶ The "upward trajectory" of preparedness, fueled by more than $7 billion in federal grants to cities and states in the past 10 years, is leveling off, and the gains of the last decade are "at risk," the report says.¶ The 2011 report departs slightly in tone from the nine previous reports prepared by the two health advocacy groups. Earlier reports, while focusing on gaps in the nation's preparedness for pandemics and bioterror attacks, showed a "steady progression of improvement," said Levi.¶ "Our concern this year is that because of the economic crisis... we may not be as prepared today as we were a couple of years ago," he said.¶ Once lost, medical capabilities take time and money to rebuild, the report says.¶ "It would be like trying to hire and train firefighters in the middle of a fire," Levi said. "You don't do that for fire protection, and we shouldn't be doing that for public health protection."¶ There are few expressions of assurance or optimism in the 2011 report.¶ The report says:¶ – In the past year, 40 states and the District of Columbia have cut funds to public health.¶ – Since 2008, state health agencies have lost 14,910 people through layoffs or attrition; local health departments have lost 34,400.¶ – Federal PHEP grants - Public Health Emergency Preparedness grants - were cut 27 percent between fiscal 2005 and 2011, when adjusted for inflation.¶ – Some 51 cities are at risk for elimination of Cities Readiness Initiative funds, which support the rapid distribution of vaccinations and medications during emergencies.¶ "Two steps forward, three steps back," said Dr. F. Douglas Scutchfield of the University of Kentucky College of Public Health, in an essay accompanying the study. "As certain as the sun will rise in the east, we will experience another event that will demonstrate our inability to cope, as the resources for public health are scarce, and it will prompt the cycle of build-up, neglect, event, build-up, etc."¶ Federal aid to state and local governments for health preparedness peeked in 2002 at about $1.7 billion, and fell to $1.3 billion in fiscal 2012, Levi said. But the impact of cuts were masked when Congress allocated more than $8 billion in emergency funds to fight the H1N1 flu in 2009, Levi said. "Now that money is gone. And so we're seeing the real impact of these cuts," he said.¶ The TFAH report comes just two months after another report concluded that the United States is largely unprepared for a large-scale bioterror attack or deadly disease outbreak.¶ The WMD Terrorism Research Center, gave the country mostly B's and C's for its ability to handle small-scale events, such as the anthrax letter attack of 2001, and failing grades for its ability to handle large-scale events, like the global epidemic depicted in the movie "Contagion." It gave the country a "D" for its ability to develop and quickly approve medical countermeasures, such as diagnostic tools and vaccines, during outbreaks of all sizes.¶ Report authors said they recognize that budget constraints prevent governments from addressing all of the shortcomings in bioterror preparedness. But they recommend focusing on preparing for large-scale outbreaks, saying those preparations would automatically improve preparedness for smaller outbreaks¶

**State Budget Cuts are forcing cuts in the health department now**

**Brothers ’12**

(Mike Brothers, Springfield-Greene County Health Department, July 05, 2012, <http://articles.ky3.com/2012-07-05/springfield-greene-county-health-department_32555684>, “Budget cuts force health department to charge non-Greene County residents for some services”)

**“Funding for public health is a three-legged stool built on local, state and federal funds,”** said Director of Health Kevin Gipson. “**All three funding streams are vital to protecting public health in some way.** The nature of public health funding is very fragmented, and changes in funding certainly do impact services.”¶ **A recent survey conducted by the National Association of County and City Health Officials found that 57 percent of all local health departments cut programs in 2011**, more than any previous year since the start of the recession in 2008.¶ Missouri is no different. According to a report released in March by the Trust for America’s Health, 40 states cut public health budgets in the last year. Missouri made cuts in 2003, 2004 and 2010. During that time, the state population has grown by 7 percent, and the population of Greene County has grown at more than twice that rate, at 14.5 percent. Missouri currently ranks No. 43 in receiving federal funding for public health, according to the report from the Trust For America’s Health.¶ With such a dismal funding track record, it may come as no surprise that Missouri also ranks at or near the bottom of many national lists on a variety of health and healthcare issues.¶ “We understand that both the Governor and Legislature have very tough choices to make,” Gipson said. **“However, the days of absorbing these kinds of cuts without a noticeable loss of services have passed.”**

### **Bioterror Scenario – A2: No Risk of Bioterror**

#### International Sanctions are failing, chemical weapons now easy to access, and reproduce

Misey, member of the Organization for prevention of chemical weapons, 2011

(Robert, 7-12-12, ://www.opcw.org/about-chemical-weapons/chemical-terrorism/the-opcw-and-the-global-struggle-against-terrorism/ “Terrorism and the Availability of Chemical Weapons”. bcd)

Now, the abandoned and looted laboratory lies within Kazakhstan’s borders. Terrorist organizations have ransacked this and other laboratories, not only stealing the chemicals but also the knowledge to re-create them.¶ Although this may seem like an issue that Russia alone must deal with, it has widespread repercussions. Chemical weapons even in the smallest doses can immediately ravage a human body in a matter of minutes to hours. The types of chemical agents commonly used are vesicants, choking agents, and deadly nerve agents. With the USSR’s stolen technology, terrorist organizations may use chemical weapons at anytime. In 1995, shortly after the collapse of the USSR, the Aum Shinrikyo cult in Japan attacked the Tokyo subway system. Their weapon of choice was Sarim, a deadly chemical nerve agents. Even more frightening is how civilians have access to pharmaceuticals and other items that can be used as ingredients for chemical weapons. With civilian access to necessary materials, chemical weapons could be created by anyone who knows how to. Recently in the United Kingdom an arrest was made of two people accused of creating Ricin, another chemical weapon, in their London apartment. The barriers guarding terrorists around the world from creating chemical weapons have begun to fall.¶ The champion of the fight against chemical weapons has been the Organization for the Prevention of Chemical Weapons (OPCW); however, their efforts have not blocked terrorists from gaining access to chemical weapons. First, they failed to effectively dismantle and remove the chemical weapons in the abandoned Soviet laboratories before terrorists looted them. Second, they have not placed significant international restrictions on purchasable items that may be used as ingredients for weapons. Finally, the Chemical Weapons Convention (CWC) that the OPCW founded has only as much impact as the countries bound to it, leaving influential countries such as the Democratic People’s Republic of Korea and Egypt free to act on their own accord. Without international sanctions on these countries, they can have as little control over chemicals as they wish. Moreover, Egypt now is in an unpredictable state without a clear direction at this point in time as a result of the recent overthrowing of former President Mubarek.¶ The OPCW has honorable intentions, but ultimately fails to uphold the mission it was designed to achieve. One of the most effective agreements to eliminating chemical weapons has been the G8 agreements signed by the Russian Federation and Poland, not the CWC. The Russian Federation agreed to lower production of all chemical weapons by vast amounts. This agreement was separate from anything the weak OPCW has done in its existence. However, the OPCW is connected to the United Nations. The OPCW executive board reports all arrangements and agreements to the UN and other international organizations prior to their confirmation. With this power, the UN already has over the OPCW and the shortcomings the OPCW has demonstrated, the Federation of Russia would like to either see more control over the OPCW by the UN or disregard the organization and deliver more sanctions from the UN itself. What is currently being done is not delivering results. For greater global security, the OPCW must be more influential, or the UN, in its supreme international power, should create their own international sanctions, not just the signatory countries to the OPCW. This would allow for the UN to threaten the removal of any financial aid assisted to nations not in compliance, bringing them to ultimately accept the sanctions which the OPCW could not enforce.¶ The threat of chemical weapons on our international culture is astounding in scale, with major precautions needing the help of all nations for strict enforcement. The UN must organize an international clean-up for the numerous laboratories left behind by the former USSR, as well as placing international sanctions upon the availability of chemicals and toxins to civilians. Unfortunately, the OPCW is not effective enough in their power and range of influence to do so themselves, so the UN must call all nations to create a safer global community. The Russian Federation has gone the extra mile in eliminating chemical weapons within our country through the G8 agreement with Poland, but will other nations fight this battle with us?

### \*\*\*Heg Scenario

### Heg Scenario – State Budget Cuts Kill Education

#### States slash education spending – 2011 proves

CBPP 11

(Center on budget and Policy Priorities, Think tank specializing in federal and state policies, 10/7/11, “New School Year Brings Steep Cuts in State funding for Schools, <http://www.cbpp.org/cms/?fa=view&id=3569>)

Elementary and high **schools are receiving less state funding than last year** in at least 37 states, and in at least 30 states school funding now stands below 2008 levels – often far below. **These cuts are attributable**, in part, **to the failure of the** federal **government to extend** **emergency fiscal aid to states and school districts** and the failure of most **states** to enact needed revenue increases and instead to **balance their budgets solely through spending cuts**. The cuts have significant consequences, both now and in the future: They are causing immediate public- and private-sector job loss, and in the long term are likely to reduce student achievement and economic growth. Our review of budget documents finds that, of 46 states that publish education budget data in a way that allows historic comparisons: 37 **states are providing less funding** per student to local school districts in the new school year **than they provided last year**. 30 states are providing less than they did four years ago.. 17 states have cut per-student funding by more than 10 percent from pre-recession levels. Four states— **South Carolina, Arizona, California, and Hawaii** — each have **reduced** per student funding to K-12 schools **by more than 20 percent.**

#### Schools are cutting back—their local and state revenues are dropping

CNN 12

(Cable News Network, Major National News Source, 3/27/12, Economic Recovery Skips the Classroom, <http://money.cnn.com/2012/03/27/news/economy/education-budget-cuts/index.htm>)

More than **eight in 10 districts** say they **are inadequately funded**, **and more than half anticipate a decrease in state** and local **revenues** for the coming school year, according to a recent survey from the American Association of School Administrators. Even in districts where state aid is stabilizing, local funding is shrinking or costs are rising faster than revenues. Many are only now feeling the effects of the housing bust as **towns lower property assessments**, which affects the property tax revenues that many **schools depend on.** A model for addressing college costs Yet another year of cuts is prompting a greater share of districts to slash teachers, classes and more. Two-thirds of districts expect to eliminate positions in 2012-13, while one-quarter are looking at furloughs. Some 57% anticipate having to increase class size. More than 48% say they may have to eliminate or delay instruction improvements, such as updating textbooks, computers and science labs. Nearly three in 10 are considering canceling summer school. "The cuts are so drastic because those who have already made cuts have already made the easy ones," said Noelle Ellerson, the association's assistant director. Tough choices The recovery has yet to come to Wicomico County, a rural area in eastern Maryland. Tax revenue is up only slightly and unemployment remains high. So Superintendent John Fredericksen is struggling to find another way to slash $1.8 million, about 1.5%, out of his district's budget after cutting millions more in recent years. He's trying to do it without affecting the children, who are already packed tighter into classrooms than their peers in neighboring districts. This coming year, Wicomico will charge many kids $2,000 to go to pre-K instead of letting them in for free. It plans to close its buildings on Fridays in the summertime, and it will hold onto its vehicles for up to 15 years instead of 12. The district also hopes to save $900,000 through an early retirement incentive plan. **Fredericksen had hoped the cuts would be over by now**. "I thought I was at the end of my last straw last year," he said. North Penn School District outside of Philadelphia isn't as fortunate. **To reduce its budget by $2.5 million, or about 1.3%,** it will have to make cuts that the students will feel. "We're just starting to see a few months of positive economic data in our community," said Superintendent Curtis Dietrich. "It's too soon to plan it into our budgets." As a result, administrators are targeting elective classes, assistant coaches and clubs for the coming school year. The district may also cut back on paying for students to travel to debate team, mock trial, music competitions and the like. It could also consolidate certain classes, such as art, and not replace retiring and departing staffers. **The** North Penn **School District already cut 5% of its teachers, 6% of support staff and 14% of its administrators this current school year**. But it's also feeling the pinch from higher pension contribution costs. The story is similar in Seminole County, Fla., which is still reeling from last year's budget slashing. Though the suburban district north of Orlando is getting more money from the state, it still has to cut more than $16 million, or 3.8%, for the coming year. So when kids return in the fall, they'll find fewer elective classes, such as art, music and languages, said Superintendent Bill Vogel. There will be 50 fewer teachers and 20% fewer coaches, which will hit the junior varsity and 9th grade teams particularly hard. Vogel is especially concerned about the district's inability to upgrade its technology due to lack of funds. It needs to do that to better prepare students for the innovation industry jobs in its backyard.

#### Ever since the state budget cuts, there has been a low enrollment in school

**Bailey-Covin 7-11**

Nicole Bailey-Covin, reporter for NBC, July 11th 2012, <http://www.examiner.com/article/aps-budget-cuts-and-low-enrollment-contribute-totech-high-school-closing>, “APS budget cuts and low enrollment contribute toTech High School closing”

After eight years of offering academic success in the career paths of science, technology, engineering and mathematics (STEM), Atlanta’s Tech High School closes its doors. Tuesday night parents and students got a chance to meet with school officials and talk about registration options for students as they face the reality of not attending Tech High for the 2012-2013 school year. The Tech High School Governing Board announced the Atlanta Public School charter school will not reopen due to student under-enrollment and related financial issues. APS says the system has plenty of room to absorb the displaced students.**¶** “The mission of Tech High School is to integrate high academic standards and technical training in order to improve student achievement and prepare students for success in higher education and the work force.”¶ The news comes as a shock to students, parents and faculty who lived the mission daily. The independently accredited free charter school is located in Atlanta’s historic Reynoldstown neighbor on Memorial Drive. As an APS charter school, Tech High served between 200-230, 9th-12th graders.¶ In a Friday press release, the charter high school’s Board Chair, Kent Antley, stated that the school has been “forced to close its doors amid an unanticipated revenue cut of 16 percent.”¶ “Our talented, dedicated faculty and staff and our parents and students, who have demonstrated unwavering commitment to academic success, now face an obstacle that is impossible to overcome,” said Antley.¶ The disappointing news comes as Atlanta Public School puts it approved budget into action. Atlanta Public Schools spokesman Keith Bromery said, “All Atlanta schools are experiencing budget cuts, and those unexpected cuts are due to a drop in property tax revenue and covering pension fund liabilities."¶ According to information placed Tech High website, the Tech High School Governing Board learned of a budget cut from the District on May 31st in the amount of about $298,000. The school was in the process of making its 2012-2013 operation plans to deal with the reduction that was the result of APS’s first time implementation of unfunded pension liabilities to charter schools and a projected 8% decrease in property tax revenue.¶ But in June, Tech High was completely taken by surprised when APS said it had overpaid the school by $60,000 and needed the money back to cover the State Health Benefit Plan Fund for the upcoming school year. The cut for the APS unfunded pension obligations and the demand to return the $60,000 equal to total reduction of Tech High funding by $360,000. Antley said the District notified the school of this problem after teacher contracts had been signed. Tech High has spent the last 30 days seeking funding support from foundations, supporters and help from APS. To date it has had no success in keeping the school’s doors open.¶ “The state’s average funding per student is over $11, 000,” Antley noted. “This school, which has overcome so much, simply cannot operate on revenues of $7,411 per student.” Antley also pointed out that this does not include capital costs. “This is a tragic, saddening last financial blow from which we cannot recover,” said Antley.¶ Antley said, Tech High, along with several other charter schools disagree with the legality of the APS’s funding decision. While other charters plans to legally challenge the District, Antley said Tech High will not.¶ “Unfortunately, our families and teachers can’t put their lives on hold to wait for the legal system to resolve this issue,” said Antley.

**States will cut education--Chino Valley School District proves**

**Tasci 6-29**

Canan Tasci 6-29, Staff Writer, June 29th 2012, http://www.contracostatimes.com/california/ci\_20972770/chino-valley-board-told-its-budget-may-have, “Chino Valley board told state budget means more cuts”

CHINO - Chino Valley Unified School District finance officials have learned they need to cut their multiyear projection by another $500,000 for each of the next three years.¶ Officials disclosed the amount during the district's board meeting Thursday night before the adoption of the 2012-13, 2013-14 and 2014-15 budgets.¶ The district has prepared a budget that assumes Gov. Jerry Brown's tax initiative will fail in November. They've built in a reduction to their revenue by $441 per student in average daily attendance, said Sandra Chen, the district's assistant superintendent of business services.¶ District officials said at their June 21 budget study session they could be $16.9 million in debt in three years if the state sales tax and income tax initiative doesn't pass in the general election.¶ "We want to let the board know that we learned today (Thursday) that the governor's signing of the 2013 budget, the proposed cut to education, should the governor's initiative fail in November is no longer a $441 cut to (average daily attendance). It jumped to $457," Chen said.¶ "So we are short by $16 per ADA. Which means we have not budgeted a potential reduction of revenue by close to another half a million (dollars) ongoing, so for a three-year budget that's $1.5 million."¶ The Democratic governor says the initiative protects education while closing the Golden State's shortfall.¶ The district has already reduced its 2012-13 and 2013-14 school years by $20 million. That translated to multiple programs being discontinued and professionals being laid off.¶ At this point, however, officials said because they've already enacted the appropriate cuts to their next school year, they're unsure of when they'll make additional reductions.¶ "I think we'll probably end up having to wait until November to see what happens, because if the tax initiative does pass, then we're good to go," said Norm Enfield, assistant superintendent of human resources.¶ "But if the initiative doesn't, then that's going to be the question we'll have to take to the board of `How do we get ourselves a balanced budget over the next three years?"'¶ School districts could enact midyear reductions, which would be after January, but the district can only make those cuts through their classified employees.¶ This is because classified employees need 45 days notice for layoffs, as opposed to certificated employees who need to be noticed by March 15 of possible layoffs in the next school year.¶ The school district's budget is set for $215.7 million in 2012-13, $210.8 million in 2013-14 and 211.76 million in 2014-15.¶ Revenue declines are expected to result in an ending balance in the 2014-15 school of $16.9 million in the red.¶ Chen said another major component as to why the district's revenue is declining is because it will not longer be receiving federal funds.¶ "The revenue is less in 2012-13 because this is the final year where all district in the state have exhausted those 1-time federal ARRA (American Recovery and Reinvestment Act) dollars that we received," she said. "Those are now gone away, so we are now seeing a reduction from those federal dollars in 2013."¶ The American Recovery and Reinvestment Act was part of the Obama administration's attempt to modernize the nation's infrastructure, jump-start the economy and create jobs.¶ President Barack Obama's $787 billion stimulus plan was passed in 2009.

### Heg Scenario – Education K2 Heg

**Education is key to cultural hegemony**

**Wheeler ’12**

(Steve Wheeler, Associate Professor at the University of Plymouth, April 28th 2012, <http://steve-wheeler.blogspot.com/2012/04/cultural-hegemony-and-disruption.html>, “Cultural hegemony and disruption”)

Whilst Gramsci used hegemony to refer specifically to the inculcation of political doctrine into society, I believe the theory can be applied in a much wider sense, and that we are witnessing a challenge to the dominant societal discourses through disruptive technology**.** I emphasize here the power of participatory media to promote democracy and to a strengthening of the influence of the voice of the people. **The current exponential adoption of social media has huge implications for the system of education, itself a key component of cultural hegemony.**

#### Education is key to hegemony and a strong defense-industrial base

**Carafano et al ‘9**

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Every day, a**¶** **¶** new technology**¶** **¶** is brought to market by the STEM workforce, enabling people around the world to live longer, better lives. From computer chips to microwaves, from cell phones to antibiotics, access to technology and technological innovation is what separates the developed world from developing nations.¶ ¶ The U.S. depends on ¶ ¶ science, technology, engineering, and math to maintain its position as the world superpower. In today’s world, technology begets technology. Multidisciplinary research is a prerequisite for any nation to maintain, let alone gain, a competitive edge. The physicist must work with the structural engineer to create alternative energy sources; neither can do it alone.¶ ¶ The ocean engineer must work with the nuclear engineer to create world-class submarines. Such**¶** **¶** technologies keep the economy thriving and protect the country in times of war. Advances in robotics can improve manufacturing. When a company fails to make progress in materials science, it means a competitor’s microchips will be smaller.**¶** **¶** Falling behind in any technological field has a detrimental domino effect because every field is**¶** **¶** dependent on the others.**¶** For years, the U.S.-dominated science and technology fields filed record numbers of patents, which in turn empowered its military and fueled its economy.¶ But times are changing.¶ ¶ ¶ China has gained¶ ¶ ground in electrical engineering and computing,¶ ¶ and India has made enormous strides toward becoming the leader in accounting and financial services. Ninety-five percent of Fortune 500 CEOs believe that there is a severe shortage of ¶ ¶ U.S. citizens working in STEM fields. Sixty-eight percent believe that the U.S. is less focused on STEM than other countries. In America, K–12 education is compulsory. Even so, 30 percent of 18- to 22-year-olds do not have a high school diploma. Every year, there are 200,000 U.S. engineering jobs that need to be filled and every year ¶ ¶ only¶ ¶ 60,000 U.S. engineers graduate leaving more than two-thirds of these STEM positions vacant. While STEM engineering work can arguably be outsourced to other nations, such as China and India (each of which graduates600,000 engineers per year), continually sending U.S. work to be performed in other countries is not a sustainable solution: Over time**¶** **¶** globalization will directly and**¶** **¶** negatively impact America’s industrial economy,**¶** **¶** national defense, and homeland security. In some parts of the world, the positive correlation between STEM expertise and economic prosperity has been recognized with increased investment. India, for example, has recently experienced a600 percent increase in research and development (R&D) centers. These centers are not only funded by Indian companies but by U.S. companies as well evidence that U.S. graduates are not meeting domestic business demands in quantity or in quality. If the U.S. stays on its current trajectory, more and more high-tech, high-paying jobs will be sent overseas. But¶ ¶ the STEM crisis extends far beyond economic prosperity. In an alarming development,¶ ¶ America is rapidly¶ ¶ moving toward a future wher eits top¶ ¶ defense technologies are invented, designed, ¶ ¶ and manufactured in foreign countries,¶ ¶ leaving the U.S. vulnerable in times of war. ¶ Schools across the U.S. place more emphasis on extracurricular activities than on STEM education. In many schools, there are multiple fundraising activities for sport teams but few for science fairs or math competitions. Likewise, students who excel in sports are considered heroes while students who excel in science are considered geeks. Detrimental to national competitiveness, low achievement in STEM fields at all levels of education and beyond is becoming not only culturally acceptable it is becoming the norm. Peace through superior firepower./ 22

#### STEM education key to the economy and competitiveness

Archey et al, 5

Former President and CEO, AeA, a business and technology advocacy group (William T, “Tapping America’s Potential, ”http://www.tap2015.org/about/TAP\_report2.pdf )

Almost 50 years ago, the Soviet Union shocked Americans by launching Sputnik, the first Earth orbit satellite. The U.S. response was immediate and dramatic. Less than a year later,¶ ¶ President Eisenhower signed into law the National Defense Education Act,¶ ¶ a major part of the effort to restore America's scientific pre-eminence.¶ 7¶ ¶ Today, our nation faces a¶ more serious¶ , if less visible, challenge. One of the pillars of ¶ ¶ American economic prosperity  our scientific and technological superiority  is beginning to atrophy even as other nations are developing their own human capital. If we wait for a dramatic event  a 21st-century version of Sputnik  it will be too late. There may be no attack, no moment of epiphany, no catastrophe that will¶ ¶ suddenly demonstrate the threat. Rather,¶ ¶ there will be a slow withering, a gradual¶ ¶ decline, a widening gap between a complacent America and countries with the¶ ¶ drive, commitment and vision to take our place. History is replete with examples of world economies that once were dominant but declined because of myopic, self-determined choices. The United States is at such¶ a critical point¶ in our own history. Virtually¶ every major respected organization¶ representing business, research and education, as well as government science and statistics agencies and commissions,¶ 8¶ ¶ has extensively documented the critical situation in U.S. science, technology, engineering and mathematics. The indicators range from measurable declines in U.S.¶ ¶ innovation, such as patents and scientific articles, to soaring numbers of students¶ ¶ in Asia majoring in these fields, to U.S. students' lagging interest and measured¶ ¶ performance in math and science. Foreign competition:¶ ¶ China not only graduates four times as many engineers as¶ ¶ the United States,¶ 9¶ ¶ but it also offers lucrative tax breaks to attract companies¶ ¶ to conduct research and development (R&D) in the country.¶ 10¶ ¶ Interest in engineering:¶ ¶ Out of the 1.1 million high school seniors in the United¶ ¶ States who took a college entrance exam in 2002, just under 6 percent indicated plans to pursue a degree in engineering  nearly a 33 percent decrease in¶ ¶ interest from the previous decade.¶ 11¶ ¶ Student achievement:¶ ¶ In a recent international assessment of 15-year-olds'¶ ¶ math problem-solving skills, the United States had the smallest percentage of ¶ ¶ top performers and the largest percentage of low performers compared to the other participating developed countries.¶ 12¶ This is not surprising when nearly 70¶ ¶ percent of middle school students are assigned to teachers who lack a major ¶ ¶ and certification in mathematics.¶ 13¶ ¶ Investment in basic research: In the United States, since 1970, funding for ¶ ¶ basic research in the physical sciences has declined by half (from 0.093 percent¶ to¶ 0.046 percent) as a percentage of the gross domestic product (GDP).¶ 14¶ For most of the 20th century, the American education system provided a substantial part of the talent and proficiency needed to sustain and improve our way of ¶ ¶ life. In addition, many foreign scientists were attracted to pursue research in the¶ ¶ United States by the American scientific enterprise's top-notch facilities and¶ ¶ financial support, and by their own desire to escape totalitarian regimes and live¶ ¶ in a free society. Today, however, as the U.S. economy becomes even more reliant on workers with greater knowledge and technological expertise, the domestic supply of qualified workers is not keeping up with the skill demands. Employers are increasingly¶ ¶ interested in hiring people who not only can execute well but also can create the¶ ¶ next wave of innovation. One economist estimates that “trailing other developed countries on education measures may reduce U.S. economic growth by as much as a half percentage points a year.”¶ 15¶ ¶ all projections suggest ¶ that the¶ ¶ discrepancy between supply and demand of domestic talent will grow more pronounced. In¶ ¶ the face of the declining interest and proficiency of Americans in science, math¶ ¶ and engineering, American industry has become increasingly dependent  some¶ ¶ would say overly dependent  on foreign nationals to fill the demand for talent in a variety of fields that require strong backgrounds in science, technology, engineering and mathematics. A number of developments  including heightened security after September 11,¶ ¶ growing competition from other countries for the same foreign talent and the¶ ¶ technological capacity for foreign talent to work in their home countries have¶ ¶ underscored the need for greater scientific and technological self-sufficiency in¶ ¶ our country. The United States has always welcomed the best and brightest from¶ ¶ other countries to study and work here, and we should continue to do so. We cannot and should not, however, rely so heavily on foreign talent to fill critical positions in teaching, research and industry.

#### Education key to competitiveness – outweighs other internals

Gates, 7

(Bill, The writer is chairman of Microsoft Corp. and co-chairman of the Bill and Melinda Gates Foundation. His wife is a director of The Washington Post Co, http://www.washingtonpost.com/wp-dyn/content/article/2007/02/23/AR2007022301697.html)

For centuries people assumed that economic growth resulted from the interplay between capital and labor. Today we know that these elements are outweighed by a single critical factor: innovation. Innovation is the source of U.S. economic leadership and the foundation for our competitiveness in the global economy. Government investment in research, strong intellectual property laws and efficient capital markets are among the reasons that America has for decades been best at transforming new ideas into successful businesses. The most important factor is our workforce. Scientists and engineers trained in U.S. universities -- the world's best --have pioneered key technologies such as the microprocessor, creating industries and generating millions of high-paying jobs. But our status as the world's center for new ideas cannot be taken for granted. Other governments are waking up to the vital role innovation plays in competitiveness. This is not to say that the growing economic importance of countries such as China and India is bad. On the contrary, the world benefits as more people acquire the skills needed to foster innovation. But if we are to remain competitive, we need a workforce that consists of the world's brightest minds. Two steps are critical. First, we must demand strong schools so that young Americans enter the workforce with the math, science and problem-solving skills they need to succeed in the knowledge economy. We must also make it easier for foreign-born scientists and engineers to work for U.S. companies. Education has always been the gateway to a better life in this country, and our primary and secondary schools were long considered the world's best. But on an international math test in 2003, U.S. high school students ranked 24thout of 29 industrialized nations surveyed.¶ Our schools can do better¶ . Last year, I visited High Tech High in San Diego; it's an amazing school where educators have augmented traditional teaching methods with a rigorous, project-centered curriculum. Students there know they're expected to go on to college. This combination is working:100 percent of High Tech High graduates are accepted into college, and 29 percent major in math or science. Contrast that with the national average of 17 percent.¶ To remain competitive in the global economy, we must build on the success of such schools and commit to an ambitious national agenda for education**¶** . Government and businesses can both play a role. Companies must advocate for strong education policies and work with schools to foster interest in science and mathematics and to provide an education that is relevant to the needs of business. Government must work with educators to reform schools and improve educational excellence.(…) During the past 30 years, U.S. innovation has been the catalyst for the digital information revolution. If the United States is to remain a global economic leader, we must foster an environment that enables a new generation to dream up innovations, regardless of where they were born.¶ Talent in this country is not the problem -- the issue is political will.

### Heg Scenario – A2: Econ Decline Turns Case

#### Economic decline does not undermine US leadership:

Robert Kagan, 2012 (Robert, senior fellow in foreign policy at the Brookings Institution, 1-11-2012, “The myth of American decline,” <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism/>, rwg)

SOME OF THE ARGUMENTS for America’s relative decline these days would be more potent if they had not appeared only in the wake of the financial crisis of 2008. Just as one swallow does not make a spring, one recession, or even a severe economic crisis, need not mean the beginning of the end of a great power. The United States suffered deep and prolonged economic crises in the 1890s, the 1930s, and the 1970s. In each case, it rebounded in the following decade and actually ended up in a stronger position relative to other powers than before the crisis. The 1910s, the 1940s, and the 1980s were all high points of American global power and influence.

### Heg Scenario – A2: Unsustainable

#### 1. Empirics prove the US will remain the world’s sole superpower

Panjay, international relations major at Emory University, 2008 (Anuj, <http://www.students.emory.edu/EPR/USHegSust.html>, US Hegemony is Sustainable, jmb)

Has the American Era ended? Intellectual commentators, government officials, and the media elite seem to think so. Frightening prophecies pervade the headlines. Last year, a New York Times Magazine cover story, titled “Waving Goodbye to U.S. Hegemony,” argued that the United States’ “standing in the world remains in steady decline.” Roger Altman, a former deputy secretary of the Treasury, has written that the financial crisis “has inflicted profound damage on...[the United States’] standing in the world.” This recent scare is characterized by stories of the “rise of the rest” that focuses on the diffusion of economic power outside of the U.S. to rising powers, such as China and India. This argument, however, overestimates the degree to which this is happening and overlooks the enormous inequality of power between the U.S. and others. With a leading position in all indicators of power, the United States will remain the world’s lone superpower for a long time to come.¶ Declinism, a recently developed term for this phenomenon, is not new. Proponents of this theory have been vocal since the U.S. inherited its coveted status in the post-World War II era. In the 1950s, Sputnik spurred the collapse myths. In the 60s, it was the “missile gap.” The 70s saw unprecedented challenges: oil shocks, failure in Vietnam, deep recessions, and victories by Soviet-endorsed regimes in Africa, Asia, and Latin America. The 80s saw rapid growth in the Japanese economy along with what historian Paul Kennedy called “imperial overstretch,” where the economic burdens and security interests of an expanding empire eventually outstrip its capacity to manage those burdens or defend its interests. Each of these scares was well-founded and potentially indicated the coming of real change in the power distribution. At the end of each period, however, the United States emerged in a position with its power even further entrenched. According to Dartmouth Professor Wohlforth, “It is impossible to know for sure whether or not the scare is for real this time — shifts in the distribution of power are notoriously hard to forecast.”¶ The problem lies in the confusion of what constitutes leadership. Defining power as the ability to resolve any global dilemma guarantees frequent alarmism. The more powerful the United States becomes, the greater the number of problems in the international arena it is expected to solve. The result is a perpetually elevating standard for what it takes to be the dominant power. It must be understood that no empire is impervious to errors. The United States failed in Vietnam and failed to overthrow Fidel Castro, yet seems to have maintained its leadership status in spite of those failures. Britain at the height of its power could not stop the loss of the American colonies. Alexander the Great failed in Afghanistan, but created a massive empire nonetheless. Failure in Iraq or Afghanistan does not forecast complete doom. ¶ What makes the odds even better for the United States than any previous power is that all the fundamental aspects of national power are concentrated in the United States to a degree never before experienced in history. The U.S. spends close to four percent of its gross domestic product (GDP) on the military and accounts for 47 percent of the world’s military spending. The U.S. has invested large sums in institutional capital, technological capacity, and military research and development, all of which give us great qualitative and quantitative edges in military superiority. The U.S. will remain the only nation that can project its military power in any area of the world due to its uncontested supremacy on land, sea, and in air. Previously, no other country has had such unchallenged dominance of these areas. Established military presence in all regions of the globe cements U.S. influence everywhere — it allows for responsiveness and elasticity to deal with multiple contingencies simultaneously. It is this military supremacy, combined with an extraordinary economic capacity that gives the United States its unique advantage. Over time, the U.S. has achieved an ever-increasing amount of economic power with arguably more natural resources, developed industry and infrastructure, and intellectual capital than any other nation. These capabilities create extraordinary flexibility and large, untapped pools of power. In the instance of a peer competitor, the U.S. can increase its capabilities by devoting more resources to military primacy. Despite all the talk about the current economic crisis eroding our economic power, in 2008 our share of the world product, as documented by the International Monetary Fund (IMF), was 27 percent. In that year, the United States had a quarter of the world’s economic power and the world’s most competitive industries. Our power, shaped in part by our adaptability, will allow us to weather the crisis better than other nations. China and Russia have experienced worse economic slowdowns than the U.S., and leaders such as Gordon Brown and Angela Merkel are looking to the United States for more guidance through the recession.¶ Declinists, proponents of the declinism theory, also point to the increasing deficit and the decline of the dollar. Neither is much of a problem for the United States. The dollar will remain the world’s reserve currency and we will serve as the lender of last resort for a long time to come. The federal budget deficit is fixable: increasing taxes and controlling costs can put the budget back on track. Increased spending during the Great Depression helped to solve the financial crisis of that time and prepared the U.S. for World War II, in a time when budget deficits were a larger percent of the GDP than now. The deficit lies partially outside of the United States’ control. China and Japan hold a large portion of the debt and are dependent on exports to the United States. They must continue purchasing dollars to ensure their currencies are weak against it, thereby maintaining competitive export potential. ¶ Indeed, globalization strengthens, not weakens, U.S. power. American universities attract the best minds from all over the world, creating the foundation for an innovative and adaptive society. We have remained the head of the world’s most popular political philosophy, democracy, which is widely viewed as the most legitimate form of leadership. Even powerful autocratic nations must at least pay lip service to democratic ideals such as voting and human rights. We also remain at the center of the world’s institutional system. The United States plays central roles in many world organizations, such as the World Trade Organization (WTO), the United Nations (UN), and the North Atlantic Treaty Organization (NATO). As extensions of American ideology and values, they serve to enhance and channel U.S. authority. For example, the WTO has dispute mechanisms for facilitating free trade, which is consistent with American ideals and is the cornerstone for American economic growth. No other empire in history has had the advantages that multilateral institutions provide. ¶ Institutions also legitimize U.S. leadership. These mechanisms for global governance create a benign face for U.S. power because others believe in the United States’ commitment to common rules and norms. Even President George W. Bush’s aggressive unilateralism did not permanently damage the U.S. image. President Barack Obama offers a fresh start and can help redefine America’s reputation and show the world that we have renounced Bush’s exceptionalism. Robert Kagan, senior fellow at the Carnegie Endowment for International Peace, has repeatedly argued that the rise of great power autocracies pushes strong democracies back in the direction of the United States. Allies are pursuing policies that reflect great concern about Russia’s and China’s increasing influence. Strengthened alliances allow the United States to rely on allies, economize forces, and share burdens. ¶ There is no one country that can take the place of the United States. Although there is much buzz about the so-called BRIC (Brazil, Russia, India, China) nations growing in development and power, no one has the economic or technological capabilities to replace the United States. Looming on the horizon is the rapidly growing eastern powerhouse: China. Its economy is growing, inequality is decreasing, it holds a large chunk of U.S. debt, and it is modernizing its military rapidly. China is predicted to become a peer competitor to the United States in terms of economic leverage by 2020. If these predictions hold true, China is likely to have half the world product of the United States, as calculated by American political scientists. The problem here is that economic trends are an ineffective way to predict power transitions. Japan was projected to outstrip U.S. economic production given projections in 1989, but it is now only just recovering from its economic downturn in the early 1990s. In fact, between 2007 and 2009, Chinese economic growth has halved from 12 percent to 6 percent, proving that its incredible growth is dependent on foreign economies. Benjamin Joffe, a noted consultant in China, declares, “China is a place where the rest of the world essentially rents workers and workspace at deflated prices and distorted exchange rates. The Chinese economy is extremely dependent on exports — they amount to two-fifths of China’s GDP — and hence vulnerable to global economic downturns.” China is still plagued by massive amounts of poverty, fractured infrastructure, domestic upheavals, pollution, disease problems, and an aging population that can significantly alter the trajectory of economic growth rates. These problems will put new pressures on government spending and will create new social upheavals. Costly fixes will restrict spending on the military and constrain modernization efforts. India faces similar problems along with massive corruption, colossal linguistic barriers and tremendous ethnic fragmentation. Russia appears to be fading into irrelevance. Its nuclear stockpile is antiquated and its military forces are crumbling. Its economy relies on oil exports, which makes it too vulnerable to the unpredictable swings in global oil prices. Brazil, while no doubt experiencing significant growth and development, still lags far behind the United States in military power, per capita GDP and industrial output. Indeed, the United States, even if it weakens a little bit, remains far more powerful than any other country, therefore ensuring dominance. ¶ The United States will see many more years at the helm of the international system. Lots of things can and will go wrong. But no one failure internationally is enough to topple the gigantic lead in power that the United States possesses both militarily and economically. The demand for U.S. leadership has never been higher; the United States has pacified any fears of its potentially threatening stature by exporting a culture of transparency and benevolence. As the only country capable of leading such a chaotic world, the U.S. will remain the sole superpower.

#### 2. US military hegemony is stable and sustainable

Linden, professor at Butler University, January 1 2009 (Harry, 1-1-2009, <http://digitalcommons.butler.edu/cgi/viewcontent.cgi?article=1075&context=facsch_papers>, Questioning the Resort to U.S. Hegemonic Military Force, jmb)

Since the end of the Cold War, the military strength of the United States has been unmatched and its political leadership has been committed to sustaining this position of military dominance or hegemony. America’s military hegemony is reflected in its superior warfare technologies and its network of military bases across the globe served by its large, highly trained, professional armed forces. Moreover, the military budget of the United States approximates the military expenditures of the rest of the world and the vast majority of countries have a military budget less than 1% of the American budget. Numerous recent American governmental reports and statements on strategy and planning proclaim the intention of the United States to maintain or increase its military hegemony, emphasizing unabashedly the importance of “ensuring sea supremacy,” “projecting more power to the far corners of the earth,” “dominating the space dimension of military operations,” “enjoy[ing] unparalleled military strength,” and the like.

#### 3. US military heg causes global destabilization and hurts international relations

Linden, professor at Butler University, January 1 2009 (Harry, 1-1-2009, <http://digitalcommons.butler.edu/cgi/viewcontent.cgi?article=1075&context=facsch_papers>, Questioning the Resort to U.S. Hegemonic Military Force, jmb)

An important consequence of the increased interventionist disposition within the United States is a reduction of international security. Many states perceive the United States as a threat and doubt its intentions. This distrust weakens international cooperation. What has added to the destabilization is that the United States has almost in routine fashion violated national sovereignty without any formal war declaration by using cruise missiles against countries viewed as supporting terrorism. The further development of Unmanned Aerial Vehicles (UAV), such as the Predator, will only add to the propensity and the ability to engage in such limited strikes, as will the development of weapons located in space. It may be objected that American military hegemony does not lead to diminished global security, especially in the long run, because the United States uses its military force only to promote liberty and democracy, not to pursue narrow national self-interest. This objection reflects the deeply ingrained belief of most American citizens that their country is a “force for the good,” which is another major factor behind their support of American military hegemony. Military planning documents tend to be more realistic in this regard, linking America’s global economic interests and its military hegemony, while political statements on defense policies, partly aimed at the broader public, tend to gloss over the link and speak of using U.S. military force only for promoting liberty and democracy everywhere. At any rate, the historical record does not support this notion of America’s global goodness, and it is a belief that contributes to international destabilization because it facilitates the U.S. political leadership resorting to armed force unilaterally and even preventatively without generating widespread protest among its citizens. But even if we grant that the belief is largely true, the argument that U.S. military hegemony has a destabilizing impact still holds. One reason is that other countries may try to catch up somewhat with America’s relentless military spending. So even though the United States has been the greatest contributor to the large increases in global military expenditures over the past few years, China and India, for example, have also seen significant increases. 8 A scenario that links global influence and prestige with military strength is a scenario of destabilization. Another reason is that “good intentions” are not always transparent and may sincerely be misunderstood by other countries. More importantly, acts of aggression, on the one hand, and promoting democracy and liberty, on the other hand, are not mutually exclusive. After all, promoting democracy and liberty does not constitute a just cause for the resort to war and countries have a right to refuse this “good,” both according to international law and just war theory. The “good” may also be reasonably questioned, especially in light of how the political establishment in the United States in fact defines it. In the triumphal language of the opening sentence of National Security Strategy of 2002, the defeat of “totalitarianism” has shown that there is only “a single sustainable model of national success: freedom, democracy, and free enterprise.” Surely, countries may reasonably define their “good” as excluding American corporate investment and the consumerist lifestyle it promotes.

#### 4. Perceptions of a decline in US influence fail to look at the big picture and empirics

Kagan, senior fellow at the Brookings Institute and columnist for the Washington Times, 1-11-2012 (Robert, January 11 2012, Not Fade Away: The myth of the American decline, <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism?page=0,3&passthru=ZDkyNzQzZTk3YWY3YzE0OWM5MGRiZmIwNGQwNDBiZmI&utm_source=Editors%20and%20Bloggers&utm_campaign=cbaee91d9d-Edit_and_Blogs&utm_medium=email>, jmb)

Is the United States in decline, as so many seem to believe these days? Or are Americans in danger of committing pre-emptive superpower suicide out of a misplaced fear of their own declining power? A great deal depends on the answer to these questions. The present world order—characterized by an unprecedented number of democratic nations; a greater global prosperity, even with the current crisis, than the world has ever known; and a long peace among great powers—reflects American principles and preferences, and was built and preserved by American power in all its political, economic, and military dimensions. If American power declines, this world order will decline with it. It will be replaced by some other kind of order, reflecting the desires and the qualities of other world powers. Or perhaps it will simply collapse, as the European world order collapsed in the first half of the twentieth century. The belief, held by many, that even with diminished American power “the underlying foundations of the liberal international order will survive and thrive,” as the political scientist G. John Ikenberry has argued, is a pleasant illusion. American decline, if it is real, will mean a different world for everyone.¶ But how real is it? Much of the commentary on American decline these days rests on rather loose analysis, on impressions that the United States has lost its way, that it has abandoned the virtues that made it successful in the past, that it lacks the will to address the problems it faces. Americans look at other nations whose economies are now in better shape than their own, and seem to have the dynamism that America once had, and they lament, as in the title of Thomas Friedman’s latest book, that “that used to be us.”¶ The perception of decline today is certainly understandable, given the dismal economic situation since 2008 and the nation’s large fiscal deficits, which, combined with the continuing growth of the Chinese, Indian, Brazilian, Turkish, and other economies, seem to portend a significant and irreversible shift in global economic power. Some of the pessimism is also due to the belief that the United States has lost favor, and therefore influence, in much of the world, because of its various responses to the attacks of September 11. The detainment facilities at Guantánamo, the use of torture against suspected terrorists, and the widely condemned invasion of Iraq in 2003 have all tarnished the American “brand” and put a dent in America’s “soft power”—its ability to attract others to its point of view. There have been the difficult wars in Iraq and Afghanistan, which many argue proved the limits of military power, stretched the United States beyond its capacities, and weakened the nation at its core. Some compare the United States to the British Empire at the end of the nineteenth century, with the Iraq and Afghanistan wars serving as the equivalent of Britain’s difficult and demoralizing Boer War.¶ With this broad perception of decline as the backdrop, every failure of the United States to get its way in the world tends to reinforce the impression. Arabs and Israelis refuse to make peace, despite American entreaties. Iran and North Korea defy American demands that they cease their nuclear weapons programs. China refuses to let its currency rise. Ferment in the Arab world spins out of America’s control. Every day, it seems, brings more evidence that the time has passed when the United States could lead the world and get others to do its bidding.¶ Powerful as this sense of decline may be, however, it deserves a more rigorous examination. Measuring changes in a nation’s relative power is a tricky business, but there are some basic indicators: the size and the influence of its economy relative to that of other powers; the magnitude of military power compared with that of potential adversaries; the degree of political influence it wields in the international system—all of which make up what the Chinese call “comprehensive national power.” And there is the matter of time. Judgments based on only a few years’ evidence are problematic. A great power’s decline is the product of fundamental changes in the international distribution of various forms of power that usually occur over longer stretches of time. Great powers rarely decline suddenly. A war may bring them down, but even that is usually a symptom, and a culmination, of a longer process.¶ The decline of the British Empire, for instance, occurred over several decades. In 1870, the British share of global manufacturing was over 30 percent. In 1900, it was 20 percent. By 1910, it was under 15 percent—well below the rising United States, which had climbed over the same period from more than 20 percent to more than 25 percent; and also less than Germany, which had lagged far behind Britain throughout the nineteenth century but had caught and surpassed it in the first decade of the twentieth century. Over the course of that period, the British navy went from unchallenged master of the seas to sharing control of the oceans with rising naval powers. In 1883, Britain possessed more battleships than all the other powers combined. By 1897, its dominance had been eclipsed. British officials considered their navy “completely outclassed” in the Western hemisphere by the United States, in East Asia by Japan, and even close to home by the combined navies of Russia and France—and that was before the threatening growth of the German navy. These were clear-cut, measurable, steady declines in two of the most important measures of power over the course of a half-century.¶ ¶ SOME OF THE ARGUMENTS for America’s relative decline these days would be more potent if they had not appeared only in the wake of the financial crisis of 2008. Just as one swallow does not make a spring, one recession, or even a severe economic crisis, need not mean the beginning of the end of a great power. The United States suffered deep and prolonged economic crises in the 1890s, the 1930s, and the 1970s. In each case, it rebounded in the following decade and actually ended up in a stronger position relative to other powers than before the crisis. The 1910s, the 1940s, and the 1980s were all high points of American global power and influence.¶ Less than a decade ago, most observers spoke not of America’s decline but of its enduring primacy. In 2002, the historian Paul Kennedy, who in the late 1980s had written a much-discussed book on “the rise and fall of the great powers,” America included, declared that never in history had there been such a great “disparity of power” as between the United States and the rest of the world. Ikenberry agreed that “no other great power” had held “such formidable advantages in military, economic, technological, cultural, or political capabilities.... The preeminence of American power” was “unprecedented.” In 2004, the pundit Fareed Zakaria described the United States as enjoying a “comprehensive uni-polarity” unlike anything seen since Rome. But a mere four years later Zakaria was writing about the “post-American world” and “the rise of the rest,” and Kennedy was discoursing again upon the inevitability of American decline. Did the fundamentals of America’s relative power shift so dramatically in just a few short years? The answer is no.

#### 5. Empirics and long-term military and economic trends prove that US heg is sustainable

Kagan, senior fellow at the Brookings Institute and columnist for the Washington Times, 1-11-2012 (Robert, January 11 2012, Not Fade Away: The myth of the American decline, <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism?page=0,3&passthru=ZDkyNzQzZTk3YWY3YzE0OWM5MGRiZmIwNGQwNDBiZmI&utm_source=Editors%20and%20Bloggers&utm_campaign=cbaee91d9d-Edit_and_Blogs&utm_medium=email>, jmb)

Let’s start with the basic indicators. In economic terms, and even despite the current years of recession and slow growth, America’s position in the world has not changed. Its share of the world’s GDP has held remarkably steady, not only over the past decade but over the past four decades. In 1969, the United States produced roughly a quarter of the world’s economic output. Today it still produces roughly a quarter, and it remains not only the largest but also the richest economy in the world. People are rightly mesmerized by the rise of China, India, and other Asian nations whose share of the global economy has been climbing steadily, but this has so far come almost entirely at the expense of Europe and Japan, which have had a declining share of the global economy.¶ Optimists about China’s development predict that it will overtake the United States as the largest economy in the world sometime in the next two decades. This could mean that the United States will face an increasing challenge to its economic position in the future. But the sheer size of an economy is not by itself a good measure of overall power within the international system. If it were, then early nineteenth-century China, with what was then the world’s largest economy, would have been the predominant power instead of the prostrate victim of smaller European nations. Even if China does reach this pinnacle again—and Chinese leaders face significant obstacles to sustaining the country’s growth indefinitely—it will still remain far behind both the United States and Europe in terms of per capita GDP.¶ Military capacity matters, too, as early nineteenth-century China learned and Chinese leaders know today. As Yan Xuetong recently noted, “military strength underpins hegemony.” Here the United States remains unmatched. It is far and away the most powerful nation the world has ever known, and there has been no decline in America’s relative military capacity—at least not yet. Americans currently spend less than $600 billion a year on defense, more than the rest of the other great powers combined. (This figure does not include the deployment in Iraq, which is ending, or the combat forces in Afghanistan, which are likely to diminish steadily over the next couple of years.) They do so, moreover, while consuming a little less than 4 percent of GDP annually—a higher percentage than the other great powers, but in historical terms lower than the 10 percent of GDP that the United States spent on defense in the mid-1950s and the 7 percent it spent in the late 1980s. The superior expenditures underestimate America’s actual superiority in military capability. American land and air forces are equipped with the most advanced weaponry, and are the most experienced in actual combat. They would defeat any competitor in a head-to-head battle. American naval power remains predominant in every region of the world.¶ By these military and economic measures, at least, the United States today is not remotely like Britain circa 1900, when that empire’s relative decline began to become apparent. It is more like Britain circa 1870, when the empire was at the height of its power. It is possible to imagine a time when this might no longer be the case, but that moment has not yet arrived.¶ ¶ BUT WHAT ABOUT the “rise of the rest”—the increasing economic clout of nations like China, India, Brazil, and Turkey? Doesn’t that cut into American power and influence? The answer is, it depends. The fact that other nations in the world are enjoying periods of high growth does not mean that America’s position as the predominant power is declining, or even that “the rest” are catching up in terms of overall power and influence. Brazil’s share of global GDP was a little over 2 percent in 1990 and remains a little over 2 percent today. Turkey’s share was under 1 percent in 1990 and is still under 1 percent today. People, and especially businesspeople, are naturally excited about these emerging markets, but just because a nation is an attractive investment opportunity does not mean it is a rising great power. Wealth matters in international politics, but there is no simple correlation between economic growth and international influence. It is not clear that a richer India today wields greater influence on the global stage than a poorer India did in the 1950s under Nehru, when it was the leader of the Non-Aligned Movement, or that Turkey, for all the independence and flash of Prime Minister Recep Tayyip Erdoğan, really wields more influence than it did a decade ago.¶ As for the effect of these growing economies on the position of the United States, it all depends on who is doing the growing. The problem for the British Empire at the beginning of the twentieth century was not its substantial decline relative to the United States, a generally friendly power whose interests did not fundamentally conflict with Britain’s. Even in the Western hemisphere, British trade increased as it ceded dominance to the United States. The problem was Britain’s decline relative to Germany, which aimed for supremacy on the European continent, and sought to compete with Britain on the high seas, and in both respects posed a threat to Britain’s core security. In the case of the United States, the dramatic and rapid rise of the German and Japanese economies during the Cold War reduced American primacy in the world much more than the more recent “rise of the rest.” America’s share of the world’s GDP, nearly 50 percent after World War II, fell to roughly 25 percent by the early 1970s, where it has remained ever since. But that “rise of the rest” did not weaken the United States. If anything, it strengthened it. Germany and Japan were and are close democratic allies, key pillars of the American world order. The growth of their economies actually shifted the balance irretrievably against the Soviet bloc and helped bring about its demise.¶ When gauging the impact of the growing economies of other countries today, one has to make the same kinds of calculations. Does the growth of the Brazilian economy, or of the Indian economy, diminish American global power? Both nations are friendly, and India is increasingly a strategic partner of the United States. If America’s future competitor in the world is likely to be China, then a richer and more powerful India will be an asset, not a liability, to the United States. Overall, the fact that Brazil, India, Turkey, and South Africa are enjoying a period of economic growth—which may or may not last indefinitely—is either irrelevant to America’s strategic position or of benefit to it. At present, only the growth of China’s economy can be said to have implications for American power in the future, and only insofar as the Chinese translate enough of their growing economic strength into military strength.

#### 6. US hegemony is key to world order and is high now despite fears of decline

Kagan, senior fellow at the Brookings Institute and columnist for the Washington Times, 1-11-2012 (Robert, January 11 2012, Not Fade Away: The myth of the American decline, <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism?page=0,3&passthru=ZDkyNzQzZTk3YWY3YzE0OWM5MGRiZmIwNGQwNDBiZmI&utm_source=Editors%20and%20Bloggers&utm_campaign=cbaee91d9d-Edit_and_Blogs&utm_medium=email>, jmb)

Today, in the case of China, the situation is reversed. Although China is and will be much richer, and will wield greater economic influence in the world than the Soviet Union ever did, its geostrategic position is more difficult. World War II left China in a comparatively weak position from which it has been working hard to recover ever since. Several of its neighbors are strong nations with close ties to the United States. It will have a hard time becoming a regional hegemon so long as Taiwan remains independent and strategically tied to the United States, and so long as strong regional powers such as Japan, Korea, and Australia continue to host American troops and bases. China would need at least a few allies to have any chance of pushing the United States out of its strongholds in the western Pacific, but right now it is the United States that has the allies. It is the United States that has its troops deployed in forward bases. It is the United States that currently enjoys naval predominance in the key waters and waterways through which China must trade. Altogether, China’s task as a rising great power, which is to push the United States out of its present position, is much harder than America’s task, which is only to hold on to what it has.¶ Can the United States do that? In their pessimistic mood today, some Americans doubt that it can. Indeed, they doubt whether the United States can afford to continue playing in any part of the world the predominant role that it has played in the past. Some argue that while Paul Kennedy’s warning of imperial overstretch may not have been correct in 1987, it accurately describes America’s current predicament. The fiscal crisis, the deadlocked political system, the various maladies of American society (including wage stagnation and income inequality), the weaknesses of the educational system, the deteriorating infrastructure—all of these are cited these days as reasons why the United States needs to retrench internationally, to pull back from some overseas commitments, to focus on “nation building at home” rather than try to keep shaping the world as it has in the past.¶ ¶ Again, these common assumptions require some examination. For one thing, how “overstretched” is the United States? The answer, in historical terms, is not nearly as much as people imagine. Consider the straightforward matter of the number of troops that the United States deploys overseas. To listen to the debate today, one might imagine there were more American troops committed abroad than ever before. But that is not remotely the case. In 1953, the United States had almost one million troops deployed overseas—325,000 in combat in Korea and more than 600,000 stationed in Europe, Asia, and elsewhere. In 1968, it had over one million troops on foreign soil—537,000 in Vietnam and another half million stationed elsewhere. By contrast, in the summer of 2011, at the height of America’s deployments in its two wars, there were about 200,000 troops deployed in combat in Iraq and Afghanistan combined, and another roughly 160,000 troops stationed in Europe and East Asia. Altogether, and including other forces stationed around the world, there were about 500,000 troops deployed overseas. This was lower even than the peacetime deployments of the Cold War. In 1957, for instance, there were over 750,000 troops deployed overseas. Only in the decade between the breakup of the Soviet empire and the attacks of September 11 was the number of deployed forces overseas lower than it is today. The comparison is even more striking if one takes into account the growth of the American population. When the United States had one million troops deployed overseas in 1953, the total American population was only 160 million. Today, when there are half a million troops deployed overseas, the American population is 313 million. The country is twice as large, with half as many troops deployed as fifty years ago.¶ What about the financial expense? Many seem to believe that the cost of these deployments, and of the armed forces generally, is a major contributor to the soaring fiscal deficits that threaten the solvency of the national economy. But this is not the case, either. As the former budget czar Alice Rivlin has observed, the scary projections of future deficits are not “caused by rising defense spending,” much less by spending on foreign assistance. The runaway deficits projected for the coming years are mostly the result of ballooning entitlement spending. Even the most draconian cuts in the defense budget would produce annual savings of only $50 billion to $100 billion, a small fraction—between 4 and 8 percent—of the $1.5 trillion in annual deficits the United States is facing.¶ In 2002, when Paul Kennedy was marveling at America’s ability to remain “the world’s single superpower on the cheap,” the United States was spending about 3.4 percent of GDP on defense. Today it is spending a little under 4 percent, and in years to come, that is likely to head lower again—still “cheap” by historical standards. The cost of remaining the world’s predominant power is not prohibitive.¶ If we are serious about this exercise in accounting, moreover, the costs of maintaining this position cannot be measured without considering the costs of losing it. Some of the costs of reducing the American role in the world are, of course, unquantifiable. What is it worth to Americans to live in a world dominated by democracies rather than by autocracies? But some of the potential costs could be measured, if anyone cared to try. If the decline of American military power produced an unraveling of the international economic order that American power has helped sustain; if trade routes and waterways ceased to be as secure, because the U.S. Navy was no longer able to defend them; if regional wars broke out among great powers because they were no longer constrained by the American superpower; if American allies were attacked because the United States appeared unable to come to their defense; if the generally free and open nature of the international system became less so—if all this came to pass, there would be measurable costs. And it is not too far-fetched to imagine that these costs would be far greater than the savings gained by cutting the defense and foreign aid budgets by $100 billion a year. You can save money by buying a used car without a warranty and without certain safety features, but what happens when you get into an accident? American military strength reduces the risk of accidents by deterring conflict, and lowers the price of the accidents that occur by reducing the chance of losing. These savings need to be part of the calculation, too. As a simple matter of dollars and cents, it may be a lot cheaper to preserve the current level of American involvement in the world than to reduce it.¶ ¶ PERHAPS THE GREATEST concern underlying the declinist mood at large in the country today is not really whether the United States can afford to continue playing its role in the world. It is whether the Americans are capable of solving any of their most pressing economic and social problems. As many statesmen and commentators have asked, can Americans do what needs to be done to compete effectively in the twenty-first-century world?¶ The only honest answer is, who knows? If American history is any guide, however, there is at least some reason to be hopeful. Americans have experienced this unease before, and many previous generations have also felt this sense of lost vigor and lost virtue: as long ago as 1788, Patrick Henry lamented the nation’s fall from past glory, “when the American spirit was in its youth.” There have been many times over the past two centuries when the political system was dysfunctional, hopelessly gridlocked, and seemingly unable to find solutions to crushing national problems—from slavery and then Reconstruction, to the dislocations of industrialization at the end of the nineteenth century and the crisis of social welfare during the Great Depression, to the confusions and paranoia of the early Cold War years. Anyone who honestly recalls the 1970s, with Watergate, Vietnam, stagflation, and the energy crisis, cannot really believe that our present difficulties are unrivaled.¶ Success in the past does not guarantee success in the future. But one thing does seem clear from the historical evidence: the American system, for all its often stultifying qualities, has also shown a greater capacity to adapt and recover from difficulties than many other nations, including its geopolitical competitors. This undoubtedly has something to do with the relative freedom of American society, which rewards innovators, often outside the existing power structure, for producing new ways of doing things; and with the relatively open political system of America, which allows movements to gain steam and to influence the behavior of the political establishment. The American system is slow and clunky in part because the Founders designed it that way, with a federal structure, checks and balances, and a written Constitution and Bill of Rights—but the system also possesses a remarkable ability to undertake changes just when the steam kettle looks about to blow its lid. There are occasional “critical elections” that allow transformations to occur, providing new political solutions to old and apparently insoluble problems. Of course, there are no guarantees: the political system could not resolve the problem of slavery without war. But on many big issues throughout their history, Americans have found a way of achieving and implementing a national consensus.¶ When Paul Kennedy was marveling at the continuing success of the American superpower back in 2002, he noted that one of the main reasons had been the ability of Americans to overcome what had appeared to him in 1987 as an insoluble long-term economic crisis. American businessmen and politicians “reacted strongly to the debate about ‘decline’ by taking action: cutting costs, making companies leaner and meaner, investing in newer technologies, promoting a communications revolution, trimming government deficits, all of which helped to produce significant year-on-year advances in productivity.” It is possible to imagine that Americans may rise to this latest economic challenge as well.¶ It is also reasonable to expect that other nations will, as in the past, run into difficulties of their own. None of the nations currently enjoying economic miracles is without problems. Brazil, India, Turkey, and Russia all have bumpy histories that suggest the route ahead will not be one of simple and smooth ascent. There is a real question whether the autocratic model of China, which can be so effective in making some strategic decisions about the economy in the short term, can over the long run be flexible enough to permit adaptation to a changing international economic, political, and strategic environment.¶ In sum: it may be more than good fortune that has allowed the United States in the past to come through crises and emerge stronger and healthier than other nations while its various competitors have faltered. And it may be more than just wishful thinking to believe that it may do so again.¶ ¶ But there is a danger. It is that in the meantime, while the nation continues to struggle, Americans may convince themselves that decline is indeed inevitable, or that the United States can take a time-out from its global responsibilities while it gets its own house in order. To many Americans, accepting decline may provide a welcome escape from the moral and material burdens that have weighed on them since World War II. Many may unconsciously yearn to return to the way things were in 1900, when the United States was rich, powerful, and not responsible for world order.¶ The underlying assumption of such a course is that the present world order will more or less persist without American power, or at least with much less of it; or that others can pick up the slack; or simply that the benefits of the world order are permanent and require no special exertion by anyone. Unfortunately, the present world order—with its widespread freedoms, its general prosperity, and its absence of great power conflict—is as fragile as it is unique. Preserving it has been a struggle in every decade, and will remain a struggle in the decades to come. Preserving the present world order requires constant American leadership and constant American commitment.¶ In the end, the decision is in the hands of Americans. Decline, as Charles Krauthammer has observed, is a choice. It is not an inevitable fate—at least not yet. Empires and great powers rise and fall, and the only question is when. But the when does matter. Whether the United States begins to decline over the next two decades or not for another two centuries will matter a great deal, both to Americans and to the nature of the world they live in.

#### American hegemony is sustainable: other great powers aren’t catching up to the US:

Robert Kagan, 2012 (Robert, senior fellow in foreign policy at the Brookings Institution, 1-11-2012, “The myth of American decline,” <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism/>, rwg)

Less than a decade ago, most observers spoke not of America’s decline but of its enduring primacy. In 2002, the historian Paul Kennedy, who in the late 1980s had written a much-discussed book on “the rise and fall of the great powers,” America included, declared that never in history had there been such a great “disparity of power” as between the United States and the rest of the world. Ikenberry agreed that “no other great power” had held “such formidable advantages in military, economic, technological, cultural, or political capabilities.... The preeminence of American power” was “unprecedented.” In 2004, the pundit Fareed Zakaria described the United States as enjoying a “comprehensive uni-polarity” unlike anything seen since Rome. But a mere four years later Zakaria was writing about the “post-American world” and “the rise of the rest,” and Kennedy was discoursing again upon the inevitability of American decline. Did the fundamentals of America’s relative power shift so dramatically in just a few short years? The answer is no. Let’s start with the basic indicators. In economic terms, and even despite the current years of recession and slow growth, America’s position in the world has not changed. Its share of the world’s GDP has held remarkably steady, not only over the past decade but over the past four decades. In 1969, the United States produced roughly a quarter of the world’s economic output. Today it still produces roughly a quarter, and it remains not only the largest but also the richest economy in the world. People are rightly mesmerized by the rise of China, India, and other Asian nations whose share of the global economy has been climbing steadily, but this has so far come almost entirely at the expense of Europe and Japan, which have had a declining share of the global economy.

### Heg Scenario – Heg Impact – War

#### US decline threatens to undermine the longest period of peace the world has ever seen

Robert Kagan, 2012 (Robert, senior fellow in foreign policy at the Brookings Institution, 1-11-2012, “The myth of American decline,” <http://www.tnr.com/article/politics/magazine/99521/america-world-power-declinism/>, rwg)

Is the United States in decline, as so many seem to believe these days? Or are Americans in danger of committing pre-emptive superpower suicide out of a misplaced fear of their own declining power? A great deal depends on the answer to these questions. The present world order—characterized by an unprecedented number of democratic nations; a greater global prosperity, even with the current crisis, than the world has ever known; and a long peace among great powers—reflects American principles and preferences, and was built and preserved by American power in all its political, economic, and military dimensions. If American power declines, this world order will decline with it. It will be replaced by some other kind of order, reflecting the desires and the qualities of other world powers. Or perhaps it will simply collapse, as the European world order collapsed in the first half of the twentieth century. The belief, held by many, that even with diminished American power “the underlying foundations of the liberal international order will survive and thrive,” as the political scientist G. John Ikenberry has argued, is a pleasant illusion. American decline, if it is real, will mean a different world for everyone.

#### **US Hegemony is good - laundry list**

CSBA 2010

( 10/21/10, "Understanding America's Contested Supremacy," https://docs.google.com/viewer?a=v&q=cache:95iL0EUzhlIJ:www.csbaonline.org/wp-content/uploads/2010/10/2010.10.21-Understanding-Americas-Contested-Supremacy.pdf+&hl=en&gl=us&pid=bl&srcid=ADGEESiMmSx6B7hr8jfFO4ZIyFEhycATFKxiu1HDW\_1Mvk8\_yc3Z-q4PsdG1PFGNqETXibGhrnd5XBBl9VsktDXt7XHelkTbk8ff6\_fK3nh01DOGXz-BQ6uV06IiFzHU7aNZH\_PhFeQL&sig=AHIEtbSLj-6CyfLwShUzuXX4k\_kbp9QDFg, znf)

An additional, and extremely important, long-term factor underpinning likelyｶ continued US global economic leadership is demographics. The US fertility ratesｶ are among the highest in the developed world and are virtually at replacement.ｶ With a growing population that will be more youthful than other developed coun-ｶ tries (or China) the United States would appear to be in a favorable position. Oneｶ could also add to the long list of US advantages the political and social stability that has made it the safe haven for global investors. None of these advan-ｶ tages, however, including the United States’ military power, mean that the United States is destined to remain the preponderant power or that unipolarity will continue to characterize the international system indefinitely. Bad policy decisionsｶ in a number of areas could negate or squander US advantages. In addition theｶ United States faces many of its own challenges. Despite its demographic healthｶ the United States will have to meet the unfunded pension liabilities representedｶ by the aging of the baby boom generation. The nation’s standing has also suf-ｶ fered from the mismanagement of the wars in Iraq and Afghanistan. Without a concerted effort by the United States, the international system could move inｶ the direction of nonpolarity or apolarity with no nation clearly playing a leading role in trying to organize the international system. The result would be a vacuum of leadership unable to manage the plethora of contemporary problemsｶ besetting the world like terrorism, nuclear proliferation, ethnic and sectarians wars, humanitarian disasters, crime, narcotics trafficking, pandemic disease and global climate change to name just a few.ｶ If the United States accepts the diagnosis of “decline” and seeks to accom-ｶ modate itself to rising powers, it will likely hasten the timing of that decline andｶ the passing of American primacy. If US leaders choose to continue the path thatｶ earlier generations of leaders have blazed in seeking to preserve the US positionｶ as the preponderant power, they will have to build on the advantages describedｶ above to bolster and extend US predominance.

### Heg Scenario – Heg Impact – A2: Terrorism

#### US Hegemony prevents terrorism Kagan, senior fellow in Foreign Policy at Brookings, 2012

(Robert, 1/17/12"Not Fade Away," http://www.foreignpolicyi.org/content/read-excerpt-fpi-director-robert-kagans-forthcoming-book-world-america-made, znf)

Today the United States lacks the ability to have its way on many issues, but this has not prevented it from enjoying just as much success, and suffering just as much failure, as in the past. For all the controversy, the United States has been more successful in Iraq than it was in Vietnam. It has been just as incapable of containing Iranian nuclear ambitions as it was in the 1990s, but it has, through the efforts of two administrations, established a more effective global counter-proliferation network. Its efforts to root out and destroy Al Qaeda have been remarkably successful, especially when compared with the failures to destroy terrorist networks and stop terrorist attacks in the 1990s—failures that culminated in the attacks of September 11. The ability to employ drones is an advance over the types of weaponry—cruise missiles and air strikes—that were used to target terrorists and facilities in previous decades. Meanwhile America’s alliances in Europe remain healthy; it is certainly not America’s fault that Europe itself seems weaker than it once was. American alliances in Asia have arguably grown stronger over the past few years, and the United States has been able to strengthen relations with India that had previously been strained.

### Heg Scenario – Heg Impact – A2: Iran

#### Failure to exert US dominance on Iran will encourage their nuclear program

Yoo, Senior Lecturer and Senior Research Fellow at Yale University’s Jackson Institute for Global Affairs, 12

(John, January 3, 2012, http://www.nationalreview.com/articles/286953/unavoidable-challenge-john-yoo, “An Unavoidable Challenge”, lkh)

Our political calendar and one of our nation’s greatest threats have synchronized. In the upcoming year, the American people will render their judgment on Barack Obama’s presidency. Meanwhile, if the International Atomic Energy Agency’s November report is accurate, Iran will soon join the ranks of the world’s nuclear powers. Because of the Obama administration’s reluctance to confront this looming threat, others — such as the Republican presidential candidates — must begin preparing the case for a military strike to destroy Iran’s nuclear program.¶ Republican frontrunners have seized upon the threat. In last month’s South Carolina debate, Mitt Romney promised that Iran “will not have a nuclear weapon” under his presidency. Economic sanctions and aid to internal opposition come first, said the former Massachusetts governor, but “if all else fails . . . [and] there’s nothing else we can do besides take military action, then of course you take military action.”¶ Newt Gingrich, the frontrunner in several early states, heartily agrees. In the South Carolina debate, Gingrich proposed covert operations, including “taking out their scientists” and “breaking up their systems,” and a Cold War–style strategy “of breaking the regime and bringing it down.” But the former House speaker “agree[s] entirely” with Romney that, should pressure fail, “you have to take whatever steps are necessary” to stop Iran from acquiring nuclear weapons.¶ In this game of diplomatic poker, the Republicans would go all in where the last administration and the present one have checked. Though he declares that “we don’t take any options off the table,” President Obama avoids explicit military threats. Instead he seeks to “isolate and increase the pressure upon the Iranian regime.” He naively hoped to negotiate a settlement with Tehran (and Venezuela, Cuba, and North Korea!), but he has ended up in the same place as his predecessor. George W. Bush declined to attack Iran’s nuclear infrastructure. He also passed on striking a suspected Syrian nuclear facility (the Israelis destroyed it in 2007). Like Obama, he pursued economic sanctions and applied political pressure to foster Iranian regime change.¶ President Obama has done more than merely delay the inevitable day of reckoning with Iran. He has left the public uninformed about the nature and possible consequences of military action, which must be serious and sustained enough to destroy complex, protected, and dispersed facilities — pinpoint bombing of a single facility will not end Iran’s nuclear program. Iran might respond by attacking Israel, Arab allies such as Saudi Arabia, and oil shipments in the Persian Gulf. President Obama has also failed to explain the heavy costs of containment, which would involve a constant, significant conventional and nuclear military presence on Iran’s perimeter.¶

#### And Iran’s nuclear program leads to war with Israel- US will be drawn in

Buel, VOA correspondent Meredith Buel for Washington ,12

(Meredith, Febuary, 8th, 2012, <http://www.voanews.com/content/analysts-irans-nuclear-program-could-provoke-war-139054239/151804.html>, “Analysts: Iran’s Nuclear Program Could Provoke War”, lkh)

The Obama administration is talking with Israeli officials and monitoring developments about a possible Israeli attack on Iran over its controversial nuclear program. Reports say U.S. officials are hoping Israel will give Western sanctions against Iran more time to take effect before resorting to an attack.¶ Will Israel use its military aircraft to attack Iran? The Jewish state considers Iran’s nuclear program a threat. So does the United States.¶ “Let there be no doubt - America is determined to prevent Iran from getting a nuclear weapon. And I will take no options off the table to achieve that goal,” said President Obama.¶ Analysts say Iran could have enough enriched uranium to build an atomic bomb within a year. Iran says its nuclear program is for peaceful purposes, but recently announced it is enriching uranium at an underground plant.¶ And Iran's Supreme Leader Ayatollah Ali Khamenei's views of Israel are clear:¶ “The Zionist regime is truly a cancerous tumor in this region that should be removed and will be removed,” he said.¶ Israel is concerned that soon it might be too late to stop Tehran from building a nuclear weapon.¶ “Regrettably, I think that conflict is in the air - conflict triggered by Iran’s adamant refusal to accede to the wishes of every country in the world,” said Robert Satloff, Executive Director of The Washington Institute for Near East Policy.¶ Satloff says the United States, with aircraft carriers positioned near the Persian Gulf, would likely be involved in any military conflict with Iran.¶ “Our ironclad commitment, and I mean ironclad, to Israel’s security has meant the closest military cooperation between our two countries in history,” said President Obama.¶ The United States has supplied Israel with bunker-busting bombs, designed to destroy deep underground targets, like Iran's uranium enrichment facilities.¶ But the United States and its Western allies hope that tough new sanctions on Iranian banks and the country’s oil industry will deter Iran from pursuing nuclear weapons.¶ Iran's Supreme Leader says Tehran will not back down. “Well, this threat of war is not in the United States' favor. The actual war will be ten times not in the United States' favor,” Khamenei said.¶ Iran has the largest inventory of ballistic missiles in the Middle East. And it has threatened to use them.¶ Israeli Defense Minister Ehud Barak says his country is not willing to wait long for Iran to end it's nuclear ambitions.¶ “Today, unlike the past, there is a wide understanding in the world that if the sanctions will not achieve the desired goal of stopping the military nuclear program, there will be a need to consider taking action,” Barak said.¶ According to news reports, U.S. Defense Secretary Leon Panetta says Israel could attack Iran within the next few months. Meanwhile, U.S. media report that Israel and the United States are trying to reconcile differences over how much time to give Iran to comply with international demands to end its nuclear program.

### Heg Scenario – Heg Impact – A2: Multipolarity

#### There is no replacement for US heg - multipolarity would cause constant conflict

Kagan, senior fellow in Foreign Policy at Brookings, 2012

(Robert, 2/11/12, "Why the World Needs America," http://online.wsj.com/article/SB10001424052970203646004577213262856669448.html, znf)

Would the end of the present American-dominated order have less dire consequences? A surprising number of American intellectuals, politicians and policy makers greet the prospect with equanimity. There is a general sense that the end of the era of American pre-eminence, if and when it comes, need not mean the end of the present international order, with its widespread freedom, unprecedented global prosperity (even amid the current economic crisis) and absence of war among the great powers.ｶ American power may diminish, the political scientist G. John Ikenberry argues, but "the underlying foundations of the liberal international order will survive and thrive." The commentator Fareed Zakaria believes that even as the balance shifts against the U.S., rising powers like China "will continue to live within the framework of the current international system." And there are elements across the political spectrum—Republicans who call for retrenchment, Democrats who put their faith in international law and institutions—who don't imagine that a "post-American world" would look very different from the American world.ｶ If all of this sounds too good to be true, it is. The present world order was largely shaped by American power and reflects American interests and preferences. If the balance of power shifts in the direction of other nations, the world order will change to suit their interests and preferences. Nor can we assume that all the great powers in a post-American world would agree on the benefits of preserving the present order, or have the capacity to preserve it, even if they wanted to.ｶ Take the issue of democracy. For several decades, the balance of power in the world has favored democratic governments. In a genuinely post-American world, the balance would shift toward the great-power autocracies. Both Beijing and Moscow already protect dictators like Syria's Bashar al-Assad. If they gain greater relative influence in the future, we will see fewer democratic transitions and more autocrats hanging on to power. The balance in a new, multipolar world might be more favorable to democracy if some of the rising democracies—Brazil, India, Turkey, South Africa—picked up the slack from a declining U.S. Yet not all of them have the desire or the capacity to do it.ｶ What about the economic order of free markets and free trade? People assume that China and other rising powers that have benefited so much from the present system would have a stake in preserving it. They wouldn't kill the goose that lays the golden eggs.ｶ Robert Kagan's new book, "The World America Made," is finding an eager readership in the nation's capital, among prominent members of both political parties.ｶ Around the time of President Barack Obama's Jan. 24 State of the Union Address, Washington was abuzz with reports that the president had discussed a portion of the book with a group of news anchors.ｶ Mr. Kagan serves on the Foreign Policy Advisory Board of Secretary of State Hillary Clinton, but more notably, in this election season, he is a foreign policy adviser to the presidential campaign of Mitt Romney.ｶ The president's speech touched upon the debate over whether America is in decline, a central theme of Mr. Kagan's book. "America is back," he declared, referring to a range of recent U.S. actions on the world stage. "Anyone who tells you otherwise, anyone who tells you that America is in decline or that our influence has waned, doesn't know what they're talking about," he continued. "America remains the one indispensable nation in world affairs—and as long as I'm president, I intend to keep it that way."ｶ Says Mr. Kagan: "No president wants to preside over American decline, and it's good to see him repudiate the idea that his policy is built on the idea that American influence must fade."ｶ Unfortunately, they might not be able to help themselves. The creation and survival of a liberal economic order has depended, historically, on great powers that are both willing and able to support open trade and free markets, often with naval power. If a declining America is unable to maintain its long-standing hegemony on the high seas, would other nations take on the burdens and the expense of sustaining navies to fill in the gaps?ｶ Even if they did, would this produce an open global commons—or rising tension? China and India are building bigger navies, but the result so far has been greater competition, not greater security. As Mohan Malik has noted in this newspaper, their "maritime rivalry could spill into the open in a decade or two," when India deploys an aircraft carrier in the Pacific Ocean and China deploys one in the Indian Ocean. The move from American-dominated oceans to collective policing by several great powers could be a recipe for competition and conflict rather than for a liberal economic order.ｶ And do the Chinese really value an open economic system? The Chinese economy soon may become the largest in the world, but it will be far from the richest. Its size is a product of the country's enormous population, but in per capita terms, China remains relatively poor. The U.S., Germany and Japan have a per capita GDP of over $40,000. China's is a little over $4,000, putting it at the same level as Angola, Algeria and Belize. Even if optimistic forecasts are correct, China's per capita GDP by 2030 would still only be half that of the U.S., putting it roughly where Slovenia and Greece are today.ｶ As Arvind Subramanian and other economists have pointed out, this will make for a historically unique situation. In the past, the largest and most dominant economies in the world have also been the richest. Nations whose peoples are such obvious winners in a relatively unfettered economic system have less temptation to pursue protectionist measures and have more of an incentive to keep the system open.ｶ China's leaders, presiding over a poorer and still developing country, may prove less willing to open their economy. They have already begun closing some sectors to foreign competition and are likely to close others in the future. Even optimists like Mr. Subramanian believe that the liberal economic order will require "some insurance" against a scenario in which "China exercises its dominance by either reversing its previous policies or failing to open areas of the economy that are now highly protected." American economic dominance has been welcomed by much of the world because, like the mobster Hyman Roth in "The Godfather," the U.S. has always made money for its partners. Chinese economic dominance may get a different reception.ｶ Another problem is that China's form of capitalism is heavily dominated by the state, with the ultimate goal of preserving the rule of the Communist Party. Unlike the eras of British and American pre-eminence, when the leading economic powers were dominated largely by private individuals or companies, China's system is more like the mercantilist arrangements of previous centuries. The government amasses wealth in order to secure its continued rule and to pay for armies and navies to compete with other great powers.ｶ Although the Chinese have been beneficiaries of an open international economic order, they could end up undermining it simply because, as an autocratic society, their priority is to preserve the state's control of wealth and the power that it brings. They might kill the goose that lays the golden eggs because they can't figure out how to keep both it and themselves alive.ｶ Finally, what about the long peace that has held among the great powers for the better part of six decades? Would it survive in a post-American world?ｶ Most commentators who welcome this scenario imagine that American predominance would be replaced by some kind of multipolar harmony. But multipolar systems have historically been neither particularly stable nor particularly peaceful. Rough parity among powerful nations is a source of uncertainty that leads to miscalculation. Conflicts erupt as a result of fluctuations in the delicate power equation.ｶ War among the great powers was a common, if not constant, occurrence in the long periods of multipolarity from the 16th to the 18th centuries, culminating in the series of enormously destructive Europe-wide wars that followed the French Revolution and ended with Napoleon's defeat in 1815.ｶ The 19th century was notable for two stretches of great-power peace of roughly four decades each, punctuated by major conflicts. The Crimean War (1853-1856) was a mini-world war involving well over a million Russian, French, British and Turkish troops, as well as forces from nine other nations; it produced almost a half-million dead combatants and many more wounded. In the Franco-Prussian War (1870-1871), the two nations together fielded close to two million troops, of whom nearly a half-million were killed or wounded.ｶ The peace that followed these conflicts was characterized by increasing tension and competition, numerous war scares and massive increases in armaments on both land and sea. Its climax was World War I, the most destructive and deadly conflict that mankind had known up to that point. As the political scientist Robert W. Tucker has observed, "Such stability and moderation as the balance brought rested ultimately on the threat or use of force. War remained the essential means for maintaining the balance of power."ｶ There is little reason to believe that a return to multipolarity in the 21st century would bring greater peace and stability than it has in the past. The era of American predominance has shown that there is no better recipe for great-power peace than certainty about who holds the upper hand.

# \*\*\*A2: Topicality\*\*\*

### A2: Topicality – Investment Effects – 2AC

#### 1. Counter-interpretation: Topical affs must increase spending intended for transportation infrastructure investments

#### (A) Increase can mean to improve the quality of:

Elizabeth **Jewell, 2007** (Editor), THE OXFORD DESK DICTIONARY AND THESAURUS, 2nd Ed., 2007, 415. Increase: Advance in quality, attainment, etc.

#### (B) Transportation infrastructure investment requires monetary funding:

Neil **Planzer, 2009** (Vice President, Boeing Aircraft Management), NEXTGEN: A REVIEW OF THE RTCA MID-TERM IMPLEMENTATION TASK FORCE REPORT, House Hrg., Oct. 28, 2009, 176-177.

Leadership also includes accountability. Clear metrics must be established to measure the progress of the government as it quickly introduces NextGen. Without such measurable responsibility, we put at grave risk the necessary speed and effectiveness in bringing NextGen on line within the next few years. Finally, leadership means a very serious commitment to infrastructure investment. That is something we're all familiar with on the ground; now it needs to be applied to equipping aircraft to take advantage of NextGen technology. Given the cost of equipage and the length of time it could take for an individual user to see a payback in such an investment, such funding is crucial. This is **infrastructure investment** that can pay off in the next few years; that payoff is within our reach. To place this in perspective, were Congress to provide a level of funding comparable to its funding for high-speed rail projects in this year's stimulus legislation, NextGen would be an early reality. Without this leadership and funding, implementation of NextGen will drag on, and our nation will suffer even more from airport and airway congestion.

#### 2. We meet – ESTABLISHING the NIB is transportation infrastructure investment

Department of Transportation, July 11(7-11-2012, (<http://www.dot.gov/budget/2012/fy2012budgethighlights.pdf>, “Department of Transportation Fiscal Year 2012 Budget Highlights”, AP)

The National Infrastructure Bank (I-Bank) will leverage Federal dollars and focus on investments of National and regional significance that often fall through the cracks between the traditional transportation programs. The I-Bank would encourage private, State, and local entities to invest capital in projects that are most critical to our economic progress. The I-Bank will base its investment decisions on clear analytical measures of performance, competing projects against each other to determine which will produce the greatest return for American taxpayers. The National Infrastructure Bank: The President is requesting $5 billion in FY 2012 to establish an I-Bank that will provide grants, loans, and a blend of both. Projects eligible for funding include multimodal projects for highway, transit, rail, aviation, including equipage, ports, and maritime initiatives. Of the $5 billion in funds requested, $200 million is for planning and cost/benefit analysis and $70 million is for establishing and administering the program. The I-Bank will be a new entity within the Department of Transportation reporting to the Secretary and headed by an Executive Director who is appointed by the President and confirmed by the Senate. The FY 2012 Budget requests 100 FTEs to staff the bank.

#### 3. Counter-standards:

#### (A) Ground - gives them links to spending disads, politics, etc

#### (B) They overlimit: they limit out a core plan on the topic.

#### 4. Not a voting issue – we’re not effects T, but even if we are, it’s inevitable – all plans have to take certain steps to increase investment. It’s also good – the steps to increase transportation investment increases negative CP and DA ground

#### 5. Reasonability – good is good enough, voting on competing interpretation incentives the negative to go for the most limiting T violation, creating a race to the bottom

### A2: Topicality – Investment Effects – Core of Topic 1AR

The infrastructure bank aff is core of the topic

Puentes 2011, Senior Fellow, Brookings Institution, April 5th 2011, Robert,,June 12 2012, <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>,http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585

Yet while we know America's infrastructure needs are substantial, we have not been able to pull together the resources to make the requisite investments. And when we do, we often fail to make infrastructure investments in an economy-enhancing way. This is why the proposal for a national infrastructure bank is so important. If designed and implemented appropriately, it would be a targeted mechanism to deal with critical new investments on a merit basis, while adhering to market forces and leveraging the private capital we know is ready to invest here in the United States.

### A2: Topicality – Investment Effects – Counter-Interp 1AR

**USFG Defines investment as federal outlays**

**Istrate and Puentes, 9**

(Robert and Amilia, Amilia: Senior Research Analyst in the Metropolitan Policy Program at the Brookings Institution, and Robert: Senior Fellow and Director in the Metropolitan Infrastructure Initiative Metropolitan Policy Program at the Brookings Institution December 2009, “Investing for Success: Examining a Federal Capital Budget and a National Infrastructure Bank”, P. 2-4, The Brookings Institution, <http://www.brookings.edu/~/media/research/files/reports/2009/12/10%20infrastructure%20puentes/1210_infrastructure_puentes.pdf> WL)

**Budgeting terms and definitions can be rather arcane and ambiguous. Nevertheless, they are critical for any discussion of federal spending. The Office of Management and Budget’s (OMB)** annual analysis of the federal budget has included a chapter on “federal investment” for almost sixty years. OMB **defines federal investment as federal outlays that produce long-term benefits to the national economy**. The spending is split into three major categories: major public physical capital investment, investment in research and development, and investment in education and training.3¶ In each of these categories, the analysis differentiates between defense and non-defense spending and between direct federal spending and grants to state and local governments. The analysis shows actual values for the previous fiscal year and estimates for the current and following fiscal years (Table 1).¶ It is important to note that the categorization of federal investment from current spending is a matter of discretionary judgment. In fact, it is a political choice, depending on the priorities of different administrations. The Reagan administration equated federal investment with defense expenditures. The first Bush administration included non-defense expenditures on R&D, infrastructure, child immunization, drugs, the environment and energy, and programs aimed at preserving America’s heritage (such as those for the arts, humanities, and museums).4¶ Even prior to the recent federal spending as part of the American Recovery and Reinvestment Act, federal investment has been growing for the last ten years (despite registering a small decline in 2007).5 Defense investment has grown almost 7 percent annually over the same period, double the rate of the non-defense category. In addition, non-defense investment has been declining in the last two years, with a 9 percent reduction between fiscal years 2006 and 2007.6¶ However, as a share of gross domestic product (GDP), federal investment has been on a general downward trend since 1962 and has stagnated at 3.2 percent since fiscal year 2003, partly due to the expansion of mandatory programs such as Medicare and Social Security (See Figure 1). Over the last thirty years, defense investment represented a greater share than non-defense investment between fiscal years 1983 to 1992.7 However, the difference between non-defense and defense investment has narrowed tremendously over the last two years.¶ It is also important to discuss the difference between discretionary and mandatory spending as articulated by the Budget Enforcement Act (BEA) of 1990.8¶ Mandatory spending is that part of the federal ledger set in authorizing laws and not open to yearly modification. Overall, about 60 percent of annual federal spending is mandatory spending currently ($1.85 trillion in 2008) mostly in the form of social expenditures such as Medicare and Social Security. The net interest of the federal debt is also included in mandatory spending.¶ Discretionary spending, on the other hand, is controlled through annual appropriations acts so Congress can change the budget authorization every year. Almost 40 percent of the federal spending is discretionary ($1.13 trillion), which represents the funding for the majority of federal agencies. Federal investment is 40 percent of discretionary spending ($460 billion), receiving new budget authority every year.9

#### Invest means to commit capital for a financial return

Free Dictionary

(Online Dictonary, <http://www.thefreedictionary.com/invest>, accessed 7-12-12, WL)

in·vest (n-vst)

v. in·vest·ed, in·vest·ing, in·vests

v.tr.

1. To commit (money or capital) in order to gain a financial return: invested their savings in stocks and bonds.

2.

a. To spend or devote for future advantage or benefit: invested much time and energy in getting a good education.

b. To devote morally or psychologically, as to a purpose; commit: "Men of our generation are invested in what they do, women in what we are" (Shana Alexander).

3. To endow with authority or power.

4. To install in office with ceremony: invest a new emperor.

5. To endow with an enveloping or pervasive quality: "A charm invests a face/Imperfectly beheld" (Emily Dickinson).

6. To clothe; adorn.

7. To cover completely; envelop.

8. To surround with troops or ships; besiege. See Synonyms at besiege.

### A2: Topicality – Investment Effects – We Meet 1AR

#### Obama considers the plan as investment for transportation infrastructure

Webber 2010, National Politics Reporter, September 6th 2010,Joseph, June 11 2012 <http://www.washingtontimes.com/news/2010/sep/6/obama-propose-50b-infrastructure-projects/>, “Obama to propose $50B in infrastructure projects”

President Obama will announce on Monday a plan to spend at least $50 billion on long-term investments for the country’s transportation infrastructure, another attempt to stimulate the lagging U.S. economy ahead of the November elections, in which jobs and economic recovery will be key voting issues.¶ The White House says most of the money in the six-year proposal to improve roads, railways and airports will be spent in the initial stages to “jump-start additional job creation while also laying the foundation for future growth.”¶ The president will announce the plan this afternoon in Milwaukee at a Labor Day event and is expected to announce additional recovery efforts Wednesday in Cleveland. Both cities play a prominent role in this year’s Senate races, as the president travel across the country to help campaign for Democratic candidates.¶ Cleveland is a Democratic-leaning city in Ohio, where Republican Rob Portman, a former congressman and senior Bush administration official, is in a tight race with Democratic Lt. Gov. Lee Fisher for the open seat of retiring GOPSen. George V. Voinovich.¶ Milwaukee is a Democratic-leaning city in Wisconsin, where Democratic Sen. Russ Fengold is in a tough re-election race after holding the seat for 18 years. He faces the winner of the Republicans’ Sept. 14 primary, which businessman Ron Johnson is expected to win.¶ The White House proposal being announced today specifically calls for rebuilding 150,000 miles of roads, building and maintaining 4,000 miles of railway, and improving airports by fixing and building 150 miles of runways and installing a new air navigation system known as NexGen to reduce travel time and delays.¶ The proposal also calls for a permanent infrastructure bank that primarily would fund national and regional infrastructure projects.

#### US Ibank Could Fund itself after initial capital

Rohatyn 11

(Felix, Felix Rohatyn served as the U.S. Ambassador to France under the Clinton Administration from 1997-2000. Prior to his appointment, he was Managing Director of the investment bank Lazard Freres and Company in New York, which he joined in 1948, becoming partner in 1961, 7-12-11, <http://www.politico.com/news/stories/0711/58786.html>, “Time for a U.S. infrastructure bank” WL)

President Barack Obama talked at his news conference Monday about creating a national infrastructure bank that could help rebuild and repair America’s roads, bridges and ports and also address our serious unemployment problem. He cited the bank as one crucial way to stimulate the economy.¶ I would urge the president to move forward on this so we can begin to restore America’s infrastructure and strengthen our economy for the long term.¶ Even as Congress debates fiscal strategies, our country’s competitors and partners around the globe make massive investments in public infrastructure. Meanwhile, our nation’s roads and bridges, schools and hospitals, airports and railways, ports and dams, waterlines and air-control systems are rapidly and dangerously deteriorating.¶ We should view infrastructure financing as an investment rather than an expense and should establish a national, capital budget for infrastructure. This idea is not new.¶ Five years ago, former Sen. Warren Rudman and I co-chaired a commission on public infrastructure at the Center for Strategic and International Studies — a bipartisan group of congressional and business leaders, governors and bankers that unanimously recommended an infrastructure bank and called for a capital budget. Yet these proposals were — and perhaps still are — unable to gain political traction.¶ China, India and European nations are spending the equivalent of hundreds of billions of dollars on efficient public transportation, energy and water systems. Here in the United States, a five-year investment of $2.2 trillion is needed simply to make U.S. infrastructure dependable and safe, according to the American Society of Civil Engineers.¶ The obvious, negative effect of this situation on our global competitiveness, quality of life and ability to create American jobs is a problem we no longer can ignore.¶ This national infrastructure bank should be owned by the federal government but not operated by it. In this, it would be similar to the World Bank and European Investment Bank. Funded with a capital base of $50 billion to $60 billion, the infrastructure bank would have the power to insure bonds of state and local governments, provide targeted and precise subsidies and issue its own 30-to-50-year bonds to finance itself with conservative 3:1 gearing.¶ Such a bank could easily leverage $250 billion of new capital in its first few years and as much as $1 trillion over a decade.¶ Run by an independent board nominated by the president and confirmed by the Senate, the bank would finance projects of regional and national significance, directing funds to their most important uses. It would also provide a valuable guidance-system for the $73 billion that the federal government spends annually on infrastructure and avoid wasteful “earmark” appropriations. The money would come from funds now dedicated to existing federal programs.¶

#### Federal Budget would Invest in an Ibank

Federal Budget 12

(Federal Budget, <http://www.whitehouse.gov/omb/factsheet/21st-century-infrastructure>, Win the Future With a 21st Century Infrastructure, WL)

Leverage Our Investments Through a National Infrastructure Bank. The Administration’s six year plan would invest $30 billion to found a National Infrastructure Bank (I-Bank). The I-Bank would leverage this Federal investment by providing loans and grants to support individual projects and broader activities of significance to our Nation’s economic competitiveness. For example, the Bank could support improvements in road and rail access to a West Coast port that benefit farmers in the Midwest, or a national effort to guarantee private loans made to help airlines purchase equipment in support of the next generation air traffic control system (NextGen). A cornerstone of the I-Bank’s approach will be a rigorous project comparison method that transparently measures which projects offer the biggest “bang for the buck” to taxpayers and our economy. This marks a substantial departure from the practice of funding projects based on more narrow considerations.

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

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

#### Only federal action solves uniformity and investment

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

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

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

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

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

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

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

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

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

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

### A2: States CP – XT – Investment 1AR

#### National infrastructure banks more effective than state for large transportation projects

Building America’s Future 11

(10-12-11, “Bipartisan Infrastructure Coalition Urges Creation of National Infrastructure Bank”, http://www.bafuture.org/news/press-release/bipartisan-infrastructure-coalition-urges-creation-national-infrastructure-bank, ns)

Led by U.S. Rep. John L. Mica (R-FL), Chairman of the House Transportation and Infrastructure Committee, the U.S. House of Representatives' Subcommittee on Highways and Transit held a hearing today on creating a National Infrastructure Bank.¶ In response, Marcia Hale, President of Building America's Future issued the following:¶ "We agree that State Infrastructure Banks are valuable entities to finance local infrastructure projects. However, we strongly urge Congress to create and support a National Infrastructure Bank. It's the most effective way to leverage billions of private-sector dollars for infrastructure projects of national significance, including those that span state boundaries or encompass multiple modes of transportation. The National Infrastructure Bank should be established as an independent entity with strict guidelines to ensure that the process is streamlined, transparent and based on merit. The European Investment Bank, a similar institution in operation since 1957, has enabled European countries to build high-speed rail and modernize their ports and motorways."¶ Building America's Future Educational Fund recently released a new report – "Falling Apart and Falling Behind" – comparing the transportation infrastructure investments in the U.S. with those being made by our economic competitors:¶ U.S. infrastructure has fallen from first place in the World Economic Forum's 2005 economic competitiveness ranking to number 15 today. ¶ China now boasts six of the world's top ten ports – and none of the top ten are located in the U.S. ¶ U.S. air traffic control is managed by the same ground based system developed in the 1950's. ¶ The U.S. is one of the only leading nations without a national plan for public-private partnerships for infrastructure projects or a National Infrastructure Bank to finance large-scale projects and leverage private capital.

### A2: States CP – XT – Biz Con – 1AR

#### Fed key to fix business confidence

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

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

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

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

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

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

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

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

### A2: States CP – XT – No Money – 1AR

#### States don’t have money

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

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

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

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

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

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

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

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

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

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

### A2: States CP – 2AC – Econ DA

#### State budgets will blow up our economy

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

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

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

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

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

### A2: TIFIA CP

#### Tifia fails- Money release time and lack of interaction with community

Snyder capitol hill editor for streetsblog 11( Tanya, 10/8/11, , “Why create an infrastructure bank when we could just expand TIFIA?,” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/> MPH)

A more persuasive argument for the necessity of an I-bank came this month from USDOT Under Secretary for Policy Roy Kienitz, who said at an infrastructure forum sponsored by the Washington Post that one problem with TIFIA funding – aside from the fact that it’s far too low – is that it’s released six weeks at a time, making it hard to do long-term planning.¶ But that’s not all. Kienitz’s answer to why TIFIA isn’t a substitute for an infrastructure bank was so dead-on and coherent it’s worth printing in its entirety.¶ One of the advantages of some more infrastructure-bank-like system is that some of the places that are innovating, at least some of them, are places like Denver, Salt Lake, LA, Seattle. In the transit world, what the federal government does is it says “show me the minimum operable segment for the transit line which you are currently considering.” And what communities want to do is say, “I have a future 25 years from now that looks very different than today and here’s all the pieces and parts. Here’s what I want to do with my freeways, here’s my HOT lanes, here’s my light rail, here’s my streetcar, here’s my traffic flow improvements. It all works together. I want to raise an amount of money to do this plan; who do I talk to in Washington?”¶ And the answer is, blecch, we don’t know how to do that. We’re sliced up into our own little slices.¶ One of the things that the infrastructure bank, or something like the infrastructure bank, can do is enter into long-term relationships with people who have decade-plus-long plans, about the pieces and the parts of that plan. They’re trying to finance a plan. What Washington knows how to do is finance a segment of a project. And that’s a conversation that needs to change.¶ The current TIFIA process does not allow us to do that. With more money, we could do more segments of more projects, and that would be a good thing. But I don’t think that’s the ultimate goal.

#### NIB good- Accountability, transparency

Snyder capitol hill editor for streetsblog 11( Tanya, 10/8/11, , “Would an Infrastructure bank have the power to reform transportation?” http://dc.streetsblog.org/2010/12/07/would-an-infrastructure-bank-have-the-power-to-reform-transportation/ MPH)

In his testimony before Congress in May, Robert Puentes of the Brookings Institution’s Metropolitan Policy Program said a National Infrastructure Bank would lead to:¶ A better selection process with fewer federal dollars going to wasteful projects¶ More accountability for funding recipients¶ A focus on maintenance and fix-it-first for highway projects¶ Better delivery of infrastructure projects¶ But when asked why the choice of financing mechanism has an impact on outcomes, he admitted that, mainly, “it matters because of the ability to move the stupid bill through.”¶ He also said two factors would help a National Infrastructure Bank achieve better outcomes.¶ First, Puentes says a NIB should be independent, instead of being “buried” within the DOT. He recommends a semi-autonomous structure like the Tennessee Valley Authority or the Export-Import Bank.¶ Second, it should be more transparent, combining the development policy goals of the federal government with the focus on good investment returns of a bank.

#### PPP less effective than Public sector

Sagalyn, a specialist in real estate finance and urban development at the Columbia school of business, 12(Lynne, , 5/31/12, “The perils and promises of private-public partnerships” http://www4.gsb.columbia.edu/ideasatwork/feature/7325159/The+Perils+and+Promise+of+Public-Private+Partnerships MPH)

There are three complex economic problems: One is the potential attenuation of value when private firms have to meet stringent regulatory or policy objectives — such as constraints on rate setting or moratoriums on job losses, job guarantees, or where there is detailed regulatory oversight. If a PPP venture requires extraordinary public benefits that create lower private investment value, there are potential efficiency losses.¶ Two, you often get low levels of competition from a small field of bidders. The public sector requires bidders to have certain technical expertise as well as resource capacity for these projects. Layer on that the policy objectives of the public sector, such as accountability and information disclosure, and that may make some private sector partners withdraw from considering the bid competition. If that occurs, the public sector may face a quasi-monopoly situation — and another potential loss of efficiency.¶ Three, bidders will add a risk premium to their bid to account for contractual guarantees they have to offer to the public sector and for expected penalties if there are delays in delivery. Also, the public sector often has difficulty in specifying clear outputs or standards of performance that are often required by the private sector, and that can lead bidders quite rationally to adjust by putting in a risk premium.

### A2: TIGER CP

#### TIGER bad- Vague metrics

Feigenbaum Policy analyst at reason foundation 12( Baruch, , April 2012, “Evaluating and improving tiger grants,” http://reason.org/files/improving\_transportation\_tiger\_grants.pdf MPH)

Despite DOT’s emphasis on “rigorous” selection criteria and “project-specific performance ¶ measurement,” the quality of analysis was poor. While DOT provided general explanations for its ¶ requirements, its definitions were vague and lacked quantitative metrics. Some concepts, such as ¶ Livability, were difficult to rank, but quantitative metrics have nonetheless been developed and ¶ reviewed by subject experts for each criterion. Therefore, DOT should have included at least two ¶ quantitative metrics for each ranked criterion. For example, in the Livability section statement, ¶ DOT could have revised metric (I) from, “Will significantly enhance user mobility through the ¶ creation of more convenient transportation options for travelers” to the metric, “Will provide ¶ missing links in the network providing connectivity. This will reduce travel times by an average of ¶ five minutes per trip.” Metric (II) could change from, “Will improve existing transportation ¶ choices by enhancing points of modal connectivity on existing modal assets” to “Will enhance the ¶ highway mode resulting in increased throughput.” ¶ In Economic Competitiveness, the quality of the analysis was particularly problematic. The ¶ Department references, “The quality of jobs supported will be considered as well as number of ¶ jobs.” In the Atlanta Streetcar Project, the largest project funded by TIGER II, the forecast for the ¶ number of jobs created was greatly inflated. This occurred in part because the DOT confused jobyears with jobs. Additionally, PolitiFact, an independent fact reviewer, highlighted that, contrary to ¶ the claims of streetcar proponents, the project would only create 23 jobs to operate the trolleys and ¶ 467 jobs to build the rail line, all of them temporary.¶ 20¶ The temporary employees would create ¶ other temporary jobs in restaurants and retailers, but those jobs would be considerably fewer than ¶ the 4,000 claimed by proponents. Despite the problems with the application, DOT used the inflated ¶ numbers in a press release. Problems existed for other projects and other elements of the metrics.

#### Tiger Bad- geographic requirements in investment

Feigenbaum Policy analyst at reason foundation 12( Baruch, , April 2012, “Evaluating and improving tiger grants,” http://reason.org/files/improving\_transportation\_tiger\_grants.pdf MPH)

¶ Part of the explanation for the failure to allocate funding to Highly Recommended projects over ¶ ¶ Recommended projects arose from Congress’ insistence in TIGER I and DOT’s insistence in ¶ ¶ TIGER II and TIGER III that the grants be awarded proportionally to the four geographic areas ¶ ¶ (Northeast, Midwest, South, West) of the country. While political realities required that a certain ¶ ¶ amount of funding be allocated to each of the four geographic regions, it seemed unlikely that¶ ¶ complete regional equality was necessary. A better alternative would have been to guarantee 12% ¶ ¶ funding to each of the four regions and allocate the other 52% to the best projects regardless of ¶ ¶ location. In TIGER I, the agency rejected several Highly Recommended projects in the West and¶ ¶ Midwest to award Recommended projects in the South. However, the South had 23 Highly ¶ ¶ Recommended projects. Of the 23 projects, only two were selected by the Review Team for ¶ ¶ funding.¶ ¶ 27¶ ¶ The Review Team insisted that the other 21 Highly Recommended projects were denied ¶ ¶ for financial or other reasons. Thus, of the eight TIGER I projects awarded to the South, only two ¶ ¶ were Highly Recommended projects while six were merely Recommended projects. In the absence ¶ ¶ of any publicly available explanatory notes, the Review Team’s justification was difficult to ¶ ¶ understand. Regardless, if the Review Team believed that projects in the South were not qualified, ¶ ¶ it should have dedicated more funds to other regions of the country.

#### Tiger bad- Bias to democrats

Feigenbaum 12( Baruch, Policy analyst at reason foundation, April 2012, “Evaluating and improving tiger grants,” http://reason.org/files/improving\_transportation\_tiger\_grants.pdf MPH)

¶ Independent analysis indicated that Democratic House districts received 29 percent more Stimulus ¶ ¶ funding than Republican House districts. While the grants were supposed to fund projects based on ¶ ¶ project qualification and not the political identification of the district, this was not reality. The first ¶ table shows the political representation of the districts where the grants were funded. The second ¶ table shows the political representation of relevant elected state and federal officials. Some of the Tiger II Planning grants were jointly administered by DOT and the Department of ¶ Housing and Urban Development (HUD). Additionally, over 40% of the funds in the TIGER I, ¶ TIGER II Capital and TIGER II Planning grants were awarded to Republican members on the ¶ Transportation and Infrastructure Committee.¶ 29¶ The four highest-ranking Democrats on the ¶ Transportation and Infrastructure Committee also received at least one grant for their districts.¶ TIGER III grants were awarded during the first session of the 112¶ th¶ Congress. In this Congress ¶ 53% of the members were Republicans and 47% of the members were Democrats, yet districts ¶ represented by Democrats still received 61% of the funds.¶ 30¶ The party controlling Congress ¶ typically receives more funding in discretionary grant processes. This tilts the process toward ¶ favoring the most influential politicians rather than the most needed projects. So what happened in ¶ TIGER III?

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

### A2: Agenda [Obama Good] DA – Link Turn 2AC

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

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

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

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

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

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

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

### A2: Agenda [Obama Good] DA – Link Turn 1AR

#### Plan will boost momentum

Avon, Staff Writer at CNN, July 9, (John, 7/11/12, pg online @ <http://www.cnn.com/2012/07/09/opinion/avlon-three-bills-economy/index.html>, “3 Bipartisan bills that could get the economy moving”, ML)

The bipartisan BUILD Act is a no-brainer that has been stalled for no good reason.¶ It would create a public-private bank to seed investment in America's aging infrastructure, improving our resilience and competitiveness over the long term while spurring the economy in the near term.¶ McConnell: Most tepid recovery Analyzing another weak jobs report¶ "In a time of budgetary crisis, the American Infrastructure Bank pays for projects with private money now sitting on the sidelines," attests Michael Likosky, director of NYU's Center on Law & Public Finance. "Every country uses private capital to build projects except for the United States. We are an island."¶ "We are poised for a new era of prosperity if we could gain consensus on the fact that our infrastructure needs to be rebuilt," agrees John Hofmeister, the former CEO of Shell Oil. "It was designed for a time in the past when our country had a different population."¶ Voters look beyond monthly jobs numbers¶ President Obama has backed this bipartisan infrastructure bank bill as more feasible than a version his administration pushed earlier. "President Obama is the biggest proponent of public-private partnerships to hold office to date," argues Likosky. "The Infrastructure Bank is a rare case of a popular bipartisan idea, born in the Beltway, that has been adopted by governors and mayors." It is trickle-down policy-making. It's also smart policy-making that business and labor, Republicans and Democrats, should all be able to agree on.

#### Serious bipartisanship and huge lobbying

Compton, Staff Writer @ The White House, November 3, 2001, (Matt, 7/11/12 pg online @ <http://www.whitehouse.gov/blog/2011/11/03/five-facts-about-national-infrastructure-bank>, “Five facts about national infrastructure bank”, ML)

Today, the Senate is set to take up one idea that the President touted -- the creation of a national infrastructure bank.¶ Here's how it would work:¶ 1) Congress would appropriate an initial $10 billion in startup money to capitalize the bank.¶ 2) The new bank would identify transportation, energy, and water infrastructure projects that lack funding, offer a clear benefit for taxpayers, and are worth at least $100 million or $25 million for rural projects.¶ 3) Loans made by the bank would then be matched by private sector investments or money from local governments -- so that the infrastructure bank provides half or less than half the total funding.¶ 4) Each project would generate its own revenues to help ensure repayment of the loan.¶ 5) Decisions would be made by a seven-person board of governors -- of whom, no more than four could be from the same political party -- and a CEO chosen by the President.¶ One bonus fact: The legislation that would create the bank has serious bipartisan backing -- and the support of both the U.S. Chamber of Commerce and the AFL-CIO.¶

#### Everyone wants the plan

Rohatyn, special adviser to the chairman and chief executive officer of Lazard and former chairman of New York’s Municipal Assistance Corp, July 12, 2011 (Felix, 7/11/12, pg online @ <http://www.politico.com/news/stories/0711/58786_Page2.html>, “Time for a U.S. infrastructure bank”, ML)

It is difficult to understand why an infrastructure bank is not already in place — with so many in Congress calling for more efficient federal spending and public investment that can pay for itself. Part of the problem may be the belief among some legislators that government action is always a bad thing.¶ Yet throughout U.S. history, competent public investments have been an essential complement to private investments — from the Louisiana Purchase, to land-grant colleges, to the Interstate Highway System, to the Internet.¶ From a federal budgeting standpoint, creating an infrastructure bank would be the wisest thing to do. We can leverage private capital, both at home and overseas, to modernize our transportation systems, deal safely and effectively with wastewater and hazardous materials, renew ports and inland waterways.¶ With a national bank for infrastructure, we could begin to do all these things and more.

### A2: Agenda [Obama Good] DA – Win for Obama 1AR

#### Plan will be a win for Obama

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

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

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

#### Obama’s pushing the plan

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

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

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

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

### A2: Elections [Obama Good] DA – Link Turn 2AC

#### Voters are unsatisfied with status quo investment in transportation infrastructure- 60 percent support establishing a National Infrastructure Bank

Rockefeller Foundation, 2011

(Rockefeller Foundation, 2-14-11,

<http://www.rockefellerfoundation.org/news/press-releases/rockefeller-foundation-infrastructure>, “Rockefeller Foundation Infrastructure Survey Reveals Bipartisan Support for Transportation and Infrastructure Investments and Reform”, js)

American voters see room for improvement in how government spends money on infrastructure: With a high federal deficit, Americans overwhelmingly say that that current government spending on building and maintaining transportation infrastructure is inefficient and unwise – 64% overall and 72% of Republicans. Americans support a host of reforms aimed at making spending more efficient while still producing results. For instance, 90% support allowing local regions to have some input on how transportation dollars are used in their area.¶ American voters are open to several funding streams for national transportation projects: With overwhelming support for transportation and infrastructure improvements, Americans are open to several funding streams. Seventy-eight percent encourage more private investment and 72% of voters support imposing penalties on projects that go over budget or exceed their deadline. Sixty percent of voters support establishing a National Infrastructure Bank, 59% support issuing new transportation bonds and 58% support eliminating subsidies for American oil companies that drill in other countries. Only 27 percent support increasing the gas tax, although almost half of all respondents believe it increases annually (it has not increased since 1993).¶ “As the transportation debate in Washington begins to heat up, this new Rockefeller Foundation Infrastructure Survey shows that the American people, no matter their political party, support transportation and infrastructure reform, said Marcia L. Hale, President of Building America’s Future Education Fund. “As voters continue to demand that economic reforms come ahead of politics, I call on all our representatives in Washington to listen closely to what the public is saying.”

### A2: Elections [Obama Good] DA – Link Turn 1AR

#### Plan’s more popular than anything else

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

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

#### Small Business link turn:

#### (A) 59 percent of small businesses support a National Infrastructure Bank

ASBC, February 13

(American Sustainable Businesses Council, 2-13-12, http://asbcouncil.org/node/490, “Small Business Owners Support President’s Budget on Taxes, Infrastructure”, js)

69 percent of small business owners support committing $50 billion to new and existing infrastructure projects that would generate jobs—such as making improvements to road, bridge and water systems.¶ 59 percent favor creating a nationwide wireless network and improving the accessibility of high-speed wireless services.¶ 59 percent support creating a National Infrastructure Bank to help fund infrastructure, like roads, bridges, and water systems, via private and public capital.¶ 53 percent favor spending $35 billion to prevent layoffs of police officers, teachers, and firefighters.

#### (B) Winning over small businesses key to Obama’s reelection

Arora, 10

(Ramit, - CEO of small business loan dealer ‘Biz2Credit’February, 2-10-12, http://expertadvice.biz2credit.com/2012/02/09/supporting-small-business-can-now-help-obama-win-elections/, “Supporting Small Business Can Now Help Obama Win Elections”, js)

In the election year, President Obama is giving lot of attention to small business and is banking on it. Obama’s fiscal 2013 budget is going to eliminate capital gain taxes on investments for small businesses. There is an offer of 10 percent tax credit when new hires are recruited. It is double the amount of deductions that a startup can ask for as it starts from $5,000 and extends up-to $10,000. On Feb 13th, Obama will provide details of this package to Congress.¶ Democrats and Republicans are doing their best to do everything possible for small businesses as they know it is the key to their re-election. Tax-cut is becoming popular and both the parties are trying to trumpet their support for the Small Business cause. The Obama administration knows this well and his party members are using small businesses as a lynchpin for 2012 re-election.¶ Biz2credit has been providing ‘President’s Council of Economic Advisers’ reports about small business loan approval for several months now. Biz2credit provided detailed report about big banks, regional banks, credit unions and alternative lenders approval rates. That the administration is giving due importance to such data is a clear sign of Obama’s keen interest for small business growth. Since the time he joined office, Obama worked hard to bring in the recovery. The economy is definitely in a better shape now though the complete recovery has not taken place yet.¶ Big banks are quite stringent in their lending practices to small businesses. Many big banks ask for three years worth of financial data to get loan approval. This is impossible for a start-up.¶ President Obama with his innovative strategies for small businesses has positioned himself as the advocate for entrepreneurship and small business cause. He also raised the position of SBA head to cabinet level status. This is a clear message that for US it is important to spur entrepreneurship and help start-ups so as to create more jobs in the economy.

#### All groups support the plan

Likosky, PhD at Oxford Law and Senior Fellow at NYU’s Institute for Public Knowledge, writing for the Huffington Post, 2011

(Michael, 8-29-11, <http://www.huffingtonpost.com/michael-likosky/bipartisanship-postlabor-_b_939966.html>, “Bipartisanship Post-Labor-Day: P3s and a National Infrastructure Bank”, js)

A recent Rockefeller Foundation survey found that 78 percent of all voters support increased public-private partnerships, including 85 percent of Republicans, 84 percent of conservatives, 80 percent of Tea Party supporters, 79 percent of liberals, 78 percent of democrats, 77 percent of moderates, 73 percent of independents, 80 percent of Midwesterners, 79 percent of Southerners, 79 percent of Northeasterns and 75 percent of Westerners. Across the board, a majority of each group favors a National Infrastructure Bank to move this private capital into projects. President Barack Obama, former Alaska Governor Sarah Palin, Warren Buffet and David Koch all favor partnerships.

### A2: Spending DA

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

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

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

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

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

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

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