## Counterplan

### 1NC CP

**The United States federal government should**

* **Invest $24 billion in clean water projects, flood protection and navigation projects**
* **Reauthorize the Safe Drinking Water Act, the Water Quality Investment Act and the Water Resources Development Act.**
* **Pass comprehensive business tax reform that eliminates loopholes and inneficient business tax expenditures**
* **Make the research and experimentation tax credit permanent**
* **Introduce a minimum tax on foreign earnings to prevent production from going to tax havens overseas.**
* **Start an $8 billion Community College to Career Fund**
* **Increase government investment in advanced manufacturing by 19 percent**
* **Establish a National Network for Manufacturing Innovation**

#### That solves their steel internal link—as does MAP-21

**AISI, 1ac card, 12**

(American Iron and Steel Institute, “AISI Public Policy Priorities – Promoting a Pro-Manufacturing Agenda,” pg online @ <http://www.steel.org/en/Public%20Policy/~/media/Files/AISI/Public%20Policy/Agenda/AISI2012PublicPolicyAgenda%20_%20Final%20020212.ashx> //chm)

With regard to the nation’s water infrastructure, it is estimated that fifty percent of the 160,000 public drinking water systems in the United States have reached the end of their useful lives and would require $277 billion by the year 2023 for improvements and replacements. Of the 16,000 wastewater treatment facilities in the United States it would require at least $140 billion for needed improvements and added capacity. The Army Corps of Engineers estimates that clean water projects, flood protection and navigation improvements will require an estimated $24 billion over the next 10 years. Again, steel plays a vital role in water infrastructure repair, replacement and expansion through the use of steel plate, reinforcement bar, pressure and non pressure pipe, pumps, valves, tanks, grates, sheet piling as well as a variety of other steel products. The Safe Drinking Water Act, the Water Quality Investment Act and the Water Resources Development Act are all overdue for reauthorization. Situation. In 2012, Congress needs to authorize a new multi-year surface transportation act, a safe drinking water act, a clean water act and a water resource development act.

#### Solves manufacturing—the aff can’t solve without the counterplan

**Boushey, PhD, 7/19**—Senior Economist at American Progress, Ph.D. in economics from the New School for Social Research (s held an economist position with the Joint Economic Committee of the U.S. Congress, the Center for Economic and Policy Research, and the Economic Policy Institute (Heather, Tax Reform and the U.S. Manufacturing Sector, Testimony before the U.S. House of Representatives Committee on Ways and Means, Center For American Progress Action Fund, 2012, http://www.americanprogressaction.org/issues/2012/07/boushey\_manufacturing.html)//chm

Second, there are a variety of ways that policymakers can support manufacturing, of which reforming the corporate tax code is one piece of the puzzle. Manufacturers make their investment decisions based on a variety of factors, not only the level of taxation. The research is clear that any set of policies aimed at supporting U.S. manufacturing should include investments in education and training, infrastructure, basic and applied research and development, and improvements to basic data collection.

To support manufacturing, I recommend that this Congress focus on a few key items:

Pass comprehensive business tax reform that both eliminates loopholes and inefficient business tax expenditures without disadvantaging domestic manufacturing. Currently, loopholes allow companies to avoid paying U.S. taxes by artificially shifting their profits offshore. Closing these loopholes by adopting strong provisions to prevent base erosion and will promote job growth in the United States and insure businesses are both competitive and fairly taxed.

Find a fiscally responsible way to make the research and experimentation, or R&E, tax credit permanent in order to boost and attract domestic investment in research and development, or R&D, from the private sector. Studies have shown that the R&E tax credit stimulates as much research and development investment as a direct subsidy and that the social returns on R&D are greater than returns for private investors who finance R&D. The Obama tax proposal finances the credit exclusively through business tax reform.

Introduce a minimum tax on foreign earnings to prevent production from going to tax havens overseas. This would also ease the tax code’s current bias towards foreign, as opposed to domestic, investment and level the playing field among competing businesses.

I want to stress, however, that the level of taxation is only one piece of the puzzle and the statutory corporate tax rate is only one aspect of the corporate tax code and how it affects businesses. Supporting manufacturing requires a deeper policy commitment and while I will focus my time in my remarks specifically on tax policy, given the jurisdiction of this committee, there are also a variety of other ways that we can promote manufacturing and innovation in the United States—or least not disadvantage it relative to other industries—including:

Improve infrastructure so that U.S. goods can be more easily transported and marketed at home and abroad. This will also make the U.S. more appealing to businesses and globally competitive.

Implement the Obama administration’s proposal to start an $8 billion “Community College to Career Fund” to encourage collaboration and partnerships between community colleges and businesses in training our future workforce. Two million workers would learn skills vital to working in burgeoning industries like advanced manufacturing and heath care. A highly skilled workforce would also give the U.S. and its regional economies further advantages over its global competitors.

Increase government investment in advanced manufacturing by 19 percent, to $2.2 billion in fiscal year 2013, as outlined by the current administration. Manufacturing workers receive better pay and benefits, while the manufacturing sector is the driving force behind innovation in our economy. Additional investments in this area will benefit workers, improve our standard of living, and strengthen our economy.

Follow through on President Obama’s plan to establish a National Network for Manufacturing Innovation. This network, comprised of up to 15 new manufacturing institutes, would facilitate and promote collaboration between companies and research universities, all with the aim of increasing and scaling up manufacturing production.

## Case

### 1NC Manufacturing Defense

#### Their first card says the plan hurts manufacturing and the economy

**Reuters 7/2** (“U.S. manufacturing shrinks, 1st time in nearly 3 yrs,” pg online @ http://in.reuters.com/article/2012/07/02/usa-economy-idINDEE8610EU20120702 //chm)

The economy could also get a boost this summer from lower gas prices, which have tumbled more than 60 cents per gallon since peaking in April. The result is that consumers have more money to spend on other goods, from autos and furniture to electronics and vacations, that fuel economic growth.

#### Reuters says manufacturing will decline because of the Eurozone

**Double bind:**

#### That’s not true and the status quo solves

**The Week 6/7** 2012, “Is the U.S. insulated from the European debt crisis?” http://theweek.com/article/index/228963/is-the-us-insulated-from-the-european-debt-crisis, AJ

Yes. The U.S. recovery could survive: Most investors "mistakenly think that Europe's malaise will be contagious," says Jack Albin at Bloomberg. The U.S. is actually "somewhat insulated from Europe's predicament." Three central drivers of the current U.S. economy — manufacturing, energy, and housing — will be **untouched by the crisis and could even benefit from Europe's troubles**. Furthermore, the U.S. has **effectively "decoupled" from Europe**, with exports to the continent representing "only 2 percent of gross domestic product." A dip in European trade is "not enough to derail growth."

#### Or it’s an Alt cause

WSJ 7/30—BEN CASSELMAN and CONOR DOUGHERTY (Wall Street Journal, Federal Spending Cutbacks Slow Recovery Sharp Drop in Military, Stimulus Spending Take a Toll on Economic Rebound, 2012, http://online.wsj.com/article/SB10000872396390444840104577553551718500764.html)//chm

But the budget cuts come at a tough time for the U.S. economy, which has lost steam after appearing to accelerate earlier this year. Recession in much of Europe and slowing growth in China have cut into demand for U.S. exports, hurting manufacturing, which had been a key source of strength earlier in the recovery. Weak job growth and shaky financial markets have hit consumer spending, which some economists had hoped would drive economic growth this year. The overall economy grew at an annual rate of 1.5% in the second quarter, down from 2% in the first quarter, and most economists expect continued weak growth for the rest of the year.

#### **It then lists several alt causes that the aff doesn’t solve**

**Reuters 7/2** (“U.S. manufacturing shrinks, 1st time in nearly 3 yrs,” pg online @ http://in.reuters.com/article/2012/07/02/usa-economy-idINDEE8610EU20120702 //chm)

Manufacturing will likely stay weak for the next few months. The ISM's gauge of new orders, a measure of future activity, plunged from 60.1 to 47.8. That's the first time it has fallen below 50 since April 2009, when the economy was still in recession.

Fewer new orders reflect growing concerns of businesses. In addition to slower global growth and less spending by U.S. consumers, many companies worry that U.S. lawmakers won't extend a package of tax cuts at the end of the year.

Bricklin Dwyer, an economist at BNP Paribas, said the uncertainty "has left businesses unwilling to invest."

A gauge of production in the ISM's survey fell to its lowest level in more than three years.

U.S. factories are also reporting less overseas demand. A measure of exports dropped to 47.5, its lowest level since April 2009.

A gauge of employment edged down but remained at a healthy level of 56.6. That suggests factories may still be adding jobs. Manufacturers have reported job gains for eight straight months.

Overall hiring has slowed sharply this spring. Employers added an average of only 73,000 jobs per month in April and May. That's much lower than the average of 226,000 added in the first three months of this year. The unemployment rate rose in May to 8.2 percent from 8.1 percent, the first increase in a year.

Worries about slowing job growth are outweighing the benefits of lower gas prices. A measure of consumer confidence fell in June for the fourth straight month.

Slower job growth and falling confidence are weighing on consumers' willingness to spend. Americans cut back on purchases of autos and other long-lasting factory goods in May, the government said Friday.

The sharp drop in U.S. factory activity overshadowed more positive news on housing.

Construction spending rose 0.9 percent in May from April, the Commerce Department said in a separate report Monday. It was the second straight monthly increase, even though the level of spending still isn't healthy.

The increase was driven by a surge in residential construction. Home sales are up from the same month last year. Mortgage rates are at the lowest levels in history. And prices have begun to stabilize in most markets.

#### 12 percent of the plan goes into manufacturing.

The Department of the Treasure and The Council of Economic Advisors 10 (October 21st, “AN ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure\_investment\_report.pdf)//chm

Investing in transportation infrastructure creates middle class jobs. Our analysis suggests that 61 percent of the jobs directly created by investing in infrastructure would be in the construction sector, 12 percent would be in the manufacturing sector, and 7 percent would be in retail trade, for a total of 80 percent in these three sectors. Nearly 90 percent of the jobs in the three sectors most affected by infrastructure spending would be middle class jobs, defined as those paying between the 25 th and 75 th percentile of the national distribution of wages.

#### They need 2.2 trillion dollars of investment

**Hermann, their author, 11** (Andrew Herrmann, P.E. SECB, F.ASCE President American Society of Civil Engineers, Impact Of Infrastructure Investment On The Manufacturing Sector, pg lexis//chm)

ASCE's 2009 Report Card for America's Infrastructure graded the nation's infrastructure a "D" based on 15 categories (the same overall grade as ASCE's 2005 Report Card). The report also concluded that the nation needs to invest approximately $2.2 trillion from 2009 - 2014 to bring our nation's infrastructure to a state of good repair. This number, adjusted for a three percent rate of inflation, represents capital spending at all levels of government and includes current expenditures. Even with current and planned investments from federal, state, and local governments from 2009 - 2014, the "gap" between the overall need and actual spending will exceed $1 trillion by the end of the five-year period. In the Report Card, the nation's surface transportation system included roads receiving a grade of "D-," bridges receiving a grade of "C," and transit receiving a grade of "D". With nearly one-third of roads in poor or mediocre condition, a quarter of the nation's bridges either structurally deficient or functionally obsolete, and transit use increasing to its highest levels in 50 years, the nation's surface transportation system is in a state of critical decline. Additionally, to bring just these three surface transportation categories up to an acceptable condition would require a five-year investment of $1.2 trillion, according to ASCE estimates. If the nation continues to under- invest in infrastructure and ignores this backlog until systems fail, we will incur even greater costs. While Congress is in the process of developing a comprehensive multi-year surface transportation authorization bill, and as President Obama emphasizes the infrastructure investment needs for the nation, our roads, bridges, and transit systems continue on in a state of decline. According to the Congressional Budget Office, the total of all federal spending for infrastructure has steadily declined over the past 30 years. The results of years of under investment can be seen in traffic and airport congestion, unsafe bridges and dams, deteriorating roads, and aging drinking water and wastewater infrastructure

**This is illogical—they have no evidence that manufacturing in the Defense industrial base will decline—otherwise the plan wouldn’t solve that.**

#### Alt causes—federal policy and congestion

**Hermann, their author, 11** (Andrew Herrmann, P.E. SECB, F.ASCE President American Society of Civil Engineers, Impact Of Infrastructure Investment On The Manufacturing Sector, pg lexis//chm)

The job-creation potential of infrastructure investment is only one contributing factor of the interaction between surface transportation and the nation’s ability to compete in the global marketplace. Equally important are the benefits to a region’s long term growth and productivity. A significant challenge to this economic growth is increased congestion, which contributes to the deterioration of the nation’s infrastructure. Therefore, the importance of freight movement and the impact of congestion on the nation’s economy must be emphasized. ASCE is concerned with the increasing deterioration of America’s infrastructure, reduced investment for the preservation and enhancement of our quality of life, and the threatened decline of U.S. competitiveness in the global marketplace. In response, ASCE has not only issued multiple Report Cards on the condition of infrastructure, but has also sought to advance policy solutions that provide for a clean and safe quality of life, as well as fuel economic growth. While taken for granted by most Americans, our infrastructure is the foundation on which the national economy depends. As the economy grows, we cannot only think in terms of repairing what we have, but of creating a modernized transportation system that addresses long-term needs. The current system was originally built in the 1950’s and 1960’s at a time when the country had different transportation needs and a smaller population. With an expanding population and a larger economy, the nation needs a transportation system that can keep pace. Unfortunately, due to the rapid growth of the country, highway and freight capacity failed to keep up. In July 2011, ASCE released an economic study that measures the potential impacts to the economy in 2020 and 2040 if the nation maintains current levels of surface transportation investments. The report is the first in a series of four reports that will focus on the correlation between the nation’s infrastructure and the economy. Subsequent reports will detail the economic correlation to the nation’s drinking and waste water systems, energy grid, and ports and airports. The first study, Failure to Act: the Economic Impact of Current Investment Trends in Surface Transportation Infrastructure, found that if investments in surface transportation are not made in conjunction with significant policy reforms, families will have a lower standard of living, businesses will be paying more and producing less, and our nation will lose ground in a global economy.

New tifia expansion will result in highway investment—that should solve the case

#### Their O’Hanlon evidence is about cuts in defense spending—they don’t solve

**O’Hanlon 12**

(Mackenzie Eaglen, American Enterprise Institute Rebecca Grant, IRIS Research Robert P. Haffa, Haffa Defense Consulting Michael O'Hanlon, The Brookings Institution Peter W. Singer, The Brookings Institution Martin Sullivan, Commonwealth Consulting Barry Watts, Center for Strategic and Budgetary Assessments “The Arsenal of Democracy and How to Preserve It: Key Issues in Defense Industrial Policy January 2012,” pg online @ http://www.brookings.edu/~/media/research/files/papers/2012/1/26%20defense%20industrial%20base/0126\_defense\_industrial\_base\_ohanlon //chm)

The United States, and its civilian leaders, cannot afford to avoid the hard questions that now come

with maintaining a strong successful military, a top flight defense industrial base, and a fiscally sound

national economy. Our defense industrial base is certainly not broken, but there are clear,

unavoidable challenges that loom, which might undercut broader national security, and the looming

big budget cutbacks raise the stakes and heighten the sense of urgency in addressing the issue.

#### The plan can’t solve without a national infrastructure bank

The Department of the Treasure and The Council of Economic Advisors 10 (October 21st, “AN ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure\_investment\_report.pdf)//chm

Not all infrastructure projects are worth the investment. Investing rationally in infrastructure is critically important, as is providing opportunities for the private sector to invest in public infrastructure. 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 specific infrastructure projects. The establishment of a National Infrastructure Bank would create the conditions for greater private sector co-investment in infrastructure projects. A National Infrastructure Bank would also perform a rigorous analysis that would result in support for projects that yield the greatest returns to society and are most likely to deliver long-run economic benefits that justify the up-front investments.

You should reject evidence from the steel industry about why the steel industry is important—AISI is obviously biased

#### The aff can’t be maintanence

**Lemer 11** - worked at The National Academies and studied at Harvard University (Andrew, “[How Much Infrastructure Spending Is “Enough?’”](http://www.andrewlemer.com/2011/02/26/how-much-infrastructure-spending-is-%e2%80%9cenough%e2%80%9d/), <http://www.andrewlemer.com/2011/02/26/how-much-infrastructure-spending-is-%E2%80%9Cenough%E2%80%9D/>)

What has been neglected in all of the analyses that I have seen is an explicit consideration of maintenance spending, as distinct from investment. Infrastructure, like most engineered systems, requires periodic care to keep it functioning properly. Leaves, trash and other debris clog drains that channel rainwater away from roadways must be cleaned out. Filters that remove silt and bacteria from drinking water must be flushed. The costs of such maintenance effort typically are accrued in different accounts from those the represent “investment.” But if maintenance is neglected, the quality of services and longevity of facilities will be impaired. My discussions with people who manage maintenance in public works agencies suggest that maintenance budgets are often squeezed, forcing neglect.

#### That’s key—vote negative on presumption

The Department of the Treasure and The Council of Economic Advisors 10 (October 21st, “AN ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure\_investment\_report.pdf)//chm

Edward Gramlich argues that the greatest return on investment can be garnered from spending on maintenance of existing highways. 9 Citing data from the Congressional Budget Office, he finds an extremely high rate of return from bringing road conditions up to their minimum state of good repair. Interestingly, he also finds that improvements beyond the state of good repair are not associated with positive returns. Allocating maintenance dollars to where they are most needed is likely to generate high rates of return and improve safety, suggesting that our spending on infrastructure going forward should prioritize funding roads that are in a state of disrepair.

#### US R&D is inevitable—their card (<3)

Lind 12 (Michael Lind is policy director of New America’s Economic Growth Program and a co-founder of the New America Foundation. Joshua Freedman is a program associate in New America’s Economic Growth Program. “Value Added: America’s Manufacturing Future,” pg online @ http://growth.newamerica.net/sites/newamerica.net/files/policydocs/Lind,%20Michael%20and%20Freedman,%20Joshua%20-%20NAF%20-%20Value%20Added%20America%27s%20Manufacturing%20Future.pdf //chm)

Manufacturing, R&D and the U.S. Innovation Ecosystem Perhaps the greatest contribution of manufacturing to the U.S. economy as a whole involves the disproportionate role of the manufacturing sector in R&D. The expansion in the global market for high-value-added services has allowed the U.S. to play to its strengths by expanding its trade surplus in services, many of them linked to manufacturing, including R&D, engineering, software production and finance. Of these services, by far the most important is R&D. The United States has long led the world in R&D. In 1981, U.S. gross domestic expenditure on R&D was more than three times as large as that of any other country in the world. And the U.S. still leads: in 2009, the most recent year for which there is available data, the United States spent more than 400 billion dollars. European countries spent just under 300 billion dollars combined, while China spent about 150 billion dollars.14 In the United States, private sector manufacturing is the largest source of R&D. The private sector itself accounts for 71 percent of total R&D in the United States, and although U.S. manufacturing accounts for only 11.7 percent of GDP in 2012, the manufacturing sector accounts for 70 percent of all R&D spending by the private sector in the U.S.15 And R&D and innovation are inextricably connected: a National Science Foundation survey found that 22 percent of manufacturers had introduced product innovations and the same percentage introduced process innovations in the period 2006-2008, while only 8 percent of nonmanufacturers reported innovations of either kind.16 Even as the manufacturing industry in the United States underwent major changes and suffered severe job losses during the last decade, R&D spending continued to follow a general upward growth path. A disproportionate share of workers involved in R&D are employed directly or indirectly by manufacturing companies; for example, the US manufacturing sector employs more than a third of U.S. engineers.17 This means that manufacturing provides much of the demand for the U.S. innovation ecosystem, supporting large numbers of scientists and engineers who might not find employment if R&D were offshored along with production. Why America Needs the Industrial Commons Manufacturing creates an industrial commons, which spurs growth in multiple sectors of the economy through linked industries. An “industrial commons” is a base of shared physical facilities and intangible knowledge shared by a number of firms. The term “commons” comes from communallyshared pastures or fields in premodern Britain. The industrial commons in particular in the manufacturing sector includes not only large companies but also small and medium sized enterprises (SMEs), which employ 41 percent of the American manufacturing workforce and account for 86 percent of all manufacturing establishments in the U.S. Suppliers of materials, component parts, tools, and more are all interconnected; most of the time, Harvard Business School professors Gary Pisano and Willy Shih point out, these linkages are geographic because of the ease of interaction and knowledge transfer between firms.18 Examples of industrial commons surrounding manufacturing are evident in the United States, including the I-85 corridor from Alabama to Virginia and upstate New York.19 Modern economic scholarship emphasizes the importance of geographic agglomeration effects and co-location synergies. 20 Manufacturers and researchers alike have long noted the symbiotic relationship that occurs when manufacturing and R&D are located near each other: the manufacturer benefits from the innovation, and the researchers are better positioned to understand where innovation can be found and to test new ideas. While some forms of knowledge can be easily recorded and transferred, much “know-how” in industry is tacit knowledge. This valuable tacit knowledge base can be damaged or destroyed by the erosion of geographic linkages, which in turn shrinks the pool of scientists and engineers in the national innovation ecosystem. If an advanced manufacturing core is not retained, then the economy stands to lose not only the manufacturing industry itself but also the geographic synergies of the industrial commons, including R&D. Some have warned that this is already the case: a growing share of R&D by U.S. multinational corporations is taking place outside of the United States.21 In particular, a number of large U.S. manufacturers have opened up or expanded R&D facilities in China over the last few years.22 Next Generation Manufacturing A dynamic manufacturing sector in the U.S. is as important as ever. But thanks to advanced manufacturing technology and technology-enabled integration of manufacturing and services, the very nature of manufacturing is changing, often in radical ways. What will the next generation of manufacturing look like? In 1942, the economist Joseph Schumpeter declared that “the process of creative destruction is the essential fact about capitalism.” By creative destruction, Schumpeter did not mean the rise and fall of firms competing in a technologically-static marketplace. He referred to a “process of industrial mutation— if I may use that biological term—that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating the new one.” He noted that “these revolutions are not strictly incessant; they occurred in discrete rushes that are separated from each other by spaces of comparative quiet. The process as a whole works incessantly, however, in the sense that there is always either revolution or absorption of the results of revolution.”23 As Schumpeter and others have observed, technological innovation tends to be clustered in bursts or waves, each dominated by one or a few transformative technologies that are sometimes called “general purpose technologies.” Among the most world-transforming general purpose technologies of recent centuries have been the steam engine, electricity, the internal combustion engine, and information technology.24 As epochal as these earlier technology-driven innovations in manufacturing processes and business models proved to be, they are rapidly being superseded by new technology driven changes as part of the never-ending process of Schumpeterian industrial mutation. The latest wave of innovation in industrial technology has been termed “advanced manufacturing.” The National Science and Technology Council of the Executive Office of the President defines advanced manufacturing as “a family of activities that (a) depend on the use and coordination of information, automation, computation, software, sensing, and networking, and/or (b) make use of cutting edge materials and emerging capabilities enabled by the physical and biological sciences, for example, nanotechnology, chemistry, and biology. It involves both new ways to manufacture existing products and the manufacture of new products emerging from new advanced technologies.”25 Already computer-aided design (CAD) and computer-aided manufacturing (CAM) programs, combined with computer numerical control (CNC), allow precision manufacturing from complex designs, eliminating many wasteful trials and steps in finishing. CNC is now ubiquitous in the manufacturing sector and much of the employment growth occurring in the sector requires CNC skills or training. Information technology has allowed for enterprise resource planning (ERP) and other forms of enterprise software to connect parts of the production process (both between and within a firm), track systems, and limit waste when dealing with limited resources. Other areas in which advanced manufacturing will play a role in creating new products and sectors and changing current ones are: Supercomputing. America’s global leadership in technology depends in part on whether the U.S. can compete with Europe and Asia in the race to develop “exascale computing,” a massive augmentation of computer calculating power that has the potential to revolutionize predictive sci ences from meteorology to economics. According to the Advanced Scientific Computing Advisory Committee (ASCAC), “If the U.S. chooses to be a follower rather than a leader in exascale computing, we must be willing to cede leadership” in industries including aerospace, automobiles, energy, health care, novel material development, and information technology.26 Robotics: The long-delayed promise of robotics is coming closer to fulfillment. Google and other firms and research consortiums are testing robotic cars, and Nevada recently amended its laws to permit autonomous automobiles.27 Amazon is experimenting with the use of robots in its warehouses.28 Nanotechnology may permit manufacturing at extremely small scales including the molecular and atomic levels.29 Nanotechnology is also a key research component in the semiconductor indusmanutry, as government funding is sponsoring projects to create a “new switch” capable of supplanting current semiconductor technology.30 Photonics or optoelectronics, based on the conversion of information carried by electrons to photons and back, has potential applications in sectors as diverse as telecommunications, data storage, lighting and consumer electronics. Biomanufacturing is the use of biological processes or living organisms to create inorganic structures, as well as food, drugs and fuel. Researchers at MIT have genetically modified a virus that generates cobalt oxide nanowires for silicon chips.31 Innovative materials include artificial “metamaterials” with novel properties. Carbon nanotubes, for example, have a strength-to-weight ratio that no other material can match.32 Advanced manufacturing using these and other cuttingedge technologies is not only creating new products and new methods of production but is also transforming familiar products like automobiles. The rapid growth in electronic and software content in automobiles, in forms like GPS-based guidance systems, information and entertainment technology, anti-lock brakes and engine control systems, will continue. According to Ford, around 30 percent of the value of one of its automobiles is comprised by intellectual property, electronics and software. In the German automobile market, electronic content as a share of production costs is expected to rise from 20-30 percent in 2007 to 50 percent by 2020.33

#### Alt cause—offshoring

Johnson 7/30—Author of Seeing the Forest, part of Campaign for America’s Future (Dave, “Report: Offshoring Of Manufacturing Capacity Leaves America Vulnerable, Unprepared”, 2012, Seeing the Forest, http://www.seeingtheforest.com/archives/2012/07/report\_offshori.htm)//chm

A new report says American is too dependent on non-US suppliers. If there were to be a catastrophic event or serious emergency -- or war -- our country could not respond quickly enough, because of the offshoring of critical manufacturing sectors and a reliance on foreign suppliers.

The Report, Preparing For 21st Century Risks: Revitalizing American Manufacturing to Protect, Respond and Recover was co-authored by Tom Ridge, the first secretary of the U.S. Department of Homeland Security, and Robert B. Stephan, a former Assistant Secretary for Homeland Security for Infrastructure Protection. It is is the first comprehensive analysis of America’s growing reliance on global suppliers, and its effect on our national preparedness and security.

From Washington Post, Reliance on imports leaves U.S. vulnerable to disasters, report says,

The report, which Ridge shared with homeland security officials Tuesday morning, warns that the offshoring of U.S. factories means that rebounding from a catastrophe will be more difficult because so many critical supplies would have to come from overseas.

We are a country at risk because we’ve ignored the gradual erosion of our manufacturing basis,” he said in an interview. “We’ve ignored the need to rebuild the nation’s infrastructure.”

Citing the aftermath of disasters such at Hurricane Katrina and the Sept. 11, 2001, attacks, the report adds to the long-running debate over whether the offshoring of U.S. manufacturing has harmed the nation.

“At a time when the frequency of large-scale disasters seems to be increasing, the U.S. seems to be at an all-time low in terms of being able to supply our own critical needs,” said Scott Paul, director of the Alliance for Manufacturing, which sponsored the report by Ridge and Robert B. Stephan, who was an assistant secretary of homeland security from 2005 to 2008.

Paul said, for example, that half of the world’s steel comes from China.

The report says that our increasing reliance on foreign suppliers for steel, cement, batteries, and critical high-technology components and even every day medical supplies such as antibiotics and penicillin results in risks to our preparedness and security. These risks include insufficuent access to or delays getting needed materials and products. Right now, no U.S. plant produces key ingredients for antibiotics, leaving us more vulnerable to pandemics and possible bioterrorism attacks.

**Their internal link evidence is about “fabricated metals, concrete and cement, glass-rubber- plastics, steel, and wood product industries”—Their impact evidence is about things like Scientific superiority—they don’t solve this**

#### Science! (is an alternative cause)

**O’Hanlon 12**

(Mackenzie Eaglen, American Enterprise Institute Rebecca Grant, IRIS Research Robert P. Haffa, Haffa Defense Consulting Michael O'Hanlon, The Brookings Institution Peter W. Singer, The Brookings Institution Martin Sullivan, Commonwealth Consulting Barry Watts, Center for Strategic and Budgetary Assessments “The Arsenal of Democracy and How to Preserve It: Key Issues in Defense Industrial Policy January 2012,” pg online @ http://www.brookings.edu/~/media/research/files/papers/2012/1/26%20defense%20industrial%20base/0126\_defense\_industrial\_base\_ohanlon //chm)

Such issues in the defense economy also touch on broader areas of national economic and geopolitical competitiveness. Top class American firms rely on top class scientists and engineers. At present, the United States ranks in the lower half of industrial countries for the average math and science scores of its public school students and graduates just a fraction as many scientists and engineers a year from university-level studies as does either China or India. These trends should not be overstated; the quality of American scientists and engineers remains world class. But the trends still pose deep worries in the American defense industrial field as its looks towards the future of its work force, which is aging rapidly in numerous sectors

Their watts evidence is about stopping a resurgent Russia—that’s different than an all out war which is what bostrum assumes.

#### **Tech innovation inevitable**

**Carew, 10** (Sinead Carew on January 12, 2010  Reuters, “Forrester sees global tech spending rebound in 2010,”http://www.reuters.com/article/idUSTRE60B2ER20100112)

Measured by local currency**, the United States will be the strongest tech growth region**, according to Forrester, **with an expected increase of 6.6 percent to $568 billion** after a decline of 8.2 percent in 2009. The researcher sees European technology spending rising by 11.2 percent when measured in U.S. dollars, as countries in western and central Europe get a boost from the U.S. dollar's decline against the euro. Forrester sees **global spending on software up 9.7 percent this year and said purchases of computer equipment would rise 8.2 percent, while communications equipment will see a spending increase of about 7.6 percent. "The technology downturn of 2008 and 2009 is unofficially over,"** Forrester analyst Andrew Bartels said. "**All the pieces are in place for a 2010 tech spending rebound.**" Bartels said **the tech recovery is expected to be "much stronger than the overall economic recovery"** in the United States this year, **with technology spending growing at more than twice the rate of gross domestic product** (GDP). **Investors** will likely be hoping that upcoming quarterly earnings reports show some signs that back up these predictions. One of the first closely watched reports will come from chip giant Intel Corp later this week. Other anxiously awaited technology company reports will come from firms including Cisco Systems Inc in the communications gear market and Microsoft Corp in the software segment. Bartels said he **see**s **2010 as the start of a longer growth cycle especially for technologies involving server and storage virtualization, cloud computing and unified communications. "We are entering a new 6- to 7-year cycle of IT growth and innovation** that Forrester calls Smart Computing," said Bartels.

**Their paone evidence is about quote** “He focuses on six specific technology areas: "nano, bio, IT, neuro, quantum and robotics;" enquote. **Steel manufacturing doesn’t have an internal link to any of those things.**

#### **Manufacturing will rise—industry experts**

**Market Watch 7/26**—Press release summing a poll of manufacturers (U.S. Industrial Manufacturers Remain Largely Optimistic Amid Weakening Sentiment toward World Economy, According to PwC's Q2 2012 Manufacturing Barometer, 2012, http://www.marketwatch.com/story/us-industrial-manufacturers-remain-largely-optimistic-amid-weakening-sentiment-toward-world-economy-according-to-pwcs-q2-2012-manufacturing-barometer-2012-07-26)//chm

U.S. Industrial Manufacturers Remain Largely Optimistic Amid Weakening Sentiment toward World Economy, According to PwC's Q2 2012 Manufacturing Barometer

--Operational Spending Forecasts Remain Healthy; R&D Plans Trend Down --Legislative/Regulatory Pressures Cited as Biggest Barrier to Growth --Gross Margins Tightening and Pricing Power Moderating

NEW YORK, July 26, 2012 /PRNewswire via COMTEX/ -- The majority of U.S. industrial manufacturers who were surveyed remain optimistic regarding prospects for the U.S. economy, but sentiment about the global economic outlook continues to weaken, according to the Q2 2012 Manufacturing Barometer released today by PwC US. According to the survey, overall revenue projections among U.S. industrial manufacturers remain positive, with 88 percent of respondents expecting revenue growth at their own companies and only five percent expecting negative results. In addition, 87 percent of respondents said they were planning increases in operational spending in the year ahead.

"Despite the perception by some of the increasing challenges globally, sentiment regarding the direction of the U.S. economy among U.S. industrial manufacturers remained positive during the second quarter," said Bobby Bono, U.S. industrial manufacturing leader for PwC. "Overall spending plans remain healthy with a focus on new product introductions in the face of a competitive environment across multiple sectors. However, we are seeing some moderation in planned outlays for R&D, as well as geographic expansion, which may portend a more conservative approach given worldwide economic conditions."

Although optimism towards the U.S. economy dropped from 70 percent in the first quarter of 2012 to 52 percent in the second quarter, U.S. industrial manufacturers remain largely positive, recording only seven percent being pessimistic and 41 percent uncertain. In contrast, only 13 percent of those selling abroad are optimistic about the world economy, a decline of 31 points from the first quarter. In addition, 20 percent are pessimistic and 67 percent are uncertain about worldwide business prospects.

Notwithstanding the respondents' comments on the global economy, the projected average revenue growth for the year ahead among those surveyed remained at 5.6 percent, consistent with the first quarter survey, but below last year's 6.5 percent estimate. The respondents identified three key barriers to growth during the next 12 months, including legislative/regulatory pressures (58 percent, up 18 points from last quarter), lack of demand (48 percent) and oil/energy prices (48 percent).

In addition, the projected contribution from international sales among companies marketing abroad was 37 percent, relatively constant with the first quarter of 2012.

The majority (55 percent) of U.S. industrial manufacturers surveyed plan major new capital investments in the year ahead, up slightly from the first quarter of 2012. The mean investment as a percentage of total sales remained moderately high at 5.3 percent, but below last quarter's six percent. In addition, 87 percent of respondents plan to increase operational spending, led by investment in new products or service introductions (52 percent) and information technology (50 percent). However, only 35 percent forecast increased spending on research and development, the lowest level since the second quarter of 2010.

"While U.S. industrial manufacturers are strengthening their spending plans, fewer are planning net new hiring during the next 12 months, slightly below last quarter," continued Bono. "However, the next 12-month workforce projection is a slightly higher 0.9 percent, a sign that some companies will be adding at slightly higher rates."

Gross margins constricted considerably in the second quarter of 2012, as only 27 percent of respondents reported higher gross margins, off 18 points from the first quarter. Cost pressures declined during the second quarter with 30 percent of respondents noting that costs rose, down 20 points from 50 percent during the first quarter. At the same time, pricing increases have also narrowed. Only 18 percent of respondents reported price increases during the second quarter, down 25 points from the previous quarter. This was the lowest level of reported price increases since the second quarter of 2010. Looking ahead, 28 percent of respondents now view decreased profitability as a barrier to growth during the next 12 months, up six points from the first quarter.

"Gross margins tightened during the quarter and both costs and prices decreased," said PwC's Bono. "If growth is slowed going forward, U.S. industrial manufacturers may continue to take a measured approach to pursuing growth opportunities with an emphasis on maintaining profitability and healthy cash reserves."

PwC's Q2 Manufacturing Barometer highlights that 40 percent of U.S. industrial manufacturers plan for merger and acquisition (M&A) activity during the next 12 months, and new strategic alliances increased seven points from last quarter to 42 percent in the second quarter of 2012. Expansion to new markets abroad also rose slightly to 37 percent from 35 percent in the first quarter, and new joint ventures rose five points from last quarter to 33 percent in the second quarter.

About the Manufacturing Barometer

PwC's Manufacturing Barometer is a quarterly survey based on interviews with 60 senior executives of large, multinational U.S. industrial manufacturing companies about their current business performance, the state of the economy and their expectations for growth over the next 12 months. This survey summarizes the results for Q2 2012 and was conducted from April 25, 2012 to July 10, 2012.

#### **Manufacturing collapse is inevitable**

Fingleton, 7/30—Forbes and the Financial Times (Eamonn, “American Decline: More Wishful Thinking from the Naysayers”, 2012, http://www.forbes.com/sites/eamonnfingleton/2012/07/30/american-decline-more-wishful-thinking-from-the-naysayers/)//chm

Bleeker suggests that the United States will lead in “next generation manufacturing” but offers no elaboration. His silence is significant. As Japan and Germany have long taken over from the United States in advanced manufacturing, it is unclear how Uncle Sam will turn the tables. Without a substantial existing manufacturing base, the best American inventors can hope for is to earn decent royalties from foreign licensees of American manufacturing technologies. This creates few American jobs and does next to nothing for the trade balance.

For me Bleeker’s most misguided point is his statement that the United States leads in the league table of corporate market capitalization. He cites

sing industries withe usual suspects – AAPL, MSFT, IBM, INTC, GOOG, and so on. This point does nothing to address the fundamental geopolitical issue of U.S.-China rivalry. In any case stock market valuations are not only ridiculously ephemeral but are influenced heavily by differences in the way different economies work. Key competitor nations have very different financial systems and corporations in many nations are not run principally for the benefit of shareholders. In Germany, for instance, workers form near majorities on the boards of major corporations. Meanwhile these corporations rely heavily on bank loans rather stock market financing for their capital. The heart of the German manufacturing economy moreover consists of the so-called mittelstand of medium-sized, family-controlled companies that are for the most part unlisted. Similar points explain Japan’s poor showing in market capitalization comparisons. Not only do Japanese corporations rely heavily on bank financing but corporate chieftains are generally under pressure to put jobs before profits, particularly in global downturns like the present one. Another special factor that discombobulates comparisons is that Japan’s keiretsu system fragments stock market listings. The Mitsubishi group, for instance, consists of several dozen major corporations that, though they often behave like divisions within a single American conglomerate, are all separately listed.

### 1NC Steel Turn

Their AISI evidence says the steel used from the plan necessarily comes from the US—that crushes the industry.

Ikenson, 2 – is a policy analyst at Cato's Center for Trade Policy Studies (Daniel J. Ikenson, “Steel Trap: How Subsidies and Protectionism Weaken the U.S. Steel Industry”, Cato Institute, 3/1/02, <http://www.cato.org/publications/trade-briefing-paper/steel-trap-how-subsidies-protectionism-weaken-us-steel-industry> | AK)

Protectionism, Subsidies, and Overcapacity The verdict of the marketplace is unambiguous: The U.S. steel industry suffers from excessive, uneconomic capacity. The proof lies in the number of steel producers now in bankruptcy. The large number of bankrupt firms makes clear that there is more steelmaking capacity in the United States than is currently economically viable. The steelmakers’ response to this excess is to call for more subsidies and protectionism. But the fact is that the current excess exists in no small part **precisely because of subsidies and protectionism**. Responding to the industry’s woes with more of the same will not resolve the problem; indeed, over the long term it will merely add **fuel to the fire**. Government interventions to assist the steel industry have been more or less continuous for the past three decades. Pension guarantees, loan guarantees, special tax and environmental exemptions, research and development grants, and “Buy American” provisions have been pervasive. By conservative estimates, these subsidies have equaled more than $23 billion since 1975. 12 An Ernst & Young LLP study reported that the U.S. steel industry received more than $30 billion in government subsidies during the 1980s alone. 13 Protection from import competition has also been the norm over the past 30 years. From 1969 to 1974, there were “voluntary” import restraints—restraints observed under the threat of statutory quota legislation. From 1978 to 1982, there were minimum import price arrangements—a scheme perpetrated while 19 antidumping petitions were pending. From 1982 to 1992, there were new quotas affecting a range of steel products from many different countries. Since then, there have been literally hundreds of antidumping and countervailing duty cases brought against every relevant foreign producer from every region of the world. Many of these measures are still in effect today. It is on top of this that the industry is now pursuing an enormous campaign for global import restraints under Section 201. Any student of Economics 101 knows that when you subsidize something, you get more of it. For three decades interventionist policies have been subsidizing U.S. steel production. It therefore follows that the **artificial support** provided by these interventionist policies has resulted in U.S. steel capacity over and above what would have existed in the absence of that support. Consequently, the steel industry’s vulnerability as of 1997–98 when the industry’s current problems began was heightened by past policies. Further, more interventionist policies since 1997–98 have exacerbated the burdens of excess capacity by creating “barriers to exit”—that is, distortions of market signals that discourage failed firms from ceasing operations. The continued existence of these inefficient firms weakens the entire industry, both by depressing prices and by robbing healthier firms of the scale economies they could enjoy with larger market shares.

### 2NC Link

#### Protectionism creates false domestic steel demand – that crushes the industry

Ikenson, 2 – is a policy analyst at Cato's Center for Trade Policy Studies (Daniel J. Ikenson, “Steel Trap: How Subsidies and Protectionism Weaken the U.S. Steel Industry”, Cato Institute, 3/1/02, <http://www.cato.org/publications/trade-briefing-paper/steel-trap-how-subsidies-protectionism-weaken-us-steel-industry> | AK)

On March 6, President Bush is expected to announce specific Section 201 measures to further protect the domestic steel industry from import competition. By any relevant economic measure, the costs of protection will far exceed the benefits, and any benefits accruing to steel firms from that protection will be fleeting. Section 201 relief for steel producers could invite WTO-legal retaliation against other U.S. export sectors, undermine prospects for trade agreements and related job growth, and saddle downstream steel-using industries with price hikes and supply shortages that will handicap them visà-vis their international competitors. Protection will only prolong crippling overcapacity in the domestic steel market. Over the past three decades, U.S. steel producers have been shielded from foreign competition by quotas, voluntary export restraints, minimum price undertakings, and hundreds of antidumping, countervailing duty, and safeguard measures. Federally subsidized loan guarantees, pension bailouts, and “Buy American” preferences have likewise fostered uneconomic excess capacity within the industry and discouraged unsuccessful firms from the otherwise rational decision to exit the market. The steel debate is not about “unfair trade.” Antidumping duties unfairly punish foreign producers for engaging in practices that are routine and perfectly legal for domestic producers. Under the current definition of dumping in U.S. law, every U.S. steel company that is losing money is guilty of dumping here in its home market. Claims that steel imports threaten national security are without foundation. A Section 232 investigation by the Department of Commerce recently concluded that domestic steel capacity far exceeds any potential needs of the U.S. military. The U.S. steel industry—but more important, the country—will be best served if the president resists the temptation to impose new trade restrictions. On March 6, President Bush is expected to announce specific measures to further insulate the domestic steel industry from import competition. By any relevant economic measure, the costs of such a decision will far exceed the benefits. And any benefits accruing to steel firms from that protection are sure to be fleeting. The current round of import restraints under consideration stem from an investigation that the Bush administration launched last June under Section 201 of the Trade Act of 1974. That investigation led the U.S. International Trade Commission (ITC) to conclude that imports have been a “substantial cause of serious injury” 1 to the domestic industry and to recommend a variety of “remedies” to the president, including quotas and tariffs on imported steel. The president now must decide whether to accept, reject, or modify the ITC recommendations. It would be difficult to find another U.S. industry already more coddled and protected from the realities of the marketplace than the steel industry. This fact, more than any other, explains the steel industry’s perennial problems. Over the past three decades, U.S. steel producers have been shielded from foreign competition by quotas, voluntary export restraints, minimum price undertakings, and hundreds of antidumping, countervailing duty, and safeguard measures. Federally subsidized loan guarantees, pension bailouts, and “Buy American” preferences have likewise fostered uneconomic excess capacity within the industry and discouraged unsuccessful firms from the otherwise rational decision to exit the market. Steel users employ 57 workers for every one employed in steel production. 2 Steel users account for 13.1 percent of gross domestic product (GDP), while steel producers account for only 0.5 percent. 3 Yet responding to steel producers’ self-inflicted problems with more protectionism will only saddle downstream steel-uth price hikes and supply shortages that handicap them vis-à-vis their international competitors. It is bad enough to punish one sector for the failures of another; it is downright foolish, though, to do so when the punished sector is of overwhelmingly greater economic significance. Protectionism has been characterized as an exercise in picking winners and losers; in the case of protecting steel, however, there are only losers. Despite decades of intervention, the same problems persist. It is reasonable to conclude that even with a new layer of import restrictions, the steel industry will continue to suffer many of the ills currently cited as evidence of import-caused injury. In all industries there are winners and losers. The key to ensuring the vitality of an industry, however, is that the losers contract or cease operations altogether. Otherwise, the health of the entire industry is compromised. Since December 31, 1997, there have been 30 bankruptcies within the “steel industry.” Only 18 of those 30 are actually steel producers. 4 But many of those companies are still operating or have emerged from bankruptcy status. The continued operation of steel companies that are chronic money losers poses a threat to the profitable firms. Allowing these firms to expire will do more for the health of the steel industry than any reality-deferring protectionism possibly can.

#### Pursuing protectionist steel regulations upset all underpinnings of the economy

Griswold, 1 – associate director of the Cato Institute @ the Center for Trade Policy Studies (Daniel Griswold, “Bush Turns Protectionist for Steel Companies”, Cato Institute, 7/9/01, <http://www.cato.org/publications/commentary/bush-turns-protectionist-steel-companies> | AK)

Protecting a few big steel mills from foreign competition may help the Bush administration politically in the short run, but it will impose **a heavy, long-term cost on the U.S. economy** and the administration's goal of pursuing free trade abroad. In one stroke, the president has rendered meaningless every free trade speech he and his administration have delivered since he became president. In June, Bush announced that the United States would initiate a Section 201 investigation against foreign steel producers, an action that will likely result in comprehensive quotas against steel imports. The president tried to justify this protectionist act as an example of "an active, internationalist foreign policy with U.S. interests at its heart," one aimed at "unfair trade practices" abroad. In fact, it is none of the above. Imposing quotas on imported steel is not an example of an internationalist policy but of an isolationist policy. It strings barbed wire around the U.S. market, sealing it off from global supplies and price competition. Quotas will by design drive up domestic prices, turning the United States into an isolated island of high steel prices and **artificial shortages**. Section 201 quotas will not serve any true national interest, despite the president's words. They will only serve the narrow self-interest of an economically small but politically influential steel industry. The higher domestic prices caused by the quotas will impose a stealth tax on millions of American families who buy steel-containing products such as cars, light trucks, appliances and new homes. Studies estimate steel quotas will cost American consumers at least $732,000 per steel job "saved." Steel quotas will damage a **large swath of American industry** far more economically important than steel. Higher prices will raise production costs and lower international competitiveness for steel-using producers of transportation equipment, industrial machinery, fabricated metals and buildings. Employment in these industries totals 8 million, which means for every one steel-industry job supposedly protected by quotas, 40 jobs will be made less secure. Like higher energy prices, quotas will raise the price of a key industrial input, **pushing the economy closer to recession**. Quotas will further undermine America's national interest by poisoning global trade negotiations. The administration's action sends a discouraging message that the United States may talk free trade but it walks protectionism. It will make it much more difficult to persuade our negotiating partners in the Western Hemisphere and the World Trade Organization to open up sensitive sectors such as agriculture and services when we are closing our own market to steel. The administration has just given the European Union, Japan, and Brazil another reason to say no to more open markets. To justify quotas, the president evoked the usual bogeyman of "unfair trade." But the term is economically meaningless. Foreign producers who sell in our market at a loss or at a price lower than in their home market (the definition of dumping) are engaging in business practices that are routine and perfectly legal for U.S. producers in our domestic market. Every U.S. company that is losing money or selling products at different prices in different markets would be guilty of dumping if the U.S. law were applied to them, but it is unfairly applied only to foreign producers. And even if foreign producers were technically dumping steel, Section 201 has nothing to do with "unfair trade." The law is designed merely to blunt import surges that hurt U.S. industry, whatever the underlying cause may be. It is true that steel industries around the world have been subsidized by governments over the decades, but those subsidies have fallen dramatically in recent years. Meanwhile, the U.S. industry has enjoyed its share of government favors, from 30 years of quotas and other protection to recent "loan guarantees" and more direct state and local subsidies. Our hands are not clean. Erecting barriers to imports will only postpone needed consolidation of the U.S. steel industry. The industry has not been losing jobs because of unfair imports, but because of relentless technological changes brought by "mini-mills" that produce a ton of steel at a fraction of the man hours required by the larger integrated mills. During the last period when comprehensive quotas were in place, 1984 to 1992, the steel industry continued to lose nearly 10,000 jobs per year. Quotas will only slow the inevitable. The Bush administration will probably win short-lived applause from the steel unions and CEOs and steel-state members of Congress, but its tactic of appeasement will come at a heavy price. When the cheering fades, the administration will be left with an economy slowed by higher prices and a world even more skeptical of its free- trade rhetoric.

#### Government intervention creates artificial competition – that leads to complacency and stagnation in the steel industry

Griswold, 99 – associate director of the Cato Institute @ the Center for Trade Policy Studies (Daniel Griswold, “Counting the Cost of Steel Protection”, Cato Institute, 2/25/99, <http://www.cato.org/publications/congressional-testimony/counting-cost-steel-protection> | AK)

Steadily declining employment has come despite three decades of government import protection. Beginning with import quotas in 1969, protection has been the rule rather than the exception for the steel industry. Quotas were followed in the late 1970s by the Carter administration's "trigger price" mechanism and then in the 1980s by the Reagan administration's "voluntary" import quotas. U.S. "fair trade" laws seem to have been written primarily for the steel industry. About a third of the antidumping orders in the last two decades have been directed at imported steel. The latest round of protection - with preliminary antidumping rates ranging from 25 to 71 percent, and a suspension agreement with Russia - threatens a severe disruption in U.S. industry access to needed steel supplies. The Steel Manufacturers Association, the trade group representing the mini-mill sector, recognizes the futility of protection. According to an official statement, its members "note the deterioration of **artificially protected** industries and markets. They have seen **artificially nurtured industries** sink into **excessive complacency and stagnation**. They believe that competition has fostered a revolution in the U.S. steel industry." These words are as true today as ever. Costs to U.S. Economy Raising barriers against steel imports will impose a **real cost on the American economy**. Millions of American workers and tens of millions of American consumers will be made worse off so that the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, trucks, and cars. (The average five-passenger sedan contains $700 worth of steel.) Artificially propping up the domestic cost of steel will only raise the cost of final products to U.S. consumers. If protectionist measures succeed in raising the average price of steel mill products by $50 a ton, Americans will pay the equivalent of a $6 billion tax on the more than 120 million tons of steel they consume each year. Steel protection will impose a **heavy cost** on the huge segment of American industry that consumes steel as a major input to its production process. The major steel-using manufacturing sectors - transportation equipment, fabricated metal products, and industrial machinery and equipment - employ a total of 3.5 million production workers. Production workers in manufacturing industries that use steel as a major input outnumber steelworkers by 20 to 1. A prime example is General Motors Corp., which buys 4.7 million tons of steel directly each year and another 2.5 million tons indirectly through independent suppliers. GM buys most of its steel through long-term contracts, and is thus insulated from short-term price fluctuations, but any price increase caused by protection will eventually filter through when contracts are renegotiated. In a brief filed with the International Trade Commission in October 1998, GM warned that antidumping duties against steel imports could negatively affect its ability to compete in global markets. GM's domestic operations "become less competitive in the international marketplace to the extent those operations are subjected to costs not incurred by offshore competition, and to the extent that U.S. import barriers impede access to new products and materials being developed offshore, or remove the competitive incentives to develop new products in the United States." Another company hurt by steel protection is Caterpillar of Peoria, Ill., which buys 600,000 tons of steel annually to make earth-moving equipment. While three-quarters of Caterpillar's production facilities are located within the United States, one half of its sales are abroad. Higher steel prices in the domestic market will eventually cause its products to become less price competitive compared to products made in other countries. Sales, profits, and employment will suffer. One of the largest direct consumers of steel is the construction industry, which accounts for about 35 percent of domestic steel consumption. Duties and tariffs against imported steel will filter through to higher prices for homes and commercial office space. **The jobs of thousands of construction workers could be put in jeopardy**. When construction and other non-manufacturing industries are included, the total number of employees in steel-using industries dwarfs the number of steelworkers by 40 to 1. Especially vulnerable to rising import prices are workers in smaller companies that manufacture metal products. These firms typically buy on the spot market rather than on long-term contracts, and are the first to feel the pinch of higher steel prices. Many of them also act as suppliers to larger corporations, and are thus less able to pass along a hike in steel costs in the form of higher prices for their final products. The result of higher domestic steel prices to these companies will be lower sales, declining profits, and fewer jobs created. If the steel industry succeeds is gaining protection from imported steel, an even larger gap will open between domestic and international prices for steel mill products. This will give an advantage to foreign firms competing against American steel-using industries. Faced with artificially high steel prices at home, Americans will simply buy their steel indirectly by importing more finished products made abroad from steel available at cheaper global prices. If the federal government blocks the import of steel mill products through the front door, steel will come in the back door in the form of automobiles, industrial equipment, machine tools, and other steel-based products. Besides being economically self-defeating, steel protection would be at odds with America's foreign policy interests. The best thing America can do to encourage growth and stability in the world economy is to keep our markets open. It makes no sense to hector Japan to stimulate its domestic economy or to underwrite IMF loans to Brazil and Russia while denying producers there the opportunity to earn valuable foreign exchange by selling steel to willing American buyers. One recent study suggested that restrictions on steel imports will enhance overall U.S. economic welfare. Specifically, the Economic Strategy Institute published a study earlier this month which purports to show that steel dumping, however that term might be defined, reduces U.S. economic well-being, and that antidumping duties are needed to prevent this harm. ESI's findings rest ultimately on the fact that wages in the steel industry are higher than average and that displaced steel workers frequently are forced to accept lower paying jobs. Thus, according to the ESI study, net U.S. welfare is reduced by dumping that causes job losses in the steel sector; antidumping is good for us because it prevents those job losses. First, this argument gets causation backwards: it assumes that high-paying jobs are the cause of economic welfare, rather than the consequence of it. If applied across the board, the ESI analysis would mean that public policy generally should protect our high standard of living by discouraging or even outlawing layoffs from high-paying jobs. This is basically the European approach, and its effects are all too visible in low growth and chronic double-digit unemployment. Second, and more narrowly, the ESI analysis assumes that job losses in the steel sector wouldn't occur in the absence of low-priced import competition - an assumption refuted by the industry's steadily declining employment over the past 20 years. Third, the study fails to adequately account for the offsetting production and employment gains that the lower prices would stimulate in the far larger steel-using sectors. Even if one accepts the study's methodology, the hypothetical gains from imposing antidumping duties against foreign steel are tiny - less than .005 percent of annual GDP - and not worth the far more real danger that the law will be used for protection. America's Unfair "Unfair Trade" Laws Despite complaints from the big steel mills that Congress and the administration are not doing enough, the system is already stacked in favor of domestic steel producers. U.S. antidumping law has become nothing more than a protectionist weapon for industries feeling the heat of global price competition. These laws punish foreign producers for engaging in practices that are perfectly legal, and common, in the domestic American market. U.S. firms, including steel makers, routinely sell the same product at different prices in different markets depending on local conditions, or temporarily sell at a loss in order to liquidate inventories and cover fixed costs. Any steel company that lost money in the third or fourth quarters last year was selling its goods at below total average cost and was consequently "dumping" its products on the domestic market according to the definition contained in U.S. law. If every domestic sale was required to be at a "fair" price according to the antidumping law's definition, most American companies would be vulnerable to government sanction, and U.S. consumers would find far fewer bargains. It is a misnomer to say that steel is being "dumped" on the U.S. market. Virtually every ton of steel that enters the United States has been ordered by a willing American buyer, often months in advance of its actual delivery. Antidumping duties not only stop foreign producers from selling in the U.S. market; they stop American citizens from buying the type and amount of steel they need at prices that benefit them most as shareholders, workers and consumers. Proposed Legislation Would Compound the Damage On top of antidumping protection already in place, an array of new protectionist proposals in Congress threatens U.S. producers' access to imported steel. None of the offered legislation would increase general economic welfare and much of it would be in violation of U.S. international commitments. 1) H.R. 506/S. 395, Stop Illegal Steel Trade Act, sponsored by Rep. Visclosky and Sen. Rockefeller. This bill would limit steel imports from all nations to 1997 levels on a monthly basis for a period of three years. Although SISTA says that the import limits could be accomplished by "quotas, tariff surcharges, or negotiated enforceable voluntary export restraint agreements, or otherwise," it is in essence a quota bill that would set strict limits on the volume of foreign steel U.S. companies would be allowed to purchase. SISTA is a clear violation of our institutional obligations under the GATT. Quotas are one of the most damaging forms of trade restrictions. They redistribute wealth from consumers to domestic producers and to those foreign producers lucky enough to get quota rights, while the U.S. government does not receive tariff revenues. In other words, SISTA would tax U.S. steel users to benefit major steel companies, both here and abroad. Moreover, SISTA would endanger the ability of U.S. steel-using industries to obtain the materials they need. According to calculations by the Precision Metalforming Association, for example, SISTA quota levels would leave U.S. manufacturers nearly 4 million tons short based on 1998 levels of demand. 2) H.R. 502, Fair Steel Trade Act (FASTA), sponsored by Rep. Traficant. FASTA would impose a 3-month ban on imports of steel and steel products from Japan, Russia, South Korea, and Brazil, in disregard for the needs of American consumers and steel-using industries. A trade ban - even a limited one - would seriously damage private business relationships and undermine the global competitiveness of dynamic U.S. companies. This bill would deprive the U.S. economy of all the gains from steel trade and offer only temporary benefits to domestic steel companies. It would, in short, be a disaster. 3) H.R. 412/S. 261, Trade Fairness Act of 1999, sponsored by Rep. Regula and Sen. Specter. This legislation would create a permit and monitoring program that would require all steel importers to register with the Commerce Department and report information on the cost, quantity, source, and ultimate destination of all steel shipments. The bill authorizes Commerce to collect "reasonable fees and charges" to defray the costs of issuing permits. More significantly, the bill would amend the Trade Act of 1974 to make an injury finding easier under Section 201. First, it would drop the requirement that imports be a "substantial cause" of serious injury (i.e., "not less than any other cause") and instead require that imports be only a cause of injury, however insignificant. Second, the bill would detail the factors to be considered by the ITC to determine whether U.S. industry has suffered serious injury. The Trade Fairness Act is the most subtle of all the current proposals, and thus the most dangerous. Its import-reporting regime, in addition to being an unfair burden that falls only on steel importers, has the potential to choke off beneficial steel trade through paperwork. The Section 201 amendments, however, are its most ominous provision. By making 201 cases much easier for petitioners to win, this bill threatens to open the floodgates of protectionism in the future. It is clearly a step in the wrong direction. 4) Voluntary Export Restraints. The administration is attempting to jawbone foreign governments - especially Japan - into reducing steel exports "voluntarily." Of course, a VER is in reality an informal quota that is hardly voluntary. Like all quotas, VERs distort the economy and reduce national welfare. The Institute for International Economics has estimated that steel quotas in the 1980s imposed a net loss on the U.S. economy of $6.8 billion a year. Conclusion Unfortunately, changes in steel prices are invisible to ordinary Americans. Those changes show up, eventually, in the price of an automobile, or a plane ticket, or rental space in an office building - but the causal connections are complex and subtle. The effect of a tax on foreign steel just doesn't show up in the average family's budget in any direct or immediate way. As a result, steel producers are free to equate their interest with the national interest without generating much in the way of grass-roots opposition. The campaign for steel protectionism thus highlights a classic problem of political economy known as concentrated benefits and dispersed costs. The benefits of restrictions on foreign steel are concentrated in the relatively small steel-producing sector, while the costs are dispersed throughout the entire economy. Steel producers therefore have a very clear and powerful incentive to lobby for protectionism, while most of the rest of us who stand to lose don't have a big enough or clear enough stake to oppose them with any vigor. Worldwide economic developments have combined to produce conditions that at present are unfavorable for U.S. steel producers and favorable for American steel users. In such a circumstance, it is not the business of the U.S. government to intervene in the marketplace and favor one U.S. industry at the expense of other U.S. industries. In particular, it makes no sense to penalize the industries that in terms of employment and value-added are of much greater significance to the overall national economy. So if you think an import tax to help out the oil companies sounds like a bad idea, you ought to come to the same conclusion about steel protectionism. Just because the costs are better hidden doesn't mean they're not there. The federal government should not use its power to favor one industry over another, or to confer special benefits on a small but vocal segment of producers at the expense of the nation's general welfare. Congress should reject calls for steel protection and reform the antidumping law to prevent future abuse

No impact to steel decline, and protectionism actually hurts the economy

**Griswold, 99** – Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

First, let me thank Chairman Crane for the leadership he has shown on trade issues, and let me also thank the other members of the committee for allowing the Cato Institute to testify at this afternoon's hearing. The difficulties facing the steel industry today are not unique. Increased competition and lower prices are the bane of every industry's bottom line. Layoffs, falling profits, and industry restructuring can be seen today in the oil industry, where import prices have fallen 40 percent in the last year. Yet just about everyone understands that lower oil prices are good for our economy and that duties on imported oil would drag down living standards and damage our national interest. The same is true for steel protection. The primary cause of rising steel imports and falling prices during 1998 was the Asian economic crisis, which resulted in (1) a collapse in demand for steel in that region and (2) a realignment of currency values that makes foreign steel much more price-competitive in the United States. In light of those circumstances, it is only natural that that prices fell and that the still vibrant U.S. market pulled in extra imports. Many other U.S. industries have been hit by the effects of the Asian crisis: Exporters have seen sales slump while import-competing industries have faced stiffer competition at home. There is no reason why the steel industry should receive special treatment at the expense of its customers and American consumers, just because it is experiencing temporarily unfavorable conditions. The viability of the U.S. domestic steel industry is not threatened by the recent increase in imports.

Steel industry fine – protectionism kills jobs, hurts economy

**Lindsey et al, 99** – writers for the CATO institute (Brink, Daniel Griswold, Aaron Lukas, “The Steel ‘Crisis’ and the Costs of Protectionism”, CATO Institute, 4/16/99, http://www.cato.org/pubs/tbp/tbp-004.pdf)//RM

Claims of the imminent demise of America’s domestic steel industry—at the hands of “unfair” and “illegal” imports—have generated a crisis atmosphere in Washington. Antidumping, countervailing duty, and Section 201 actions now under way already threaten draconian cutbacks of steel imports. But U.S. steel mills and their unions want additional protection, including highly restrictive quotas already approved by the U.S. House of Representatives in March. It is vitally important that policymakers gain a measured understanding of the full facts of the steel import question. There is no steel crisis. U.S. steel mills shipped 102 million tons in 1998, the second highest annual total in the past two decades. Eleven of the 13 largest steel mills were profitable in 1998, earning collective profits of more than $1 billion. U.S. steel makers still supply more than two-thirds of domestic steel consumption. The problems confronting the steel industry are already lessening. Steel imports in February 1999 fell to 2.2 million tons, below the monthly average of 2.7 million tons imported during the last “precrisis” quarter of April–June 1997. Steel protectionism is incapable of saving steel jobs. Employment in the steel sector has declined by more than 60 percent since 1980 largely because of rising productivity, and employment will continue to fall even if trade barriers are imposed. Consumers and steel-using producers will pay a heavy price for steel protection. Workers in the major steel-using sectors— transportation equipment, industrial machinery, fabricated metal products, and construction—outnumber workers in the steel industry by 40 to 1. Quotas are a direct violation of our international obligations under the World Trade Organization and would encourage copycat protectionism in other countries. An outbreak of protectionism around the world would directly threaten continued U.S. prosperity. Congress and the administration should reject protection for the U.S. steel industry.

Turn - Steel protectionism fails – increases prices and leads to foreign benefits

**SEJ, 90** – Southern Economic Journal (“The Impact of Protectionism on Firm Wealth: The Experience of the Steel Industry”, Southern Economic Journal, April 1990, http://www.jstor.org/discover/10.2307/1059893?uid=3739728&uid=2&uid=4&uid=3739256&sid=21100917515151)//RM

Neo-classical trade theory argues that trade restrictions result in a redistribution of income from consumers to the protected firs. If this argument is valid, then the imposition of new trade restrictions should result in an increase in the protected firms' expected profits. Further, under efficient capital markets the increase should be immediately capitalized in the films' share prices, providing an immediate wealth gain for the firms' shareholders. Similarly, a loss in equity accompanies the removal of trade restriction. In this paper we test for the existence of wealth gains (or losses) upon changes in trade protection for the steel industry. The gains or losses are related to individual firm characteristics. This second issue is important because economists typically analyze the effects of trade protection on an industry basis; rarely do they discuss the question of the distribution of rents to individual firms. Several recent studies have examined the distributional and welfare effects of trade restrictions on the steel industry. A study by the Congressional Budget Office |l5] assesses the short and long run effects of proposed quotas on domestic and foreign steel producers, the domestic steel consuming industry, and the domestic economy. The study's econometric model shows that a quota on steel products will increase prices, output and employment in the domestic steel industry. It also shows that foreign producers benefit from the quotas due to the price increases. The losers are consumers as the quotas are expected to cost consumers between $4.3 and $5.9 billion.

Protectionism disrupts the US economy – the steel industry is the key internal link to several sectors

**Griswold, 99** – Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

Beginning with import quotas in 1969, protection has been the rule rather than the exception for the steel industry. Quotas were followed in the late 1970s by the Carter administration's "trigger price" mechanism and then in the 1980s by the Reagan administration's "voluntary" import quotas. U.S. "fair trade" laws seem to have been written primarily for the steel industry. About a third of the antidumping orders in the last two decades have been directed at imported steel.

The latest round of protection--with preliminary antidumping rates ranging from 25 to 71 percent, and a suspension agreement with Russia--threatens a severe disruption in U.S. industry access to needed steel supplies. The Steel Manufacturers Association, the trade group representing the mini-mill sector, recognizes the futility of protection. According to an official statement, its members "note the deterioration of artificially protected industries and markets. They have seen artificially nurtured industries sink into excessive complacency and stagnation. They believe that competition has fostered a revolution in the U.S. steel industry." These words are as true today as ever. Costs to U.S. Economy Raising barriers against steel imports will impose a real cost on the American economy. Millions of American workers and tens of millions of American consumers will be made worse off so that the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, trucks, and cars. (The average five-passenger sedan contains $700 worth of steel.) Artificially propping up the domestic cost of steel will only raise the cost of final products to U.S. consumers.

Turn - Import protections on steel hurt exports and lower employment

**Griswold, 98** - Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Industry Sets Steel Trap for US Economy”, CATO Institute, 10/20/98, [http://www.cato.org/publications/commentary/industry-sets-steel-trap-us-economy)//RM](http://www.cato.org/publications/commentary/industry-sets-steel-trap-us-economy)/RM)

Propping up steel prices through protection will force other industries to contract and make it more difficult for such voracious steel users as General Motors and Caterpillar to compete in world export markets. Rising steel imports may reduce membership in steelworkers' unions, but they also free labor and capital for other sectors where America has a greater comparative advantage. The dollars we send abroad to buy more imported steel return to the United States to buy American wheat, chemicals, machine tools, computer software and insurance services, creating new jobs in export sectors to replace those lost to import competition. Repatriated dollars build new factories to make Americans more productive, or they finance Treasury bonds, leading to lower interest rates for homebuyers and other borrowers. Thus the jobs "saved" by protecting the steel industry will only come at the expense of destroying potential new jobs in other sectors of the economy. What's good for the domestic steel industry is not always good for America. The U.S. steel industry is not about to close up shop. Thanks in large measure to the presence of foreign competition, American steel companies have been forced to become much more competitive in recent years, with the number of man-hours required to produce a ton of steel falling from 10.1 in 1982 to 3.9 today. (Some of the more advanced "mini-mills" can produce a ton in fewer than 2.0 man-hours.) American steel companies remain the dominant players in the domestic steel market, supplying three-quarters of the 118 million tons of steel Americans consume annually. Despite the rise in imports, most of the major U.S. steel companies continued to operate at a profit in the third quarter of 1998. Why should the U.S. economy be hit with a special-interest tax to subsidize an industry that still dominates the world's largest market? Besides being economically self-defeating, steel protection would be at odds with America's foreign policy interests. The best thing America can do to encourage growth and stability in the world economy is, not to give money away through the International Monetary Fund, but to keep our markets open to the global economy.

Protectionism kills domestic manufacturing and causes unemployment

**Lindsey et al, 99** – writers for the CATO institute (Brink, Daniel Griswold, Aaron Lukas, “The Steel ‘Crisis’ and the Costs of Protectionism”, CATO Institute, 4/16/99, http://www.cato.org/pubs/tbp/tbp-004.pdf)//RM

Raising barriers against steel imports imposes a real cost on the American economy. Millions of American workers and tens of millions of American consumers will be made worse off so the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, trucks, and cars. Artificially propping up the domestic cost of steel will only raise the cost of final products to U.S. consumers. If protectionist measures succeed in raising the average price of steel mill products by $50 a ton, Americans will pay the equivalent of a $6 billion tax on the more than 120 million tons of steel they consume each year. Steel protection will impose a heavy cost on the huge segment of American industry that consumes steel as a major input to production. The major steel-using manufacturing sectors— transportation equipment, fabricated metal products, and industrial machinery and equipment—employ a total of 3.5 million production workers. Production workers in manufacturing industries that use steel as a major input outnumber steelworkers by 20 to 1.2 0

US steel protectionism spurs global protectionism – tanks the global economy and turns the case

**Lindsey et al, 99** – writers for the CATO institute (Brink, Daniel Griswold, Aaron Lukas, “The Steel ‘Crisis’ and the Costs of Protectionism”, CATO Institute, 4/16/99, http://www.cato.org/pubs/tbp/tbp-004.pdf)//RM

Aside from its direct negative impact on the domestic economy, steel protectionism will reverberate internationally to our detriment. Many steel-exporting countries are currently reeling from serious economic problems. U.S. protectionism will only worsen their plight and darken their prospects for recovery. At the same time, it will send a very dangerous signal to foreign governments contending with their own protectionist pressures. Although the United States has been relatively insulated thus far, much of the rest of the world has been buffeted by a series of economic shocks over the past couple of years. With Japan’s prolonged malaise, the acute crises elsewhere in Asia, the collapse of Russia, and the recent currency crash in Brazil, the world economy has stumbled into a highly precarious condition. During these turbulent and difficult times, the best thing America can do to encourage growth and stability abroad is to keep our markets open. Instead, at the behest of the steel lobby, the U.S. government is poised to deliver further body blows to ailing countries by restricting their steel industries’ access to the American market. Meanwhile, steel protectionism is sending the wrong message to the rest of the world. Many countries today are suffering violent economic contractions; as a result, their governments are facing formidable pressure to abandon market-oriented policies and erect protectionist barriers of their own. If the United States—the largest and richest country on earth, with 4.2 percent unemployment, low inflation, and 4 percent growth in 1998—is unable to say no to an industry with only 160,000 workers in a civilian labor force of 138 million, how can we expect other countries to hold the line? A U.S. surrender to special-interest pressure from the steel lobby would be a virtual green light for copycat protectionism around the world. Steel protectionism thus threatens to unleash on the world economy destructive forces that could easily bring an end to the prosperity Americans currently enjoy.2 8

US steel protection is ineffective and hurts the global economy

**Griswold, 99**  - Associate Director, Center for Trade Policy Studies, CATO Institute (Daniel, “Counting the Costs of Steel Protection”, CATO Institute, February 1999, <http://www.freetrade.org/node/356>)//RM

Besides being economically self-defeating, steel protection would be at odds with America's foreign policy interests. The best thing America can do to encourage growth and stability in the world economy is to keep our markets open. It makes no sense to hector Japan to stimulate its domestic economy or to underwrite IMF loans to Brazil and Russia while denying producers there the opportunity to earn valuable foreign exchange by selling steel to willing American buyers. One recent study suggested that restrictions on steel imports will enhance overall U.S. economic welfare. Specifically, the Economic Strategy Institute published a study earlier this month which purports to show that steel dumping, however that term might be defined, reduces U.S. economic well-being, and that antidumping duties are needed to prevent this harm. ESI's findings rest ultimately on the fact that wages in the steel industry are higher than average and that displaced steel workers frequently are forced to accept lower paying jobs. Thus, according to the ESI study, net U.S. welfare is reduced by dumping that causes job losses in the steel sector; antidumping is good for us because it prevents those job losses. First, this argument gets causation backwards: it assumes that high-paying jobs are the cause of economic welfare, rather than the consequence of it. If applied across the board, the ESI analysis would mean that public policy generally should protect our high standard of living by discouraging or even outlawing layoffs from high-paying jobs. This is basically the European approach, and its effects are all too visible in low growth and chronic double-digit unemployment. Second, and more narrowly, the ESI analysis assumes that job losses in the steel sector wouldn't occur in the absence of low-priced import competition--an assumption refuted by the industry's steadily declining employment over the past 20 years. Third, the study fails to adequately account for the offsetting production and employment gains that the lower prices would stimulate in the far larger steel-using sectors. Even if one accepts the study's methodology, the hypothetical gains from imposing antidumping duties against foreign steel are tiny--less than .005 percent of annual GDP--and not worth the far more real danger that the law will be used for protection.

Domestic steel protectionism fails – hurts manufacturers, kills US global competitiveness

**Stolyarov, 07** – Editor in chief of *the Rational Argumentator* (Gennady, “Why Tariffs Hurt Domestic Industries”, The Rational Argumentator, 12/2/07, [http://www.quebecoislibre.org/07/071202-3.htm)//RM](http://www.quebecoislibre.org/07/071202-3.htm)/RM)

In reality, so-called “protective” tariffs protect no one. They actually harm the domestic industries that they are intended to help. Indeed, in the long run, everybody loses when the free market is restricted and when individuals and companies are not permitted the liberty to exchange goods and services throughout the world. Let us consider a hypothetical tariff leveled on, say, steel. The steel industry in the United States might lobby for such a tariff and has done so in the past using the argument that the tariff will protect it from foreign (often state-subsidized) competitors that will “dump” steel on the American market at prices that domestic steel producers can’t possibly match. The tariff, the steel industry representatives might argue, will tax the foreign imports sufficiently to raise their price to a comparable level to the price charged by domestic firms. Of course, just implementing and enforcing the tariff and arranging the administrative machinery for it can be sufficiently costly to taxpayers – including the very owners and employees of the firms that lobbied for the tariff – as to outweigh any possible benefits. But let us assume that the tariff has been successfully put into place and has raised the price that Americans pay for imported steel. What happens then? And who are some of the American consumers that must now pay higher prices? It turns out that the steel tariff would raise costs for American domestic firms – particularly those that use steel as an input. Manufacturers of automobiles, industrial equipment, tools, building materials, and many other products would be faced with far smaller profits – just because the tariff has raised their input costs. Thus, these firms become less competitive relative to other firms abroad that might not have to deal with the same artificially high steel prices. The government-imposed steel tariff actually hampers the profitability and competitiveness of many more domestic industries than it helps. Consider how these firms might respond to an opportunity to move their operations abroad where steel tariffs are lower or don’t exist. Surely, such an action would lower their input costs and enable them to function more effectively. Tariffs imposed to “protect” domestic firms actually give many domestic firms a strong incentive to move outside the country! But even the steel industry would lose in the long run due to steel tariffs. On the face of it, it might seem that the steel industry has been benefited by the “protection” from competition that the tariffs afford. But consider what it takes to produce steel in mass. A steel manufacturer would need to own a lot of specialized machines that include components made of… you guessed it – steel! By hurting the domestic industries that use steel as an input, steel tariffs make it less likely for those firms to develop new products that make it easier and less costly to manufacture steel! Thus, the domestic steel industry is deprived of the ability to benefit from innovations that would have occurred in the absence of the tariff. "Instead of supporting measures that achieve the opposite of their intended effects, why not abolish all “protective” tariffs, give temporary aid to any workers who lose their jobs as a result, and let domestic industries restructure themselves to become as productive and efficient as they possibly can be in free and open competition?"

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### Prolif Good link

#### They solve prolif ;)

**Watts 2k8**

(Senior Fellow @ The Center for Strategic and Budgetary Assessments (Barry D, “The US Defense Industrial Base, Past, Present and Future,” CBA, <http://www.csbaonline.org/4Publications/PubLibrary/R.20081015._> The\_US\_Defense\_In/R.20081015.\_The\_US\_Defense\_In.pdf,//chm)

Since the 1950s, the US defense industrial base has been a source of long-term strategic advantage for the United States, just as it was during World War II. American defense companies provided the bombers and missiles on which nuclear deterrence rested and armed the US military with world-class weapons, including low-observable aircraft, wide-area surveillance and targeting sensors, and reliable guided munitions cheap enough to be employed in large numbers. They also contributed to the development of modern digital computers, successfully orbited the first reconnaissance satellites, put a man on the moon in less than a decade, and played a pivotal role in developing the worldwide web. Critics have long emphasized President Eisenhower’s warning in his farewell television address that the nation needed to “guard against the acquisition of undue influence, whether sought or unsought, by the military-industrial complex.” Usually forgotten or ignored has been an earlier, equally important, passage in Eisenhower’s January 1961 speech: A vital element in keeping the peace is our military establishment. Our arms must be mighty, ready for instant action, so that no potential aggressor may be tempted to risk his own destruction. Eisenhower’s warning about undue influence, rather than the need to maintain American military strength, tends to dominate contemporary discussions of the US defense industrial base. While the percentage of US gross domestic product going to national defense remains low compared to the 1950s and 1960s, there is a growing list of defense programs that have experienced problems with cost, schedule, and, in a few cases, weapon performance. In fairness, the federal government, including the Department of Defense and Congress, is at least as much to blame for many of these programmatic difficulties as US defense firms. Nevertheless, those critical of the defense industry tend to concentrate on these acquisition shortcomings. The main focus of this report is on a larger question. How prepared is the US defense industrial base to meet the needs of the US military Services in coming decades? The Cold War challenge of Soviet power has largely ebbed, but new challenges have emerged. There is the immediate threat of the violence stemming from SalafiTakfiri and Khomeinist terrorist groups and their state sponsors, that have consumed so much American blood and treasure in Iraq; the longer-term challenge of authoritarian capitalist regimes epitomized by the rise of China and a resurgent Russia; and, not least, the worsening problem of proliferation, particularly of nuclear weapons. In the face of these more complex and varied challenges, it would surely be premature to begin dismantling the US defense industry. From a competitive perspective, therefore, the vital question about the defense industrial base is whether it will be as much a source of long-term advantage in the decades ahead as it has been since the 1950s.

## Econ

### Uq—Down

The economy is declining now because of lack of stimulus spending

WSJ 7/30—BEN CASSELMAN and CONOR DOUGHERTY (Wall Street Journal, Federal Spending Cutbacks Slow Recovery Sharp Drop in Military, Stimulus Spending Take a Toll on Economic Rebound, 2012, http://online.wsj.com/article/SB10000872396390444840104577553551718500764.html)//chm

Falling military spending and the end of federal stimulus programs are further slowing the already weak U.S. economic recovery.

In recent weeks, policy debate in Washington has turned to the looming "fiscal cliff," billions of dollars in spending cuts and tax increases set to take effect at the start of the new year. The Congressional Budget Office, Federal Reserve Chairman Ben Bernanke and others have warned that the cuts would tip the U.S. into recession early next year, and some economists have argued that the uncertainty generated by the debate could act as a drag on the economy long before then.

Recent economic data show that long before the fiscal cliff hits, federal spending already is falling—and taking a toll on the recovery. Federal spending and investment fell at an annual rate of 0.4% in the second quarter and has fallen 3.3% in the past year. Federal employment has fallen by more than 52,000 jobs in the past year and for the first time is lower than when the recovery began.

Such figures understate the full effect of the cuts, as lower federal spending hits military and civilian contractors and cuts into federally backed infrastructure spending at the state and local level. Taken together, the cuts are partially offsetting private-sector growth that, while slow, has been consistent.

"It's unbelievable how much the economy is getting hurt already by the sharp drop in federal spending," said Joe LaVorgna, chief U.S. economist for Deutsche Bank.

In the long run, of course, reduced federal spending, possibly in combination with tax increases, should help rein in huge budget deficits and put the economy on sounder footing. Numerous experts, from Mr. Bernanke to the leaders of the president's budget commission, have urged policy makers to take steps now to address the government's long-term fiscal issues.

But the budget cuts come at a tough time for the U.S. economy, which has lost steam after appearing to accelerate earlier this year. Recession in much of Europe and slowing growth in China have cut into demand for U.S. exports, hurting manufacturing, which had been a key source of strength earlier in the recovery. Weak job growth and shaky financial markets have hit consumer spending, which some economists had hoped would drive economic growth this year. The overall economy grew at an annual rate of 1.5% in the second quarter, down from 2% in the first quarter, and most economists expect continued weak growth for the rest of the year.

The federal cuts are a reversal from the recession, when Presidents George W. Bush and Barack Obama tried to spark growth by increasing federal spending through bailouts and stimulus programs. Most economists believe the stimulus programs played at least some role in softening the recession's blow, though some argue their effectiveness was limited because many households and companies ended up saving extra cash rather than spending it.

Now, the stimulus funds are drying up. State and local governments are projected to receive $20.8 billion in federal stimulus funds in the 2012 fiscal year, ending in September, down from a combined $180.7 billion in fiscal 2010 and 2011, according to the Government Accountability Office. In the 2013 fiscal year, stimulus funding to states and localities will fall to a projected $14.3 billion.

At the same time, military spending has fallen for three straight quarters as wars in Iraq and Afghanistan have wound down and as the Pentagon prepares for further budget cuts.

Lower military spending is rippling through the private sector. BRS Aerospace, a Florida maker of parachutes used to deliver supplies to soldiers in remote or hostile areas, has seen business dry up as troops have come home from Iraq and Afghanistan, said CEO Larry Williams. The Pentagon has stopped ordering one type of parachute altogether. "We've had to take that line where we built those chutes and basically mothball it," Mr. Williams said.

As a result, the company has cut close to 300 jobs in Florida and 100 in Minnesota, Mr. Williams said. And the company's pullback has had its own ripple effects, as BRS has ordered less material from its suppliers.

Gridlock in Washington also has held up funding for some projects. Astec Industries Inc., ASTE +1.80% a Tennessee-based maker of equipment to produce asphalt and pave roads, saw quarterly earnings fall 26% in part due to congressional delays approving a highway-funding bill.

"This resulted in delays in, and in some cases the elimination of, projects during the peak road construction season," Astec Chairman and CEO J. Don Brock said in a statement last week.

The federal cuts are hitting just as state and local governments are starting to recover. Last year, state tax revenue eclipsed its prerecession peak, in 2008, for the first time. State tax revenue was $776 billion in 2011, up 0.2% from 2008, according to the Nelson A. Rockefeller Institute of Government. State-level job cuts are slowing, too, although layoffs are continuing at the local level.

The cuts are especially significant for communities that rely heavily on the military, such as Florida's Okaloosa County, home to Eglin Air Force Base. Said Jim Breitenfeld, a manager in the county's economic-development office: "When someone in D.C. sneezes on a military-defense issue, we say 'achoo.' "

Federal employment, meanwhile, is falling for the first time in the recovery. The biggest cuts are coming among postal workers, who count as federal employees but aren't funded out of the federal budget. But even removing the Postal Service, federal employment is down by 34,000 in the past year—a small number in the context of the overall economy but enough to push public-sector payrolls into negative territory in June for the fourth consecutive month.