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1NC

The economy is recovering now but it is on the brink- the fed is cautious of a quick double dip

Aversa 7/14 (Jeannine Aversa. “Fed eyes steps to bolster sputtering recovery.” AP News. 7/14/10 <http://www.google.com/hostednews/ap/article/ALeqM5g1oxREFfFMcuUcB9TWYRzro-AMywD9GV13LO3>)

Federal Reserve officials cut their forecasts for growth this year and signaled they stood ready to take new steps to keep the recovery alive if the economy takes a turn for the worst. A new document, released Wednesday, revealed a more cautious mood among the Fed policymakers in light of Europe's debt crisis, a volatile Wall Street, a stalled housing market and high unemployment. With risks growing, Fed officials at their June 22-23 meeting saw the need to explore new options for bolstering the economy. That's a turnaround from earlier this year when they were moving to wind down crisis-era supports. No new specific steps were disclosed or agreed upon at that time. However, if the recovery were to deteriorate, Fed policymakers have options. They could revive programs to buy mortgage securities or government debt. They could lower the rates banks pay for emergency Fed loans. The Fed also could create a new program to spark more lending to businesses and consumers in a bid to lure them to ratchet up spending and grow the economy. The economic and political hurdles for taking such action would be high, economists said. "If the economy takes a nasty spill, then yes, it would take new policy action. But if we continue to see kind of mediocre, ho-hum growth, then that won't be enough for them to move," said Michael Feroli, an economist at JPMorgan Chase. In the end, Fed Chairman Ben Bernanke and his colleagues agreed to hold a key interest rate at a record low near zero to help energize the economy. And they repeated a pledge to keep rates there for an "extended period." At that time, Fed policymakers said they didn't think the slowing in the economy seen thus far warranted new stimulative actions besides those already in place, according to the minutes of the June meeting.

2. Defense Spending On Troops is key to decrease the effects of the recession

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

That logic is exactly backwards. As President-elect Barack Obama and his economic advisers recognize, countering a deep economic recession requires an increase in government spending to offset the sharp decline in consumer outlays and business investment that is now under way. Without that rise in government spending, the economic downturn would be deeper and longer. Although tax cuts for individuals and businesses can help, government spending will have to do the heavy lifting. That's why the Obama team will propose a package of about $300 billion a year in additional federal government outlays and grants to states and local governments. A temporary rise in DOD spending on supplies, equipment and manpower should be a significant part of that increase in overall government outlays. The same applies to the Department of Homeland Security, to the FBI, and to other parts of the national intelligence community. The increase in government spending needs to be a short-term surge with greater outlays in 2009 and 2010 but then tailing off sharply in 2011 when the economy should be almost back to its prerecession level of activity. Buying military supplies and equipment, including a variety of off-the-shelf dual use items, can easily fit this surge pattern. For the military, the increased spending will require an expanded supplemental budget for 2009 and an increased budget for 2010. A 10% increase in defense outlays for procurement and for research would contribute about $20 billion a year to the overall stimulus budget. A 5% rise in spending on operations and maintenance would add an additional $10 billion. That spending could create about 300,000 additional jobs. And raising the military's annual recruitment goal by 15% would provide jobs for an additional 30,000 young men and women in the first year.

3. The Econ is on the brink now- Recent government spending is about to end, new spending is key

Kevin Hall, 2010. (staff writer). April 30, 2010. “U.S. economy grew briskly in first quarter, government says.” Online. Internet. Accessed May 1, 2010 at <http://www.miamiherald.com/2010/04/30/1606734/>us-economy-grew-briskly-in-first.html

Those head winds include enormous drops in tax revenue across many state governments, which are slashing spending and cutting jobs, as well as a growing debt crisis in the European Union that's slowing U.S. exports and spooking credit markets. Additionally, the stimulus money that Congress appropriated will begin to thin out late this year and next year, taking away a source of "juice" for the economy. "The proverbial economic coast is clearing, but it is not yet clear," Zandi said.

4. The United States Key To The Global Economy.

Kevin Hall, 2010. (staff writer). April 30, 2010. “U.S. economy grew briskly in first quarter, government says.” Online. Internet. Accessed May 1, 2010 at <http://www.miamiherald.com/2010/04/30/1606734/>us-economy-grew-briskly-in-first.html

If sustained, the upturn in U.S. consumption would be good news for the whole world, since the United States remains the key global economic engine. "What was particularly encouraging about today's GDP numbers is that U.S. consumption appears to be on a strong recovery path," said Frederic Neumann, co-head of Asian Economic Research for the global Hong Kong bank HSBC. Friday's GDP numbers were in line with a revised forecast from the International Monetary Fund, which predicted earlier in April that the world's economy would grow at a rate above 4 percent this year, significantly better than its initial 1.9 percent forecast.

5. A Robust Economic Recovery Is Necessary To Avoid Multiple Scenarios For War.

Walter Russell Mead, 2009. (Henry A. Kissinger Senior Fellow in U.S. Foreign Policy at the Council on Foreign Relations). The New Republic, February 4, 2009. Online. Lexis/Nexis. Accessed May 1, 2010.

As a result, developing countries and countries where capitalism has relatively recent and shallow roots tend to suffer greater economic and political damage when crisis strikes--as, inevitably, it does. And, consequently, financial crises often reinforce rather than challenge the global distribution of power and wealth. This may be happening yet again. None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises. Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born? The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

2NC Impact Overview

DA outweighs and turns case. The economy is on the brink now and risks a double dip recession. Mead indicates that economic collapse would cause global war with nations like Russia India China and Pakistan. We access the quickest timeframe- the economy is on the skirts now- any decrease would cause global collapse. And Prefer our scenario- its empirically and backed by economist. Another extended global economic breakdown risks armed conflicts that threaten our survival.

Phil Kerpen 2008 (policy directorfor Americans for Prosperity). “From Panic to Depression?” Oct. 28, 2008. Online. Internet. Accessed May 1, 2010 at [http://article.nationalreview.com/? q=OWQ3ZGYzZTQyZGY4ZWFiZWUxNmYwZT JiNWVkMTIxMmU=](http://article.nationalreview.com/?%20q=OWQ3ZGYzZTQyZGY4ZWFiZWUxNmYwZT%20JiNWVkMTIxMmU=)

It’s important that we avoid all these policy errors — not just for the sake of our prosperity, but for our survival. The Great Depression, after all, didn’t end until the advent of World War II, the most destructive war in the history of the planet. In a world of nuclear and biological weapons and non-state terrorist organizations that breed on poverty and despair, another global economic breakdown of such extended duration would risk armed conflicts on an even greater scale.

And DA turns case \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ A global economic recovery is key to prevent a nuclear World War III

Sean O'Donnell**,** 2009 (staff writer). Baltimore Republican Examiner. "Will this recession lead to World War III?," February 26, 2009. Online. Internet. Accessed May 1, 2010 at Baltimore Republican Examiner http://www.examiner.com/x-3108-Baltimore-Republican-Examiner~y2009m2d26- Will-this-recession-lead-to-World-War-III

Could the current economic crisis affecting this country and the world lead to another world war**?** The answer may be found by looking back in history. One of the causes of World War I was the economic rivalrythat existed between the nations of Europe. In the 19th century France and Great Britain became wealthy through colonialism and the control of foreign resources. This forced other up-and-coming nations (such as Germany) to be more competitive in world trade which led to rivalries and ultimately, to war.After the Great Depression ruined the economiesof Europe in the 1930s, fascist movements arose to seek economic and social control.From there fanatics like Hitler and Mussolini took over Germany and Italy and led them both into World War II. With most of North America and Western Europe currently experiencing a recession**,** will competition for resources and economic rivalries with the Middle East, Asia, or South American cause another world war**?** Add in nuclear weapons and Islamic fundamentalism and things look even worse**.** Hopefully the economy gets better before it gets worse and the terrifying possibility of World War III is averted. However sometimes history repeats itself**.**

2NC US Kt Econ

Extend Hall The us is key to the global economy prefer our evidence it cites empirical GDP stats and is predictive of future numbers

And The US is key to the global economy Bubble Bursts Prove

David Kampf, 2009 (former communications director for PEPFAR. May 7, 2009. Online. Internet. Accessed May 7, 2009 at <http://www.worldpoliticsreview.com/article.aspx?id=3717>)

The worldwide economic turmoil underlines the importance of the United States -- for better or worse -- to the global market. As the U.S. goes, so goes the world. When the American bubble burst, the speed with which the contagion spread beyond its borders is an illustration.

And the US economy is vital to the Asian economy.

Associated Press, 2009 (May 4, 2009. Online. Internet. Accessed at <http://www.google.com/hostednews/ap/article/ALeqM5jXPJmkJdyKGBu_J5HvhnfYCkYAzgD97VBSE80>)

Asian stock markets soared Monday, led by gains of 5 percent or more in Hong Kong, Taiwan, Singapore and India, amid upbeat economic signs from China and the United States. European markets opened higher, too. Investors were cheered by a survey of purchasing managers at Chinese manufacturers that rose for a second month in April. U.S. manufacturing activity in April also posted its best showing since September, suggesting that American economy — a vital export market for Asia — might be stabilizing. Futures pointed to a higher open on Wall Street Monday.

A global economic recovery is key to prevent a nuclear World War III

Sean O'Donnell**,** 2009 (staff writer). Baltimore Republican Examiner. "Will this recession lead to World War III?," February 26, 2009. Online. Internet. Accessed May 1, 2010 at Baltimore Republican Examiner http://www.examiner.com/x-3108-Baltimore-Republican-Examiner~y2009m2d26- Will-this-recession-lead-to-World-War-III

Could the current economic crisis affecting this country and the world lead to another world war**?** The answer may be found by looking back in history. One of the causes of World War I was the economic rivalrythat existed between the nations of Europe. In the 19th century France and Great Britain became wealthy through colonialism and the control of foreign resources. This forced other up-and-coming nations (such as Germany) to be more competitive in world trade which led to rivalries and ultimately, to war.After the Great Depression ruined the economiesof Europe in the 1930s, fascist movements arose to seek economic and social control.From there fanatics like Hitler and Mussolini took over Germany and Italy and led them both into World War II. With most of North America and Western Europe currently experiencing a recession**,** will competition for resources and economic rivalries with the Middle East, Asia, or South American cause another world war**?** Add in nuclear weapons and Islamic fundamentalism and things look even worse**.** Hopefully the economy gets better before it gets worse and the terrifying possibility of World War III is averted. However sometimes history repeats itself**.**

If the recession turns into a depression—multiple scenarios of nuclear war take place:

James Cusick, 2009 (staff writer). March 18, 2009. Sunday Herald (Scotland). Online. Internet. Accessed May 1, 2010 at

http://www.sundayherald.com/oped/opinion/display.var.2495478.0.dont\_bank\_on\_financial\_trouble\_being\_resolved\_without\_conflict.php

I'm not saying that America is about to declare war on China, or that Germany is going to invade France. But there are profound economic stresses in central Europe that could rapidly turn into conflict in the bankrupt Baltic states, Hungary, Ukraine. And if the Great Recession, as the IMF's Dominique Strauss-Kahn called it last week, turns into a Great Depression, with a prolonged collapse in international trade and financial flows, then we could see countries like Pakistan disintegrate into nuclear anarchy and war with neighbouring India, which will itself be experiencing widespread social unrest. Collapsing China could see civil war too; Japan will likely re-arm; Russia will seek to expand its sphere of economic interests. Need I to go on?

2NC Recovery Brink

And Now is key- The withdrawal of governmental support to the economy risks a double-dip recession.

Business Week, 2010. “Soros Sees the Risk of Double Dip Recession for Global Economy.” April 14, 2010. Online. Internet. Accessed April 21, 2010 at <http://www.businessweek.com/news/2010-04-14/soros-sees-the-risk-of-double-dip-recession-for-global-economy.html>

Billionaire investor George Soros sees a risk of a “double-dip” recession for the global economy if the fiscal stimuli are pulled too fast. “The reluctance of market to provide credit-acceptable interest rates may lead to fiscal constrains which come too soon,” Soros told reporters today in Venice, Italy. “Recovery has been the result of substantial support to the financial system and significant fiscal stimulus. If we pull it too fast, then there is a risk of a double dip.”

2. Bad economic news can derail the economy and trigger a double-dip recession.

Stephen Foley, 2010. (staff writer). “Fed warns of double-dip recession risks despite signs of recovery.” April 15, 2010. Online. Internet. Accessed at <http://www.independent.co.uk/news/business/news/fed-warns-of-doubledip-recession-risks-despite-signs-of-recovery-1945188.html>

The risk of a double-dip recession in the world's largest economy remains, and interest rates will stay low for an extended period of time, the chairman of the US Federal Reserve told lawmakers in Congress yesterday. Ben Bernanke's doveish testimony came despite new economic data showing America's recovery gathering momentum, with retail sales figures that eclipsed economists' brightest hopes. "It looks like we're on a path to moderate recovery and that the risk of a double-dip, while certainly not negligible, is certainly less than it was a few months ago," the Fed chairman said. "That being said, there are any number of possible things that could derail it."

2NC Link EXT

Extend Fieldstein, Defense Spending is key to solve the recession and prevent a double dip. He cites historical examples when military spending increased economic activity. And plan destroys the economy faster. US Manufacturing capability is already at a minimum now. Further military spending key to pull the economy out of the recession.

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

Replacing the supplies that have been depleted by the military activity in Iraq and Afghanistan is a good example of something that might be postponed but that should instead be done quickly. The same is true for replacing the military equipment that has been subject to excessive wear and tear. More generally, replacement schedules for vehicles and other equipment should be accelerated to do more during the next two years than would otherwise be economically efficient. Industry experts and DOD officials confirm that military suppliers have substantial unused capacity with which to produce additional supplies and equipment. Even those production lines that are currently at full capacity can be greatly expanded by going from a single shift to a two-shift production schedule. With industrial production in the economy as a whole down sharply, there is no shortage of potential employees who can produce supplies and equipment. Military procurement has the further advantage that almost all of the equipment and supplies that the military buys is made in the United States, creating demand and jobs here at home.

A2: Deficit Turn

The IMF warned about stopping spending- it will cause a double dip recession

Conway 10 (Edmund Conway. Economics Editor. “Cutting deficit before 2011 may lead to double-dip recession, IMF warns.” 23 Feb 2010. <http://www.telegraph.co.uk/finance/economics/7301378/Cutting-deficit-before-2011-may-lead-to-double-dip-recession-IMF-warns.html>)

The special IMF paper, on exit strategies from the radical policies carried out by stricken advanced economies, emphasises that governments and reguators should be careful not to start tightening either monetary or fiscal policy too early. Although the paper does not mention the UK specifically, the warning comes only days after 60 economists warned in a duo of letters that Conservative plans to start slashing the deficit from day one of their prospective government could derail the recovery. The paper, by IMF chief economist Olivier Blanchard, said: "Notwithstanding the recent pick-up in growth momentum, there is little evidence as yet that private demand is self-sustaining. "Hence, fiscal and monetary stimulus may need to be maintained well into 2010, although if developments proceed as expected, withdrawal could begin in 2011." The warning came amid growing concern about the prospects of a relapse into economic weakness, with the pound dropping at one stage by more than a cent against the dollar, and markets on both sides of the Altantic sagging. It chimed, too, with a hint from Bank of England Governor Mervyn King that the Bank may have to countenance further quantitative easing in the coming months if economic conditions deteriorate. In the US, the Conference Board shocked markets with a sudden plunge in its consumer confidence index to a 10-month low, with households expressing particular concern for their jobs. Former Federal Reserve Chairman Alan Greenspan said that the financial system had undergone "by far the greatest financial crisis globally ever."

Economic Decline Risks A Nuclear War With China:

John **Chan, 2006** (26 June 2006, http://www.wsws.org/articles/2006/jun2006/nucl-j26.shtml)

The greatest danger of nuclear war does not come from China, but from the US. Since the collapse of the Soviet Union, Washington has been seeking to use its military superiority increasingly aggressively to offset its long-term economic decline, in particular to establish its dominance over the resource-rich regions of the Middle East and Central Asia. The Bush administration’s invasion of Afghanistan and Iraq, and threats against Iran have antagonised US rivals in Europe and Asia. The US preoccupation with China reflects deep concerns about Beijing’s economic expansion and growing political influence in Asia and globally. The Pentagon’s focus on China says more about US preparations for eventual war, including a possible nuclear attack, against the Beijing regime, than it does about China’s relatively limited military capacity.

\*\*\*Uniqueness\*\*\*

Econ ↑ Now

The economy is improving now- Oil demand proves

Shore 7/13 (Sandy Shore, AP Business Writer “Oil prices climb on improving economic news.” 7/13/10 <http://news.yahoo.com/s/ap/oil_prices>)

Oil prices rose Tuesday as the global recovery got a boost on two fronts after weeks of mixed economic news. Benchmark crude rose about 3 percent in midday trading, a day after the quarterly company earnings season got off to a better-than-expected start. In addition, a new global forecast called for a slight improvement in oil demand next year. Benchmark crude for August delivery gained $2.20 to settle at $77.15 on the New York Mercantile Exchange. At the gas pump, many drivers are still seeing lower prices. The national average for a gallon of unleaded regular was $2.713 Tuesday, according to AAA, Wright Express and Oil Price Information Service. That's 1.1 cents less than a week ago and 18.4 cents higher than a year ago. The prospect of an improving economy with stronger demand for oil and gas offset concerns about above-average supplies, which have kept crude prices bouncing between $70 and $80 a barrel since the end of May. Alcoa Inc., the Pittsburgh aluminum manufacturing giant, and railroad operator CSX Corp. issued upbeat forecasts on Monday with their second-quarter earnings results. Alcoa said that global consumption of aluminum will grow this year by more than it forecast just three months ago. Alcoa's varied customer base, from aerospace to beverage can manufacturers, can provide insight into economic trends while CSX ships a wide range of business and consumer products. "After all the bad economic news over the last six weeks or so, good earnings reports suggest companies have money and they can spend some of that, and that makes people feel a little more ebullient about the market," said Michael Lynch, president of Strategic Energy & Economic Research. The news boosted stock prices. The Dow Jones industrial average rose 172 points in afternoon trading. The NASDAQ and the S&P 500 were higher as well. Earnings are expected to dictate trading over the next few weeks as hundreds of companies release results. The International Energy Agency predicted 2011 global oil demand would increase by 1.3 million barrels a day, or 1.6 percent, to 87.8 million barrels a day, largely due to economic growth in emerging countries. Demand in richer, more developed countries is expected to fall by 0.5 percent from this year, in part because of fuel-efficiency measures that will reduce the need for oil, IEA said. The forecast was the first detailed look at 2011 from the Paris-based agency, the energy arm of the Organization for Economic Cooperation and Development. Its 2010 outlook was little changed at 86.5 million barrels a day, a 2.1 percent increase from 2009. In other Nymex trading, heating oil gained 5.61 cents to settle at $2.0474 a gallon, gasoline rose 5.41 cents to settle at $2.0821 a gallon and natural gas fell 3.4 cents to settle at $4.354 per 1,000 cubic feet. In London, Brent crude rose $2.28 to settle at $76.65 a barrel on the ICE Futures exchange.

The Econ is recovering now unemployment rates prove

Derby 7/13 (Michael S. Derby and Meena Thiruvengadam. “Fed’s Lacker: Economy Is Recovering Despite Weak Data.” July 9, 2010. <http://blogs.wsj.com/economics/2010/07/09/feds-lacker-economy-is-recovering-despite-weak-data/>)

“The economy is still growing,” Federal Reserve Bank of Richmond President Jeffrey Lacker told Dow Jones Newswires. While it’s true that “the risks of slower-than-average growth for a couple of quarter may be notched up a bit,” the official said “it’s important to remember recoveries are choppy and uneven in the early stages.” Lacker was interviewed at a time of rising concern about the state of the U.S. economy. Persistently high unemployment and the widespread belief that growth is slowing–due in large part to uncertainty over major health-care and bank reforms in Washington and the threat posed by European economic and financial problems–are driving the anxiety. Economists have reacted by pushing back their estimates of when the Federal Reserve will raise interest rates. Many forecasters now believe it won’t be until well into 2011 before the Fed raises rates from its current target of essentially zero percent.

1. The economy is improving now- consumer spending and inflation proves

Timothy R. Homan, 2010 (staff writer). April 30, 2010. “U.S. Economy Expands as Consumer Spending Accelerates.” Online. Internet. Accessed May 1, 2010 at <http://www.businessweek.com/news/2010-04-30/u-s-economy-expands-as-consumer-spending-accelerates-update3-.html>)

The U.S. economy expanded at a 3.2 percent annual rate in the first quarter as households spent more freely, setting the stage for gains in employment that may help the recovery broaden and accelerate. Consumers may play a more prominent role in the recovery, increasing the odds of a sustained rebound, as growing sales at companies from General Electric Co. to Caterpillar Inc. promote hiring. The Federal Reserve’s preferred measure of inflation climbed at the slowest pace on record, highlighting why policy makers are pledging to keep interest rates low.

1. The economy is growing and expanding now.

Timothy R. Homan, 2010 (staff writer). April 30, 2010. “U.S. Economy Expands as Consumer Spending Accelerates.” Online. Internet. Accessed May 1, 2010 at http://www.businessweek.com/news/2010-04-30/u-s-economy-expands-as-consumer-spending-accelerates-update3-.html

The economy was forecast to grow at a 3.3 percent annual pace, according to the median estimate of 85 economists surveyed. Projections ranged from gains of 1.8 percent to 4.5 percent. Best Performance Following the 5.6 percent pace of growth in the fourth quarter of last year, the back-to-back gains marked the economy’s best performance since the second half of 2003.

2. US and world economic growth will continue to be strong now.

Bob Doll, 2010. (vice chair and chief equity strategist for fundamental equities at BlackRock Inc staff writer). Investment News. April 26, 2010. “Don't expect to see a ‘double-dip' recession.” Online. Internet. Accessed May 1, 2010 at <http://www.investmentnews.com>/article/20100426/FREE/100429913

In addition to enjoying strength in corporate earnings, the stock market also has been benefiting from improving economic conditions. The heavy infusion of government stimulus early in the economic and financial crisis appears to have helped spark a turnaround in the economy. Leading economic indicators in the United States have continued to move higher and consumer spending levels have recovered at an extremely aggressive pace, particularly considering the fact that unemployment remains elevated. The residential real estate market remains troubled, but, on balance, we expect that the US and global economies will continue to expand over the coming quarters. In the United States, we expect gross domestic product (GDP) growth in the first half of the year will be close to 4%, with full-year growth of at least 3.5%. Growth rates also look to be strong in Asia, and while Europe continues to lag, we expect that region to show signs of economic improvement later this year.

3. The US economic recovery is gaining steam.

Suzanne Pratt, 2010. (reporter, PBS). April 30, 2010. “The GDP Shows Signs of Growth.” Online. Internet. Accessed May 1, 2010 at <http://www.pbs.org/nbr/site/onair/transcripts/gdp_shows_growth_100430/>

More signs the U.S. economic recovery is gaining steam -- the latest reading on GDP shows the economy grew at a rate of 3.2 percent in the first quarter. It is the third straight quarter of growth and one area showing improvement is the services sector. As Scott Gurvey explains, for people looking for jobs, things could be looking good.

4. Business confidence is high now—upcoming forecasts are rosy.

Timothy R. Homan, 2010 (staff writer). April 30, 2010. “U.S. Economy Expands as Consumer Spending Accelerates.” Online. Internet. Accessed May 1, 2010 at http://www.businessweek.com/news/2010-04-30/u-s-economy-expands-as-consumer-spending-accelerates-update3-.html

Business spending on new equipment advanced at a 13 percent pace last quarter after advancing at a 19 percent rate the previous three months, the biggest gain since 1998. Spending on structures, including office buildings and factories, dropped at a 14 percent pace in the first quarter. Business investment rather than consumer spending will drive the U.S. economic recovery as profits climb, GE’s Chief Executive Officer Jeffrey Immelt said this week. “The clouds are breaking and the forecast ahead of us is promising,” Immelt told shareholders at an April 28 meeting in Houston. The company sees growth coming from emerging markets such as China, where it garnered $6 billion in sales last year, including about 40 percent from goods exported from the U.S. Immelt said he plans to hire more workers in the U.S. this year.

5. The recovery is gathering momentum now.

Eamon Javers, 2010. (staff writer). “Ben Bernanke predicts moderate recovery.” April 14, 2010. Online. Internet. Accessed May 1, 2010 at <http://www.politico.com/news/stories/0410/35798.html>

“Overall, the Federal Reserve’s liquidity programs appear to have made a significant contribution to the stabilization of the financial system, and they did so at no cost to taxpayers and with no credit losses,” he said in an appearance before the Joint Economic Committee. His comments come as the economy is turning a corner, with job growth in March and the Dow Jones industrial average topping 11,000 this week. Bernanke shrugged off concern about the potential for a “double dip” recession — though he noted that economic forecasting is an inexact science. “I think there’s a pretty broad view that we’re seeing some greater momentum,” he said. “The risk of a double dip, while certainly not negligible, is certainly less than it was a few months ago.”

6. The recession is over, and the US economy is rebounding rapidly.

Kevin Hall, 2010. (staff writer). April 30, 2010. “U.S. economy grew briskly in first quarter, government says.” Online. Internet. Accessed May 1, 2010 at <http://www.miamiherald.com/2010/04/30/1606734/>us-economy-grew-briskly-in-first.html

WASHINGTON -- The Great Recession is over all but officially, as the U.S. economy grew at a solid 3.2 percent annual rate in the first three months of this year, the third consecutive quarter of growth, the Commerce Department reported Friday. Spending by both consumers and business powered the growth. Consumption rose 3.6 percent from January through March, the department said in its preliminary reading, a sign that consumers, who drive 70 percent of U.S. economic activity, were feeling more comfortable with their economic positions. Their spending rose at only a 1.6 percent annual rate the previous quarter. Business investment was robust as well, showing that the economy's expansion has more than one engine, which bodes well for sustaining it.

7. Sustainable long-term trends in the economy are now kicking in.

Rob Silverblatt, 2010 (staff writer). April 30, 2010. “What 3.2 Percent GDP Growth Says About Our Contradictory Economy.” Online. Internet. Accessed May 1, 2010 at <http://www.usnews.com/money/business-economy/articles/2010/04/30/>what-32-percent-gdp-growth-says-about-our-contradictory-economy.html

Since the economy has now grown for three consecutive quarters, analysts and politicians are also optimistic about the likelihood that a sustainable trend is settling in. "After the single biggest economic crisis in our lifetimes, we're heading in the right direction," Obama said on Friday, "We're moving forward. Our economy is stronger; that economic heartbeat is growing stronger."

8. There will be no double-dip recession in the status quo.

Bob Doll, 2010. (vice chair and chief equity strategist for fundamental equities at BlackRock Inc staff writer). Investment News. April 26, 2010. “Don't expect to see a ‘double-dip' recession.” Online. Internet. Accessed May 1, 2010 at <http://www.investmentnews.com>/article/20100426/FREE/100429913

Following the stock market lows of March 2009, the bull market that commenced was, at first, driven by government action and increased liquidity. Since that time, stocks have been advancing based on the reality of fundamental improvements in global economic growth and corporate earnings. The key risk to stocks remains the possibility that the economic recovery becomes derailed. While deleveraging threats remain and the banking system is still operating under a credit-impaired environment, we do not expect to see a “double-dip” recession.

9. A Continued economic recovery will lead to an improvement in the unemployment rate.

Kevin Hall, 2010. (staff writer). April 30, 2010. “U.S. economy grew briskly in first quarter, government says.” Online. Internet. Accessed May 1, 2010 at <http://www.miamiherald.com/2010/04/30/1606734/>us-economy-grew-briskly-in-first.html

Some details in Friday's GDP report suggest that sustainable hiring is just around the corner. Output from non-farm businesses grew 4.4 percent in the first quarter, accompanied by strong productivity gains. As the recovery gains steam, doing more with fewer workers becomes more difficult, and employers may find it necessary to begin hiring in earnest. "The combination of steady output growth and slower productivity gains underpins our expectation that labor market recovery will continue to gain momentum," Alan Levenson, the chief economist for T. Rowe Price Associates, said in a note to investors Friday.

1. The economy is doing well now, but the strength and durability of the recovery are increasingly in doubt.

Kevin Hall, 2010. (staff writer). April 30, 2010. “U.S. economy grew briskly in first quarter, government says.” Online. Internet. Accessed May 1, 2010 at <http://www.miamiherald.com/2010/04/30/1606734/>us-economy-grew-briskly-in-first.html

"While growth is about half of the robust 5.6 percent pace in the last quarter of 2009, the underlying dynamic is actually healthier and better balanced: More of the rise in GDP came from domestic demand and less from an inventory correction," Bart van Ark, the chief economist for nonprofit forecaster The Conference Board, said in a statement. "Still, the strength and durability of this recovery remain in question, as the economy sails into strong head winds over the next few quarters."

2. The economy is improving, but remains fragile.

Kevin Hall, 2010. (staff writer). April 30, 2010. “U.S. economy grew briskly in first quarter, government says.” Online. Internet. Accessed May 1, 2010 at <http://www.miamiherald.com/2010/04/30/1606734/>us-economy-grew-briskly-in-first.html

Christina Romer, the head of the White House Council of Economic Advisers, was cautiously optimistic in her Friday blog posting after the GDP announcement. She thinks that the economy has clawed out of a deep hole but remains fragile. "To put the rate of growth into perspective, real GDP fell at a 6.4 percent rate in the first quarter of 2009. There is no question that the economy has improved dramatically over the past year. Each additional quarter of GDP growth is a welcome sign that the economy is healing from a severe recession that cost over 8 million jobs and wiped out trillions of dollars in household and family wealth," Romer wrote. "Given the severity and depth of the recession, it will take a number of quarters of robust growth and strong employment gains to return the economy to full health and full employment."

\*\*\*Links\*\*\*

**Generics**

Cuts in defense spending undermine the economy—the plan will put people out of work:

Robert Kagan, 2009 (senior associate at the Carnegie Endowment for International Peace), February 3, 2009, “No Time to Cut Defense.” Online. Internet. Accessed April 25, 2010 at <http://www.washingtonpost.com/wp-dyn/content/article/2009/02/02/AR2009020202618.html>

It doesn't make fiscal sense to cut the defense budget when everyone is scrambling for measures to stimulate the economy. Already, under the current Pentagon budget, defense contractors will begin shutting down production lines in the next couple of years -- putting people out of work. Rather than cutting, the Obama administration ought to be increasing defense spending. As Harvard economist Martin Feldstein recently noted on this page, defense spending is exactly the kind of expenditure that can have an immediate impact on the economy.

Reductions in unemployment are critical to sustain the economic recovery.

Timothy R. Homan, 2010 (staff writer). April 30, 2010. “U.S. Economy Expands as Consumer Spending Accelerates.” Online. Internet. Accessed May 1, 2010 at http://www.businessweek.com/news/2010-04-30/u-s-economy-expands-as-consumer-spending-accelerates-update3-.html

“It was a very strong quarter for the consumer,” said Nigel Gault, chief U.S. economist at IHS Global Insight in Lexington, Massachusetts, who accurately forecast the gain in GDP. “The important thing in the coming months is seeing employment starting to come back to give some income support.”

Increased support for the military will bolster the economy.

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

Now is also a good time for the military to increase recruiting and training. Because of the current very high and rising unemployment rates among young men and women, it would make sense to depart from the military's traditional enlistment rules and bring in recruits for a short, two-year period of training followed by a return to the civilian economy. As a minimum this would provide education in a variety of technical skills -- electronics, equipment maintenance, computer programming, nuclear facility operations, etc. -- that would lead to better civilian careers for this group. It would also provide a larger reserve force that could be called upon if needed by the military in the future.

Spending more money on the military would stimulate the economy.

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

The Obama team's goal of sending a stimulus package to Congress before the end of January may not leave enough time to work out the details of expanded military and intelligence budgets. If so, the stimulus plan should ask the Congress to provide a total of at least $30 billion a year of increased outlays in these budget categories. A substantial short-term rise in spending on defense and intelligence would both stimulate our economy and strengthen our nation's security.

**Counterinsurgency**

Counterinsurgency operations are massively expensive

Washington Times 2/5 “Proposed spending on counterterrorism soars.” Washington Times. Feb. 5 2010. <http://www.washingtontimes.com/news/2010/feb/05/proposed-spending-on-counterterrorism-soars/>)

The Obama administration is seeking billions in budget increases to target terrorism threats from abroad, especially Pakistan and Yemen, with boosts for surveillance and attack drones, special-operations forces and a new military cybercommand. The focus is on regions that have served as insurgent sanctuaries, where U.S. counterterrorism officials say the next attack against America is likely being planned. Pentagon aid to Pakistan would balloon to $1.2 billion in 2011, aimed at bolstering its war on internal militants. And military funding to target al Qaeda could double in Yemen, where the U.S. spent more than $6 million last year just on aerial surveillance provided by drones, according to internal documents obtained by the Associated Press. The rise in proposed counterterrorism spending reflects a new urgency within the administration, dovetailing with warnings this week from top intelligence officials of a possible terrorism strike from abroad within the next six months. The boost in Pentagon funding would also target a wider array of enemies, from al Qaeda and allied militant networks and dangerous nation-states, to sophisticated computer hackers and homegrown insurgents armed with dirty bombs. Pentagon and White House officials would not put an overall total on the amount of money in this week's proposed budget aimed at countering terrorists abroad. Much of that funding is hidden behind classified budgets, including the unacknowledged CIA effort to use drone-launched missiles to target al Qaeda and other militants along the Pakistan-Afghanistan border. But one indication of the sweep of increased spending is evident in a massive Pentagon account used to provide training, equipment and other assistance to foreign militaries. Under President Obama's budget proposal, that fund would increase from $350 million in 2010 to $500 million in 2011. Documents obtained by the AP show that the account was used this year to provide counterterrorism aid, training and other programs to countries ranging from Bangladesh and Nigeria to Lebanon and Pakistan. The money paid for training, surveillance activities, aircraft, radar, communications equipment and other resources. Administration and military officials noted that total U.S. counterterrorism funding also stretches well beyond the visible military aid. It is parceled into economic development, diplomacy and other socioeconomic spending that is designed to stabilize and strengthen countries where insurgents take root. In Pakistan, an already growing counterinsurgency fund would jump from $700 million combined in 2009 and 2010, to $1.2 billion in 2011. That money would include expanded efforts by special-operations forces to train and equip Pakistan's paramilitary Frontier Corps near the lawless border region that hides al Qaeda and domestic militants.

**FA-18**

The FA-18 cost 94 million

Time 7/13/10 (Time Magazine.“Top 10 Most Expensive Military Planes.” 7/13/10 [http://www.time.com/time/photogallery/0,29307,1912203\_1913325,00.html](http://www.time.com/time/photogallery/0%2C29307%2C1912203_1913325%2C00.html))

F/A-18 Hornet: $94 million First entering service in the 1980s, the twin-engine fighter plane was the U.S.'s first strike fighter — an aircraft capable of attacking both ground and aerial targets. It has seen action in Operation Desert Storm and as the aircraft of the Navy's Blue Angels Flight Demonstration Squadron. The F/A-18 is also used by Canada, Australia, Finland, Kuwait, Malaysia, Spain and Switzerland.

F35

The f-35 cost 122 million

Time 7/13/10 (Time Magazine.“Top 10 Most Expensive Military Planes.” 7/13/10 [http://www.time.com/time/photogallery/0,29307,1912203\_1913325,00.html](http://www.time.com/time/photogallery/0%2C29307%2C1912203_1913325%2C00.html))

F-35 Lightning II: $122 million Lockheed Martin's 2001 deal to build these stealth, supersonic fighter jets was at the time the largest military contract ever. The F-35s, intended to replace an aging aircraft arsenal, were developed as part of a Joint Strike Fighter program between the U.S. and its allies and were criticized as underpowered and overweight — and therefore easy targets. Making matters worse, from 2007 to 2008, cyberspies infiltrated the 7.5 million lines of computer code that powered the Joint Strike Fighter, raising concerns that enemies could copy the F-35's design and exploit its weaknesses. In April 2009, Lockheed Martin said it did not believe the program had been compromised.

V22

The V22 costs 118 Million

Time 7/13/10 (Time Magazine.“Top 10 Most Expensive Military Planes.” 7/13/10 [http://www.time.com/time/photogallery/0,29307,1912203\_1913325,00.html](http://www.time.com/time/photogallery/0%2C29307%2C1912203_1913325%2C00.html))

V-22 Osprey: $118 million This tiltrotor aircraft, which takes off and lands like a helicopter but can fly faster and farther like a fixed-wing plane, was first used in combat in Iraq in 2007. The Osprey's production has been bedeviled by design and construction problems: the craft claimed the lives of at least 30 Marines and civilians during its development alone (former Vice President Dick Cheney tried repeatedly to ground the plane). Still, because of its range and versatility, the Marine Corps plans to deploy a squadron of V-22s to Afghanistan by the end of the year.

\*\*\*Internals\*\*\*

 Deficit Spending kt Econ

Deficit spending is key to economic recovery

Delong 9 (J. Bradford DeLong is a professor of economics at the University of California at Berkeley, chair of its political economy major, a research associate of the National Bureau of Economic Research, a visiting scholar at the Federal Reserve Bank of San Francisco, and was in the Clinton administration a deputy assistant secretary of the U.S. Treasury “Why Obama's Deficit-Spending Plan Will (Probably) Work.” February 24, 2009 <http://seekingalpha.com/article/122203-why-obama-s-deficit-spending-plan-will-probably-work>.)

Will the Obama deficit-spending plan work? Will throwing $800 billion—$500 billion in extra government spending, and $300 billion in tax cuts—at the economy produce a world in which production and employment are higher and unemployment lower than would otherwise have been the case? The short answer is yes. The short reason is that spending works—eras when some group or other gets excited about future prospects and starts spending money like water are eras in which production and employment are high and unemployment low. And the government, in this respect, is just like any other group of starry-eyed optimists whose eagerness to spend pulls the economy into a high-employment high-pressure boom. Between 2003 and 2005, the assembled investors of the world discovered the American housing market. Low interest rates produced by the Federal Reserve allowed them to borrow and leverage up cheaply—and the promise of financial engineering that would greatly help them diversify risk made them think investing in funding new construction and new homeowners’ moves in to new construction was a profit opportunity. Spending on building houses rose. And the adult civilian employment to population ratio rose from 62% to 63.5% as the unemployment rate fell from 6.0% to 4.8%. Between 1996 and 1998 the assembled investors of America discovered the internet. And the adult civilian employment to population ratio rose from 63% to nearly 65% as the unemployment rate fell 5.6% to 4.3%.

 Military Kt Econ.

Military support strengthens the economy

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

Replacing the supplies that have been depleted by the military activity in Iraq and Afghanistan is a good example of something that might be postponed but that should instead be done quickly. The same is true for replacing the military equipment that has been subject to excessive wear and tear. More generally, replacement schedules for vehicles and other equipment should be accelerated to do more during the next two years than would otherwise be economically efficient. Industry experts and DOD officials confirm that military suppliers have substantial unused capacity with which to produce additional supplies and equipment. Even those production lines that are currently at full capacity can be greatly expanded by going from a single shift to a two-shift production schedule. With industrial production in the economy as a whole down sharply, there is no shortage of potential employees who can produce supplies and equipment. Military procurement has the further advantage that almost all of the equipment and supplies that the military buys is made in the United States, creating demand and jobs here at home.

Cuts in defense spending undermine the economy:

Robert Kagan, 2009 (senior associate at the Carnegie Endowment for International Peace), February 3, 2009, “No Time to Cut Defense.” Online. Internet. Accessed April 25, 2010 at <http://www.washingtonpost.com/wp-dyn/content/article/2009/02/02/AR2009020202618.html>

· It doesn't make fiscal sense to cut the defense budget when everyone is scrambling for measures to stimulate the economy. Already, under the current Pentagon budget, defense contractors will begin shutting down production lines in the next couple of years -- putting people out of work. Rather than cutting, the Obama administration ought to be increasing defense spending. As Harvard economist Martin Feldstein recently noted on this page, defense spending is exactly the kind of expenditure that can have an immediate impact on the economy.

Employment Key To Economy.

Timothy R. Homan, 2010 (staff writer). April 30, 2010. “U.S. Economy Expands as Consumer Spending Accelerates.” Online. Internet. Accessed May 1, 2010 at http://www.businessweek.com/news/2010-04-30/u-s-economy-expands-as-consumer-spending-accelerates-update3-.html

“It was a very strong quarter for the consumer,” said Nigel Gault, chief U.S. economist at IHS Global Insight in Lexington, Massachusetts, who accurately forecast the gain in GDP. “The important thing in the coming months is seeing employment starting to come back to give some income support.”

Increased support for the military will bolster the economy.

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

Now is also a good time for the military to increase recruiting and training. Because of the current very high and rising unemployment rates among young men and women, it would make sense to depart from the military's traditional enlistment rules and bring in recruits for a short, two-year period of training followed by a return to the civilian economy. As a minimum this would provide education in a variety of technical skills -- electronics, equipment maintenance, computer programming, nuclear facility operations, etc. -- that would lead to better civilian careers for this group. It would also provide a larger reserve force that could be called upon if needed by the military in the future.

Military Spending stimulates the economy

Martin Feldstein, 2008. (professor at Harvard). “Defense Spending Would Be Great Stimulus.” December 24, 2008. Online. Internet. Accessed April 26, 2010 at <http://online.wsj.com/article/SB123008280526532053.html>

The Obama team's goal of sending a stimulus package to Congress before the end of January may not leave enough time to work out the details of expanded military and intelligence budgets. If so, the stimulus plan should ask the Congress to provide a total of at least $30 billion a year of increased outlays in these budget categories. A substantial short-term rise in spending on defense and intelligence would both stimulate our economy and strengthen our nation's security.

 Econ Kt Leadership

2. Economic strength is key to leadership.

Nina Hachigian, 2010. (senior fellow at the Center for American Progress). January 21, 2010. Online. Internet. Accessed May 1, 2010 at <http://www.americanprogress.org/issues/2010/01/american_primacy.html>

Kagan declines to mention domestic policy, yet rebuilding American strength is, at the end of the day, a task for us here at home. Behind every great power is a great economy. We can try to perpetuate our power and influence all we like, but if our economy doesn’t begin to grow steadily again in the years to come, all our scrimping will be for naught—we simply will not be able to afford the tools for an expansive foreign policy, not to mention rising living standards for future Americans. Growing American strength is not about rhetoric; it involves tough political choices. Getting politicians to prioritize long-term success over short-term gain is never easy.

3. Economic strength key to hard power.

Nina Hachigian, 2010. (senior fellow at the Center for American Progress). January 21, 2010. Online. Internet. Accessed May 1, 2010 at <http://www.americanprogress.org/issues/2010/01/american_primacy.html>

The unifying theme of President Obama’s domestic agenda is retooling America so it can prosper in the global economy. That is what the health care debate, investments in basic science, green technologies, and public education are all about., not to mention the banking rules designed to prevent another bubble/bust cycle. All of these investments would be a lot easier if the last administration hadn’t committed a trillion dollars to a needless war. Talk about squandering primacy. America will bounce back. And it will continue to be an indispensible nation, not because of our unassailable power, but because of our ideas, our flexibility, and our leadership – the strengths that in fact enabled our still vast military superiority. Fortunately, Barack Obama has proven to be a leader that reads America’s virtues broadly, and enlists others in their promise. Perhaps it is simply too inclusive a world-view for those that miss the clarity of a bipolar ideological contest. But as Obama has pointed out, such clarity is a luxury we can no longer afford.

4. A decline in the US economy leads to a decline in US leadership.

Robert A. Pape, 2009 (professor of political science at the University of Chicago). “Empire Falls.” Online. Internet. Accessed April 26, 2010 at <http://www.nationalinterest.org/Article.aspx?id=20484>

For the past eight years, our policies have been based on these flawed arguments, while the ultimate foundation of American power—the relative superiority of the U.S. economy in the world—has been in decline since early on in the Bush administration. There is also good reason to think that, without deliberate action, the fall of American power will be more precipitous with the passage of time. To be sure, the period of U.S. relative decline has been, thus far, fairly short. A healthy appreciation of our situation by American leaders may lead to policies that could mitigate, if not rectify, further decline in the foreseeable future. Still, America’s shrinking share of world economic production is a fact of life and important changes in U.S. grand strategy are necessary to prevent the decline in America’s global position from accelerating

5. A relative economic decline undermines US power.

Robert A. Pape, 2009 (professor of political science at the University of Chicago). “Empire Falls.” Online. Internet. Accessed April 26, 2010 at <http://www.nationalinterest.org/Article.aspx?id=20484>

FROM ROME, Imperial China, Venice, Spain, France, Great Britain and the Soviet Union to the United States today, the rise and fall of great nations has been driven primarily by relative economic strength. As Paul Kennedy so ably describes in his classic The Rise and Fall of Great Powers, the more international commitments a state has, the more its power matters and hence the more relative economic strength it needs. Although scholars have long debated its nuances, the basic definition of power in international politics is simple: power is the aggregate resources a state has at its disposal to achieve its aims, the most important of which are to defend its national interests, both at home and abroad.1 But it is not only how much power a state has that matters. It is also how much power a state has relative to other states. This is true in any rough-and-tumble environment. A Ford Explorer is a powerful vehicle—unless it collides with a Mack Truck. In international politics, power does not ensure success. But, power certainly helps.

6. America’s power is fundamentally a result of its economic strength:

Robert A. Pape, 2009 (professor of political science at the University of Chicago). “Empire Falls.” Online. Internet. Accessed April 26, 2010 at <http://www.nationalinterest.org/Article.aspx?id=20484>

Over time, America’s power is fundamentally a result of its economic strength. Productive capacity—defined by indicators such as wealth, technology and population size—is a prerequisite for building and modernizing military forces. The United States, like any state, may choose to vary the degree to which its productive capacities are used to create military assets. But it is the economy as a whole that constrains the choice. And the size of the economy relative to potential rivals ultimately determines the limits of power in international politics. Major assessments of this relative position have long turned heavily on a single statistic: America’s share of world economic product.

7. Stronger growth rates strengthen US leadership.

Robert A. Pape, 2009 (professor of political science at the University of Chicago). “Empire Falls.” Online. Internet. Accessed April 26, 2010 at <http://www.nationalinterest.org/Article.aspx?id=20484>

The answers are pretty straightforward. Had the American economy grown at the (Clinton) rate of 3.7 percent per year from 2000 to 2008 instead of the (Bush) rate of 2.2 percent, the United States would have had a bigger economy in absolute terms and would have lost less power relative to others. Assuming the rest of the world continued at its actual rate of growth, America’s share of world product in 2008 would have risen to 25.2 percent instead of its actual 23.1 percent.6 When compared to the share of gross world product lost by the United States from 2000 to 2008—7.7 percent—the assumed marginal gain of 2.1 percent of world product amounts to some 27 percent of the U.S. decline.

8. US leadership stops multiple scenarios for world conflict.

Kitty Pilgrim and Charles Kupchan 2006 (commentators). March 8, 2006. Lou Dobbs Tonight. Online. Lexis/Nexis. Accessed May 1, 2006.

PILGRIM: Diplomatically, the United States uses hard persuasion and soft power, diplomatic leverage and cultural pervasiveness to influence everything from orange revolutions in the Ukraine to lifestyle in the Middle East. No single superpower could replace U.S. dominance, although China and India appear to have aspirations of greatness. But now the United States finds itself in need of strategic friends for dealing with Iran's nuclear program, North Korean talks, keeping the peace in Kabul, or the fight against radical Islamists. CHARLES KUPCHAN, EURASIA GROUP: The main threats are nonproliferation and terrorism. Those are dispersed. They're multinational, they're transnational threats.We can't strike back at a nation state because these threats don't live in any single nation state. And that's the key reason why we really need friends and allies in this new age.

Zalmay Khalilzad, 1995. (RAND Corporation) The Washington Quarterly, Spring 1995

Under the third option, the United States would seek to retain global leadership and to preclude the rise of a global rival or a return to multipolarity for the indefinite future. On balance, this is the best long-term guiding principle and vision. Such a vision is desirable not as an end in itself, but because a world in which the United States exercises leadership would have tremendous advantages. First, the global environment would be more open and more receptive to American values -- democracy, free markets, and the rule of law. Second, such a world would have a better chance of dealing cooperatively with the world's major problems, such as nuclear proliferation, threats of regional hegemony by renegade states, and low-level conflicts**.** Finally, U.S. leadership would help preclude the rise of another hostile global rival, enablingthe United States and the world to avoid another global cold or hot war and all the attendant dangers, including a global nuclear exchange**.** U.S. leadership would therefore be more conducive to global stability than a bipolar or a multipolar balance of power system.

9. US leadership is essential to solve world problems like nuclear proliferation and climate change.

Julian Borger, 2008 (Diplomatic editor, The Guardian, November 6, 2008. Online. Internet. Accessed May 1, 2009).

The core idea essentially turns the Bush doctrine on its head. It argues that the main problems facing America in the 21st century - terrorism, nuclear proliferation, climate change and dependence on fossil fuels - cannot by addressed by one country acting alone or even in concert with traditional allies. As Obama said in his first major foreign policy address, in Chicago last year: "The threats we face at the dawn of the 21st century can no longer be contained by borders and boundaries." The aim would be to restore America's global leadership in a world that is no longer unipolar. It would be achieved not primarily through military force (although the Obama team are at pains to stress they are not traditional liberal doves), but through soft power, exemplary action and networking among governments, inside and outside formal international organisations, to address specific problems. Nuclear and climate change An Obama White House would seek to take the initiative on the two existential issues facing the planet: nuclear proliferation and climate change. It would seek to negotiate deep cuts in the US and Russian arsenals, to restore the integrity of the non-proliferation treaty before it comes up for review in 2010 and before a nuclear arms race breaks out in the Middle East.

Nicholas Kristof, 2009 (staff writer, New York Times, January 22, 2009. Online. Lexis/Nexis. Accessed, May 5, 2009)

The second reassuring theme has to do with ''hard power'' and ''soft power,'' in the terminology of Joseph Nye, a Harvard professor. In the Bush-Cheney years, America sought to rely overwhelmingly on military ''hard power,'' and the result was setbacks around the world, from Iran's accelerated nuclear program to North Korea's processing of plutonium for a half-dozen nuclear weapons (compared with zero during the Clinton presidency). As my colleague David Sanger documents in his superb new book, ''The Inheritance'': ''We pursued a path that has left us less admired by our allies, less feared by our enemies, and less capable of convincing the rest of the world that our economic and political model is worthy of emulation.''

Romesh Ratnesar, 2007 (staff writer). Time Magazine. February 12, 2007. Online. Lexis/Nexis. Accessed May 1, 2010.

And Rice's decision to redouble her efforts in the Middle East means she will be less able to attend to other issues on which U.S. leadership could produce success--such as stopping genocide in Africa or fighting poverty in the developing world or tackling global climate change. Without sustained attention to those problems from America's top diplomat, the world won't make much progress toward finding solutions.

US Econ Key

A US collapse would trigger a global depression

The World Today 2008 [July 18, “IMF warns on inflation threat http://www.abc.net.au/worldtoday/content/2008/s2307691.htm]

EMMA ALBERICI: As concerns about the health of the US economy deepen, the International Monetary Fund has issued a fresh warning about the country's rising inflation. While the IMF is slightly more optimistic about global economic growth, it's lifted inflation forecasts in both advanced and emerging economies because of spiralling food and crude oil prices. The IMF is also worried about the impact of America's housing slump internationally but says the subprime mortgage contagion is moving at a slower pace than first thought. Here's our business editor, Peter Ryan. PETER RYAN: Back in April, the IMF warned there was a 25 per cent chance that world growth would stagnate because of an increasingly fragile US economy. Today in an update to its world economic outlook, the IMF said a global recession led by the American economic demise remained a possibility. SIMON JOHNSON: After a remarkable five year span of strong growth and lower inflation, the global economy is facing its most difficult set of circumstances in many years. PETER RYAN: The IMF's chief economist Simon Johnson pointed the current pressure on the mortgage companies Fannie Mae and Freddie Mac, which with 50 million customers guarantees six trillion dollars of American home mortgages. Mr Johnson underlined declarations in recent days that the US is now facing its biggest economic shock since the Great Depression. SIMON JOHNSON: In the recent past the global economy has managed to take large shocks in stride, but we think its capacity to absorb them is being increasingly challenged. The latest problems with US mortgage giants Fannie Mae and Freddie Mac are emblematic of deeper problems facing the housing sector and mortgage markets in the US where things have not yet stabilised. Banks are gradually repairing their balance sheets but face protracted adjustment and additional losses from weaker credit performance in a context of slower growth.

\*\*\*Impacts\*\*\*

2NC Leadership

1. A quick economic recovery is crucial to US leadership.

Bruce Crumley, 2009 (staff writer, February 25, 2009. Online. Internet. Accessed, April 1, 2009. (<http://watchmannewsletter.typepad.com/news/2009/02/is-the-economic-crisis-a-security-threat-too.html>)

But the signs are there that, as President Barack Obama's intelligence chief Admiral Dennis Blair warned last week, the economic crisis may be the source of the primary threat to global security right now. Security experts note that the economic downturn is already creating social unrest and political instability in some strategic hot spots around the world, and they warn that a prolonged slump could undermine U.S. and Western security interests. Blair, addressing the Senate Intelligence Committee on Feb. 12, prioritized the global recession as America's "primary near-term security concern" and warned that the threat level would increase as the slump endures. "The longer it takes for the recovery to begin, the greater the likelihood of serious damage to U.S. strategic interests," Blair warned, emphasizing the danger of political instability in countries allied with Washington. "Economic crises increase the risk of regime-threatening instability if they persist over a one-to-two-year period." (See pictures of the global food crisis.) Part of the strategic challenge posed by the downturn lies in the realm of the economy itself. Emerging powers such as China or India could take the opportunity presented by U.S. economic weakness to extend their own influence in regions traditionally dominated by the U.S. China, in particular, has already established itself as a major player in Latin America and Africa, and it is investing heavily in extractive industries across the globe right now, procuring energy supplies — most recently in new oil deals inked with Russia, Venezuela and Brazil — and other natural resources for its industrial economy.

US Leadership Is Essential To Prevent Global Nuclear Exchange.

Zalmay Khalilzad, RAND, The Washington Quarterly, Spring 1995

Under the third option, the United States would seek to retain global leadership and to preclude the rise of a global rival or a return to multipolarity for the indefinite future. On balance, this is the best long-term guiding principle and vision. Such a vision is desirable not as an end in itself, but because a world in which the United States exercises leadership would have tremendous advantages. First, the global environment would be more open and more receptive to American values -- democracy, free markets, and the rule of law. Second, such a world would have a better chance of dealing cooperatively with the world's major problems, such as nuclear proliferation, threats of regional hegemony by renegade states, and low-level conflicts. Finally, U.S. leadership would help preclude the rise of another hostile global rival, enabling the United States and the world to avoid another global cold or hot war and all the attendant dangers, including a global nuclear exchange. U.S. leadership would therefore be more conducive to global stability than a bipolar or a multipolar balance of power system.

 Leadership Ext

US Leadership Key To Preventing Multiple Conflicts With Iran And Others

**Pilgrim & Kupchan ’06** [L/N, CNN, SHOW: LOU DOBBS TONIGHT 6:00 PM EST, 3/8, Kitty (CNN)]

PILGRIM: Diplomatically, the United States uses hard persuasion and soft power, diplomatic leverage and cultural pervasiveness to influence everything from orange revolutions in the Ukraine to lifestyle in the Middle East. No single superpower could replace U.S. dominance, although China and India appear to have aspirations of greatness. But now the United States finds itself in need of strategic friends for dealing with Iran's nuclear program, North Korean talks, keeping the peace in Kabul, or the fight against radical Islamists. CHARLES KUPCHAN, EURASIA GROUP: The main threats are nonproliferation and terrorism. Those are dispersed. They're multinational, they're transnational threats.We can't strike back at a nation state because these threats don't live in any single nation state. And that's the key reason why we really need friends and allies in this new age.

 Leadership

The Decline Of U.S. Hegemony Would Create A Devastating Power Vacuum, Ensuring Anarchy, Terrorism, Global Economic Collapse, And Multiple Scenarios For Nuclear War

Ferguson, Prof. History NYU, 2004

(Niall, FOREIGN POLICY, July/August, p. )

The defining characteristic of our age is not a shift of power upward to supranational institutions, but downward. With the end of states' monopoly on the means of violence and the collapse of their control over channels of communication, humanity has entered an era characterized as much by disintegration as integration. If free flows of information and of means of production empower multinational corporations and nongovernmental organizations (as well as evangelistic religious cults of all denominations), the free flow of destructive technology empowers both criminal organizations and terrorist cells. These groups can operate, it seems, wherever they choose, from Hamburg to Gaza. By contrast, the writ of the international community is not global at all. It is, in fact, increasingly confined to a few strategic cities such as Kabul and Pristina. In short, it is the nonstate actors who truly wield global power—including both the monks and the Vikings of our time. So what is left? Waning empires. Religious revivals. Incipient anarchy. A coming retreat into fortified cities. These are the Dark Age experiences that a world without a hyperpower might quickly find itself reliving. The trouble is, of course, that this Dark Age would be an altogether more dangerous one than the Dark Age of the ninth century. For the world is much more populous—roughly 20 times more—so friction between the world's disparate “tribes” is bound to be more frequent. Technology has transformed production; now human societies depend not merely on freshwater and the harvest but also on supplies of fossil fuels that are known to be finite. Technology has upgraded destruction, too, so it is now possible not just to sack a city but to obliterate it. For more than two decades, globalization—the integration of world markets for commodities, labor, and capital—has raised living standards throughout the world, except where countries have shut themselves off from the process through tyranny or civil war. The reversal of globalization—which a new Dark Age would produce—would certainly lead to economic stagnation and even depression. As the United States sought to protect itself after a second September 11 devastates, say, Houston or Chicago, it would inevitably become a less open society, less hospitable for foreigners seeking to work, visit, or do business. Meanwhile, as Europe's Muslim enclaves grew, Islamist extremists' infiltration of the EU would become irreversible, increasing trans-Atlantic tensions over the Middle East to the breaking point. An economic meltdown in China would plunge the Communist system into crisis, unleashing the centrifugal forces that undermined previous Chinese empires. Western investors would lose out and conclude that lower returns at home are preferable to the risks of default abroad. The worst effects of the new Dark Age would be felt on the edges of the waning great powers. The wealthiest ports of the global economy—from New York to Rotterdam to Shanghai—would become the targets of plunderers and pirates. With ease, terrorists could disrupt the freedom of the seas, targeting oil tankers, aircraft carriers, and cruise liners, while Western nations frantically concentrated on making their airports secure. Meanwhile, limited nuclear wars could devastate numerous regions, beginning in the Korean peninsula and Kashmir, perhaps ending catastrophically in the Middle East. In Latin America, wretchedly poor citizens would seek solace in Evangelical Christianity imported by U.S. religious orders. In Africa, the great plagues of AIDS and malaria would continue their deadly work. The few remaining solvent airlines would simply suspend services to many cities in these continents; who would wish to leave their privately guarded safe havens to go there? For all these reasons, the prospect of an apolar world should frighten us today a great deal more than it frightened the heirs of Charlemagne. If the United States retreats from global hegemony—its fragile self-image dented by minor setbacks on the imperial frontier—its critics at home and abroad must not pretend that they are ushering in a new era of multipolar harmony, or even a return to the good old balance of power. Be careful what you wish for. The alternative to unipolarity would not be multipolarity at all. It would be apolarity—a global vacuum of power. And far more dangerous forces than rival great powers would benefit from such a not-so-new world disorder.

 Leadership

The Only Alternative To U.S. Hegemony Is Anarchy, Extremism, And Global Economic Collapse

Ferguson, Prof. History NYU, 2004

(Niall, FOREIGN POLICY, July/August, http://www.foreignpolicy.com/story/files/story2579.php?)

 But what if these esteemed theorists are all wrong? What if the world is actually heading for a period when there is no hegemon? What if, instead of a balance of power, there is an absence of power? Such a situation is not unknown in history. Although the chroniclers of the past have long been preoccupied with the achievements of great powers—whether civilizations, empires, or nation-states—they have not wholly overlooked eras when power receded. Unfortunately, the world's experience with power vacuums (eras of “apolarity,” if you will) is hardly encouraging. Anyone who dislikes U.S. hegemony should bear in mind that, rather than a multipolar world of competing great powers, a world with no hegemon at all may be the real alternative to U.S. primacy. Apolarity could turn out to mean an anarchic new Dark Age: an era of waning empires and religious fanaticism; of endemic plunder and pillage in the world's forgotten regions; of economic stagnation and civilization's retreat into a few fortified enclaves.

US Leadership Key To Solve Genocide, Poverty, And Climate Change:

Romesh **Ratnesar, 2/12**/20**07** (Time; Lexis)

And Rice's decision to redouble her efforts in the Middle East means she will be less able to attend to other issues on which U.S. leadership could produce success--such as stopping genocide in Africa or fighting poverty in the developing world or tackling global climate change. Without sustained attention to those problems from America's top diplomat, the world won't make much progress toward finding solutions.

Econ Decline > Nuke War

Collapse Of The Economy Risks End Of The Planet:

T. E. Bearden, LTC, U.S. Army (Retired), CEO, CTEC Inc., Director, Association of Distinguished American Scientists (ADAS), Fellow Emeritus, Alpha Foundation's Institute for Advanced Study (AIAS)

June 24, 2000 (HYPERLINK "http://www.seaspower.com/EnergyCrisis-Bearden.htm" http://www.seaspower.com/EnergyCrisis-Bearden.htm)

As the collapse of the Western economies nears, one may expect catastrophic stress on the 160 developing nations as the developed nations are forced to dramatically curtail orders. International Strategic Threat Aspects History bears out that desperate nations take desperate actions. Prior to the final economic collapse, the stress on nations will have increased the intensity and number of their conflicts, to the point where the arsenals of weapons of mass destruction (WMD) now possessed by some 25 nations, are almost **certain to be released**. As an example, suppose a starving North Korea {[7]} launches nuclear weapons upon Japan and South Korea, including U.S. forces there, in a spasmodic suicidal response. Or suppose a desperate China — whose long-range nuclear missiles (some) can reach the United States — attacks Taiwan. In addition to immediate responses, the mutual treaties involved in such scenarios will quickly draw other nations into the conflict, escalating it significantly. Strategic nuclear studies have shown for decades that, under such extreme stress conditions, once a few nukes are launched, adversaries and potential adversaries are then compelled to launch on perception of preparations by one's adversary. The real legacy of the MAD concept is this side of the MAD coin that is almost never discussed. Without effective defense, the only chance a nation has to survive at all is to launch immediate full-bore pre-emptive strikes and try to take out its perceived foes as rapidly and massively as possible. As the studies showed, rapid escalation to full WMD exchange occurs. Today, a great percent of the WMD arsenals that will be unleashed, are already on site within the United States itself {[8]}. The resulting great Armageddon will destroy civilization as we know it, and perhaps most of the biosphere, at least for many decades.

Economic Downturn Causes Nuclear War

Chris Lewis, environmental historian, University of Colorado-Boulder, 1998, The Coming Age of Scarcity, p. 56

Most critics would argue, probably correctly, that instead of allow-ing underdeveloped countries to withdraw from the global economy and undermine the economies of the developed world, the United States, Europe, Japan, and others will fight neocolonial wars to force these countries to remain within this collapsing global economy. These neocolonial wars will result in mass death, suffering, and even regional nuclear wars. If First World countries choose military confrontation and political repression to maintain the global economy, then we may see mass death and genocide on a global scale that will make the deaths of World War II pale in comparison. However, these neocolonial wars, fought to maintain the developed nations’ economic and political hegemony, will cause the final collapse of our global industrial civilization. These wars will so damage the complex economic and trading networks and squander material, biological, and energy resources that they will undermine the global economy and its ability to support the earth’s 6 to 8 billion people. This would be the worst-case scenario for the collapse of global civilization.

Economic Collapse Leads To Rabid Militarism And Nuke War:

Nissani, 92 (Lives in the Balance: the Cold War and American Politics, 1945-1991, available online at

HYPERLINK "http://www.is.wayne.edu/mnissani/pagepub/CH2.html" http://www.is.wayne.edu/mnissani/pagepub/CH2.html; accessed 8/22/04)

Nuclear war could be started deliberately. For instance, Chinese officials may decide to do away with both Russia and the United States by firing submarine missiles at Russian cities from American territorial waters. Terrorists may one day be able to carry out a similarly deceptive exercise with a couple of suitcase bombs. Nuclear proliferation raises the chances that nuclear weapons will eventually fall into irresponsible hands. What might happen when a Saddam Hussein acquires a bomb? Would he not be tempted to use it in the event of imminent removal from power? Even worse, one can well imagine **a collapse of the international economic system** and the rise of rabid militarism in one or another major industrial power.

Economic Decline Causes Nuke War:

Walter Mead, NPQ's Board of Advisors, New Perspectives Quarterly, Summer 1992, p.30

What if the global economy stagnates-or even shrinks? In the case, we will face a new period of international conflict: South against North, rich against poor, Russia, China, India-these countries with their billions of people and their nuclear weapons will pose a much greater danger to world order than Germany and Japan did in the '30s.

A global economic recovery is key to prevent a nuclear World War III

Sean O'Donnell**,** 2009 (staff writer). Baltimore Republican Examiner. "Will this recession lead to World War III?," February 26, 2009. Online. Internet. Accessed May 1, 2010 at Baltimore Republican Examiner http://www.examiner.com/x-3108-Baltimore-Republican-Examiner~y2009m2d26- Will-this-recession-lead-to-World-War-III

Could the current economic crisis affecting this country and the world lead to another world war**?** The answer may be found by looking back in history. One of the causes of World War I was the economic rivalrythat existed between the nations of Europe. In the 19th century France and Great Britain became wealthy through colonialism and the control of foreign resources. This forced other up-and-coming nations (such as Germany) to be more competitive in world trade which led to rivalries and ultimately, to war.After the Great Depression ruined the economiesof Europe in the 1930s, fascist movements arose to seek economic and social control.From there fanatics like Hitler and Mussolini took over Germany and Italy and led them both into World War II. With most of North America and Western Europe currently experiencing a recession**,** will competition for resources and economic rivalries with the Middle East, Asia, or South American cause another world war**?** Add in nuclear weapons and Islamic fundamentalism and things look even worse**.** Hopefully the economy gets better before it gets worse and the terrifying possibility of World War III is averted. However sometimes history repeats itself**.**

If the recession turns into a depression—multiple scenarios of nuclear war take place:

James Cusick, 2009 (staff writer). March 18, 2009. Sunday Herald (Scotland). Online. Internet. Accessed May 1, 2010 at

http://www.sundayherald.com/oped/opinion/display.var.2495478.0.dont\_bank\_on\_financial\_trouble\_being\_resolved\_without\_conflict.php

I'm not saying that America is about to declare war on China, or that Germany is going to invade France. But there are profound economic stresses in central Europe that could rapidly turn into conflict in the bankrupt Baltic states, Hungary, Ukraine. And if the Great Recession, as the IMF's Dominique Strauss-Kahn called it last week, turns into a Great Depression, with a prolonged collapse in international trade and financial flows, then we could see countries like Pakistan disintegrate into nuclear anarchy and war with neighbouring India, which will itself be experiencing widespread social unrest. Collapsing China could see civil war too; Japan will likely re-arm; Russia will seek to expand its sphere of economic interests. Need I to go on?

 Econ Decline > Depression

Global Recession Causes Multiple Scenarios For World War:

Lopez, staff, BusinessWorld, 9/10/98 (Lexis)

What would it be like if global recession becomes full bloom? The results will be catastrophic. Certainly, **global recession will spawn wars of all kinds**. Ethnic wars can **easily escalate** in the grapple for dwindling food stocks as in India-Pakistan-Afghanistan, Yugoslavia, Ethiopia-Eritrea, Indonesia. Regional conflicts in key flashpoints can easily erupt such as in the Middle East, Korea, and Taiwan. In the Philippines, as in some Latin American countries, splintered insurgency forces may take advantage of the economic drought to regroup and reemerge in the countryside. Unemployment worldwide will be in the billions. Famine can be triggered in key Third World nations with India, North Korea, Ethiopia and other African countries as first candidates. Food riots and the breakdown of law and order are possibilities. Global recession will see the deferment of globalization, the shrinking of international trade - especially of high-technology commodities such as in the computer, telecommunications, electronic and automotive industries. There will be a return to basics with food security being a prime concern of all governments, over industrialization and trade expansions. Protectionism will reemerge and trade liberalization will suffer a big setback. The WTO-GATT may have to redefine its provisions to adjust to the changing times. Even the World Bank-IMF consortium will experience continued crisis in dealing with financial hemorrhages. There will not be enough funds to rescue ailing economies. A few will get a windfall from the disaster with the erratic movement in world prices of basic goods. But the majority, especially the small and medium enterprises (SMEs), will suffer serious shrinkage. Mega-mergers and acquisitions will rock the corporate landscape. Capital markets will shrink and credit crisis and spiralling interest rates will spread internationally. And environmental advocacy will be shelved in the name of survival. Domestic markets will flourish but only on basic commodities. The focus of enterprise will shift into basic goods in the medium term. Agrarian economies are at an advantage since they are the food producers. Highly industrialized nations will be more affected by the recession. Technologies will concentrate on servicing domestic markets and the agrarian economy will be the first to regrow. The setback on research and development and high-end technologies will be compensated in its eventual focus on agrarian activity. A return to the rural areas will decongest the big cities and the ensuing real estate glut will send prices tumbling down. Tourism and travel will regress by a decade and airlines worldwide will need rescue. Among the indigenous communities and agrarian peasantry, many will shift back to prehistoric subsistence economy. But there will be a more crowded upland situation as lowlanders seek more lands for production. The current crisis for land of indigenous communities will worsen. Land conflicts will increase with the indigenous communities who have nowhere else to go either being massacred in armed conflicts or dying of starvation. Backyard gardens will be precious and home-based food production will flourish. As unemployment expands, labor will shift to self-reliant microenterprises if the little capital available can be sourced. In the past, the US could afford amnesty for millions of illegal migrants because of its resilient economy. But with unemployment increasing, the US will be forced to clamp down on a reemerging illegal migration which will increase rapidly. Unemployment in the US will be the hardest to cope with since it may have very little capability for subsistence economy and its agrarian base is automated and controlled by a few. The riots and looting of stores in New York City in the late '70s because of a state-wide brownout hint of the type of anarchy in the cities. Such looting in this most affluent nation is not impossible. The weapons industry may also grow rapidly because of the ensuing wars. Arms escalation will have primacy over food production if wars escalate. The US will depend increasingly on weapons exports to nurse its economy back to health. This will further induce wars and conflicts which will aggravate US recession rather than solve it. The US may depend more and more on the use of force and its superiority to get its ways internationally. The public will rebel against local monopolies. Anarchy and boycotts will be their primary weapons against cartels especially on agricultural products such as rice and vegetables, which are presently in the hands of a few in most Third World nations. Global recession will test the limits of human cooperation and sharing in the name of survival. Grants and aids will decrease. Rescues and international funding for advocacy NGOs will disappear rapidly. Coupled with disasters such as earthquakes, volcanic eruptions, climatic aberrations like the El Nino, global recession will degrade a step further. On the individual level, the best way to cope is to depend on self-production rather than employment, move to the province rather than stay in the city, concentrate on microenterprises which are less capital intensive, and embark on more intensified social coalitions and cooperations such as agrarian cooperatives. Certain enterprises will grow rapidly if related to basic needs such as food, clothing, and shelter. The most important weapon against recession is being aware that it may come, knowing its negative impacts, knowing how to avoid or skirt around them and preparing for the worse.

**\*\*\*AFF Answers\*\*\***

Econ ↓Now

The Economy is still in a recession- Fed proves

Irwin 7/15 (Neil Irwin. Washington Post. Fed leaders: “Economic recovery slower than expected.” 7/15/10 <http://voices.washingtonpost.com/political-economy/2010/07/economic_recovery_slowdown.html>)

Federal Reserve leaders marked down their expectations for growth and inflation last month, concluding that the economic recovery is proceeding more slowly than they had thought in the spring but that the slowdown did not warrant new policy actions. But Fed leaders did agree to explore options for supporting the economy further in case conditions worsen. "The changes to the outlook were viewed as relatively modest and as not warranting policy accommodation beyond that already in place," said minutes of the Fed's June 22-23 policy meeting, released along with revised economic forecasts. "However, members noted that in addition to continuing to develop and test instruments to exit from the period of unusually accommodative monetary policy, the Committee would need to consider whether further policy might become appropriate if the outlook were to worsen appreciably." In forecasts made in advance of the meeting and released Wednesday, the officials expected that gross domestic product will grow 3 to 3.5 percent this year, compared with a forecast of 3.2 to 3.7 percent at their April meeting. They modestly downgraded their projection for 2011 as well. That lower growth could translate into unemployment staying higher for longer -- Fed leaders expect the jobless rate to be 9.2 to 9.5 percent in the fourth quarter of 2010, and to be 8.3 to 8.7 percent at the end of 2011, both slightly higher than in April forecasts. But they see little threat from inflation, projecting that prices will rise 1 to 1.1 percent this year, compared with the 1.2 to 1.5 percent rate they forecast in April. The new outlook is well below the 1.7 to 2 percent inflation rate that the Fed targets over the longer term. The forecasts are the most explicit confirmation to date that Fed officials have lowered their expectations for growth -- and since their meeting three weeks ago, more weak economic data have been released suggesting a deceleration in the economy, including a reports on June employment conditions, international trade in May and retail sales in June. Still, the minutes make clear that Fed leaders still anticipate a continued economic recovery, suggesting that most of the policymakers would still resist any push to take new steps to support growth. Members of the policymaking committee "generally saw the incoming data and information received from business contacts as consistent with a continued, moderate recovery in economic activity," the minutes said. The minutes did note that "financial markets had become somewhat less supportive of economic growth," mainly due to troubles in Europe, and that this was "likely to weigh to some degree on household and business spending over coming quarters." But the officials appear to place greater weight on data suggesting strength in the business sector. They noted that investment in equipment and software was rising rapidly, and that household spending "continued to advance," even as the weak job market could weigh on consumers. As The Post reported last week, Fed leaders are starting to discuss policies that they might use to further support growth if the economy continues to weaken, including pledging to keep interest rates low for even longer than now expected, cutting the interest rate on banks' reserves and buying some additional mortgage securities.

The economy is still down will remain that way until 2012

Torres 7/15 (Craig Torres. “Fed Unemployment Forecast Fails to Bring Stimulus”

July 15, 2010 <http://www.businessweek.com/news/2010-07-15/fed-unemployment-forecast-fails-to-bring-stimulus.html>)

July 15 (Bloomberg) -- Federal Reserve officials predicted the expansion will be too slow to return to full employment in the next two years while also saying further measures to boost the economy probably won’t be needed in the short term. Policy makers said the outlook had “softened somewhat” and that risks to the recovery had risen, according to the minutes of their June 22-23 meeting released yesterday in Washington. The Federal Open Market Committee “would need to consider whether further policy stimulus might become appropriate if the outlook were to worsen appreciably.” “Fed officials see the economy in a free fall” before resuming bond purchases to ease financial conditions, said Michael Feroli, chief U.S. economist at JPMorgan Chase & Co. in New York. “The economy is not in a free fall. They also see the benefits of additional asset purchases as not that great.” Fed Chairman Ben S. Bernanke next week will deliver his semiannual report on the economy to members of Congress who will be facing re-election in November. His challenge will be to explain why policy makers shouldn’t do more to reduce an unemployment rate they predicted yesterday would still exceed 7 percent in 2012, more than the 5 percent to 5.3 percent they consider full employment. “The Fed officials who have been talking about doing more stimulative measures have made it clear the bar is very high,” said Stephen Stanley, chief economist at Pierpont Securities LLC in Stamford, Connecticut.

Deficit Turn

1. Deficit spending bad the IMF is already calling on Obama to reduce the deficit

AP 7/8/10 (“IMF Calls For U.S. Deficit Cuts.” “The Associated Press” <http://www.npr.org/templates/story/story.php?storyId=128382135>)

 The International Monetary Fund is calling for the United States to make a stronger effort to curb its budget deficits. The IMF said Thursday that in addition to cutting government spending, the Obama administration will have to consider raising taxes to get the U.S. deficit down to a manageable level. The IMF proposed a range of possible tax increases which would be certain to generate huge political opposition from reducing the popular tax deduction for home mortgages to instituting a national sales tax. The IMF report said that the U.S. economic recovery was becoming "increasingly well established" but it warned that the risks remained on the downside. Among the threats, the IMF said, were the possibility of a double-dip recession in housing, continued deterioration in commercial real estate and the threats posed to the U.S. economy from the European debt crisis. But the IMF said so far the U.S. rebound "has proved stronger than we had earlier expected" thanks in large part to what it called a "powerful and effective policy response" on the part of the government, including the efforts of the Federal Reserve. But the 185-nation international lending agency was less positive about the outlook for the U.S. government deficits going forward.

1. Failure To Demonstrate A Commitment To Controlling The Deficit Will Collapse The Global Economy –

**INDEPENDENT,** November 4, 20**04**

The central question now is whether, freed from the all-consuming need to be re-elected, the President has it in him to take the measures necessary to deal with the huge hole in the nation's finances which his policies have created. There is still time for the fiscal situation to be put right, but **if** things are left to drift and the **deficits continue to grow, an economic disaster for the US and the rest of the world is all but inevitable**.

**Deficit Spending Bad**

Deficit spending destroys the economy

Fraser 06(“The real worry about U.S. budget policy? Spending” Alison Acosta Fraser Director of the Thomas A.

Roe Institute for Economic Policy Studies. August 19, 2006, <http://www.heritage.org/Press/Commentary/ed081906a.cfm>)

But what about spending? This is where the single-minded focus on the deficit becomes a problem. The good news is unexpected revenue growth overshadowed the bad news of persistent spending growth. Federal spending has grown 45 percent since 2001, 8 percent this year alone. Not just for defense, but for things like the Rock and Roll Hall of Fame and Museum, an indoor tropical rain forest in Iowa, and huge subsidies to farmers to not grow crops.WhenGeorge W. Bush took office, spending was 18.4 percent of GDP. By the end of this year it willreach 20.3 percent. While his strong tax policy has helped the economy, his spending policies have not.If policymakers had reined in spending to grow at the same rate as the economy, they would havevirtually eliminated the deficit by now.The real worry about Washington's budget policy is spending. As baby boomers start to retire, the budget will spiral out of sight, fueled by Social Security, Medicare and Medicaid. That comes on top of recent spending growth. By reasonable accounts, the budget could reach 50 percent of GDP by 2050 - and continue to grow after that. The deficits and spending levels of today don't foretell the harm this will bring. However, the stagnant economies of Europe, complete with high tax-and-spend welfare policies and soaring unemployment, do. To be sure, pro-growth tax policiesare working. As a pleasant distraction, they arealso driving down the deficit, masking the effect of high spending. But don't be fooled by all this crowing about reducing the deficit**.** Washington shouldn't rest on its deficit-reduction laurels.

American leadership must start anew –restraining runaway spending is key to shore up hegemony

Sung-chul 2008 [Yang, former South Korean ambassador to the US, China Daily, <http://www.chinadaily.com.cn/world/2008-11/06/content_7178245.htm>, 11/06/2008]

As a layman, my answer to the present panic is rather mundane. Not only is there no free lunch in America, nothing is free in the United States or anywhere else in the world. Nor should it be. I have worked all my adult years and have learned a precious and simple lesson: individuals and collectives, be they companies, conglomerates or countries, must live within, not beyond, their means. Prudence, not prodigality, should rule individual behavior or the conduct of such collectives. Differently put, an individual, a corporation or a nation can easily fall into a vicious circle of debt if one indulges in the life of living beyond his/her means. Need, not greed; discretion, not deceit and thievery; and proper income, not extortion, must prevail both on Wall Street and Main Street - and in household, company and government coffers, for that matter. Three concrete examples lend credence to the above maxim. First, corporate money grabbing has been out of whack. I am appalled by the rampant greed of the corporate world. For example, as of this summer amid the subprime mortgage fiasco, the highest paid chief executive officers in the US were making tens of millions of dollars, topped by John Tran, CEO at Merrill Lynch ($83.8 million), followed by Lloyd Blankfein of Goldman Sacks ($54 million), Kenneth Chenault of American Express ($50.1 million) and John J. Mack of Morgan Stanley ($41 million). These CEOs may be indispensable, like the legendary golden goose. Still, how can anyone in all conscience make such an irrational and even extortionate sum while the minimum wage in the US is just $6.55 an hour, and average per capita income is less than $45,000? Second, the US dollar hegemony - first the dollar-gold convertibility from 1945 to 1971 under the Bretton Woods system and next, the dollar-oil arrangement with OPEC from 1971 to use US dollars for all worldwide oil transactions - was being challenged even before the present financial fiasco. Experts, pundits and policymakers in the US and around the world are demanding drastic reform in the existing Bretton Woods system (the International Bank for Reconstruction and Develpment and the International Monetary Fund), or a new alternative which will reflect and represent the fundamentally transformed global economic and financial landscapes of both developed and developing nations. I hope that this time around the US-led "currency-swap" is not a scratching-the-surface stopgap measure. Third, the Bush administration's runaway spending spree, especially on military expenditures, needs to be curbed. The US cannot afford, and the world would not continue to support, his eight years of garrison state-like direction anymore. Nothing short of F. D. Roosevelt's "New Deal" amid the Great Depression is called for, even before the inauguration of the new US president next January. The groundwork for the new visionary program must start now before it is too late to avert the "tsunami." The unprecedented US national debt ($10.2 trillion) and current account deficit ($850 billion in 2007) under Bush tell only half the story. The US military budget ($651.2 billion in 2008) alone constitutes more than half of world military expenditures ($1.1 trillion in 2008). Of the total, the cost of the wars in Iraq and Afghanistan in 2008 was $200 billion. Joseph Stiglitz and Linda Bilmore's estimation of the cost of the Iraq and Afghanistan wars is more than $3 trillion, excluding British spending of some $30-35 billion. Either an individual household or a nation cannot pretend that it is business as usual while its debt is piling up daily. A nation cannot sustain itself indefinitely simply because it is the sole military super power and oil is pegged to its currency. It must restrain consumer spending and runaway deficits and debts and encourage frugal lifestyles and productive work ethics. Where has America's "Protestant ethic" of honesty, frugality, industry and piety gone? Let me close this piece by illustrating three events during Bush years as harbingers for a new direction in America and beyond. The first is the 9/11 horror, which shocked everyone. But the Bush-led global war on terror is ill-conceived and misdirected. Plainly it has proven to be neither a solution nor a strategy. Besides, might is not right. To the contrary, right is might in the long run. The next two catastrophes were the August 2005 hurricane Katrina disaster in the Gulf Coast and the August 2007 Minnesota bridge collapse. To be sure, the blame was heaped on the negligence and impotence of the Federal Emergency Management Agency, which worsened one of the most punishing and the costliest hurricanes ever to hit the United States. Likewise, faulty design was reportedly the cause for the interstate 35W bridge collapse in Minneapolis. Personally, however, I see more fundamental problems associated with these events than the aforesaid surface causes. The 9/11 and these two disasters, not to mention the current global financial meltdown, sternly urge that incoming American leadership must start anew. Instead of wasting precious human lives and money in foreign military adventure, the policy priority should be redirected to investment in infrastructure projects like roads, bridges and embankments by repairing existing infrastructure and building new ones at home, to protect the nation from the imminent dangers of global warming and to help development abroad, including the abovementioned new alternative to the present Bretton Woods system. In doing so, Bush's foreign and domestic policy fiasco during his term of office should be avoided as "an anti-model" for the new leadership in the US.

A renewed commitment to fiscal discipline is necessary to restore American leadership

STEIL, Sr. Fellow of Economics-CFR, 6

http://www.cfr.org/publication/11293/why\_deficits\_matter.html

First among these measures—and the one meaningful action the Administration and Congress can undertake in short order—is to forge a serious and workable plan to reduce the federal budget deficit over the next five years, and the trajectory of future deficits going further forward.  This, of course, is easier said than done. Political forces arrayed against spending cuts and tax increases remain very strong.

The impact of budget cuts on the trade deficit is difficult to measure precisely – studies find that every $100 in budget deficit reduction yields from $20 to $50 in trade deficit reduction. Yet budget deficit reduction is the only lever available to cut America’s dependence on imported capital that is both economically sensible and under the US government’s direct control. Many commentators have pointed to America’s low and declining private savings rate as an important target, but decades of government tax incentives to boost private savings have yielded little more than windfalls to those wealthy enough to be able to shuffle their existing savings toward whatever tax carrots are dangled before them.

Broad-scale protectionism as an answer is so demonstrably self-defeating that it must be resisted through vigorous public diplomacy. Schumer-Graham tariffs of 27.5% on Chinese goods would become this century’s Smoot-Hawley disaster. The trade deficit is ultimately determined by national saving and investment: protectionism does not increase production and, absent an outright banning of trade, does not even affect the trade balance. With China feverishly pursuing new bilateral trade agreements around the globe, America can ill-afford this short-sighted domestic political pacifier. America must, to the contrary, seek to bolster the multilateral trading system, which is the country’s only effective bulwark against contagious global protectionism in times of political stress.

The Administration can continue to look for help from abroad by pressing Western Europe and Japan ever more firmly to boost their growth rates. Better growth among America’s richest trading partners will fuel U.S. exports and bring down the trade deficit. But the Europeans will be slow or worse to eliminate disincentives to work and job creation, and the Japanese will remain disinclined to consume as long as they continue to doubt their government’s ability and commitment to carry on providing for the retired while creating opportunity for the young. Thus the policy burden is necessarily on America to reverse its growing fiscal imbalance. A painful period of world economic adjustment appears inevitable without firm and immediate action on the budget deficit, and it will have serious implications for America’s power in the world. A plunging dollar accompanied by rapidly rising interest rates and a weakening American economy will make other nations less deferential to American wishes at the International Monetary Fund, at the World Bank, and in trade negotiations. Oil-producing Arab states will become even more resistant to American pressures for reform of their political and economic systems, and turn increasingly to Europe and Asia to place their investments and to garner political support. It will become ever more difficult for the United States to afford military action abroad. As it is, the wars in Afghanistan and Iraq are costing the U.S. over $70 billion annually. That high a level will soon become politically and economically unsupportable, and it will become clear both to Americans and to others that the U.S. will hesitate to act even where future threats appear to be dire. America’s standing in the world very directly hinges on what others believe the country can give to them or withhold from them. Washington can prevent a dollar-driven decline of U.S. global power by demonstrating that it has the political leadership and will to make the hard decisions necessary to sustain American economic strength. This must be grounded in restored budgetary responsibility. America is, at this moment, effectively an economic diabetic. Its insulin is fiscal rectitude. It will not cure the trade gap on its own, but it will allow the world to live with it by preserving the dollar as the bedrock of world commerce and finance.

 Econ

Deficit spending destroys the economy

Fraser 06(“The real worry about U.S. budget policy? Spending” Alison Acosta Fraser Director of the Thomas A.

Roe Institute for Economic Policy Studies. August 19, 2006, <http://www.heritage.org/Press/Commentary/ed081906a.cfm>)

But what about spending? This is where the single-minded focus on the deficit becomes a problem. The good news is unexpected revenue growth overshadowed the bad news of persistent spending growth. Federal spending has grown 45 percent since 2001, 8 percent this year alone. Not just for defense, but for things like the Rock and Roll Hall of Fame and Museum, an indoor tropical rain forest in Iowa, and huge subsidies to farmers to not grow crops.WhenGeorge W. Bush took office, spending was 18.4 percent of GDP. By the end of this year it willreach 20.3 percent. While his strong tax policy has helped the economy, his spending policies have not.If policymakers had reined in spending to grow at the same rate as the economy, they would havevirtually eliminated the deficit by now.The real worry about Washington's budget policy is spending. As baby boomers start to retire, the budget will spiral out of sight, fueled by Social Security, Medicare and Medicaid. That comes on top of recent spending growth. By reasonable accounts, the budget could reach 50 percent of GDP by 2050 - and continue to grow after that. The deficits and spending levels of today don't foretell the harm this will bring. However, the stagnant economies of Europe, complete with high tax-and-spend welfare policies and soaring unemployment, do. To be sure, pro-growth tax policiesare working. As a pleasant distraction, they arealso driving down the deficit, masking the effect of high spending. But don't be fooled by all this crowing about reducing the deficit**.** Washington shouldn't rest on its deficit-reduction laurels.

Mounting Deficits Risk A Complete Collapse Of The US Economy:

C. FRED **BERGSTEN 2/1**/20**07** (DIRECTOR PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS, CQ Congressional Testimony; Lexis)

The huge and growing international trade and current account imbalances, centered on the US external deficits and net debtor position, represent the single greatest threat to the continued prosperity and stability of the United States and world economies. They could at any time trigger a large and rapid decline in the exchange rate of the dollar that would initiate sharp increases in US inflation and interest rates, bringing on stagflation at a minimum and quite possibly a deep recession. Even in the absence of such a crisis, continued failure to address the imbalances constructively will inevitably lead to a costly and perhaps wrenching adjustment of the US and world economies. They could also lead to a disruption of US trade policy, threatening the openness of the global trading system.

Any Cushion Is Gone: Further Deficits Would Devastate The US Economy:

C. FRED **BERGSTEN 2/1**/20**07** (DIRECTOR PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS, CQ Congressional Testimony; Lexis)

Potentially even more important are two key structural factors. First, the United States is piling its present external deficits onto the world's largest debtor position. Our imbalances of the 1980s began when the United States was still the world's largest creditor country and, in some sense, "used up" the net asset position accumulated over the previous half century or more. We have no such cushion today. Second, the creation of the euro provides a true international financial alternative to the dollar for the first time in a century. The dollar has dominated global finance since the decline of sterling in the early twentieth century largely because it had no real competition. No other currency was based on an economy or capital markets anywhere near the size of those of the United States. The creation of the euro eliminates the dollar's currency monopoly, however, because the economy of Euroland is almost as large as that of the United States while its international trade and monetary reserves are even larger. Indeed, euro bonds have attracted more international investment than dollar bonds for the past two years and global holdings of euro currency now exceed those of the dollar. Hence the euro presents, for the first time in modern history, a true alternative to the dollar for footloose international investment that might previously have moved into dollar assets or that might already be invested in dollars.

 Hegemony

American leadership must start anew –restraining runaway spending is key to shore up hegemony

Sung-chul 2008 [Yang, former South Korean ambassador to the US, China Daily, <http://www.chinadaily.com.cn/world/2008-11/06/content_7178245.htm>, 11/06/2008]

As a layman, my answer to the present panic is rather mundane. Not only is there no free lunch in America, nothing is free in the United States or anywhere else in the world. Nor should it be. I have worked all my adult years and have learned a precious and simple lesson: individuals and collectives, be they companies, conglomerates or countries, must live within, not beyond, their means. Prudence, not prodigality, should rule individual behavior or the conduct of such collectives. Differently put, an individual, a corporation or a nation can easily fall into a vicious circle of debt if one indulges in the life of living beyond his/her means. Need, not greed; discretion, not deceit and thievery; and proper income, not extortion, must prevail both on Wall Street and Main Street - and in household, company and government coffers, for that matter. Three concrete examples lend credence to the above maxim. First, corporate money grabbing has been out of whack. I am appalled by the rampant greed of the corporate world. For example, as of this summer amid the subprime mortgage fiasco, the highest paid chief executive officers in the US were making tens of millions of dollars, topped by John Tran, CEO at Merrill Lynch ($83.8 million), followed by Lloyd Blankfein of Goldman Sacks ($54 million), Kenneth Chenault of American Express ($50.1 million) and John J. Mack of Morgan Stanley ($41 million). These CEOs may be indispensable, like the legendary golden goose. Still, how can anyone in all conscience make such an irrational and even extortionate sum while the minimum wage in the US is just $6.55 an hour, and average per capita income is less than $45,000? Second, the US dollar hegemony - first the dollar-gold convertibility from 1945 to 1971 under the Bretton Woods system and next, the dollar-oil arrangement with OPEC from 1971 to use US dollars for all worldwide oil transactions - was being challenged even before the present financial fiasco. Experts, pundits and policymakers in the US and around the world are demanding drastic reform in the existing Bretton Woods system (the International Bank for Reconstruction and Develpment and the International Monetary Fund), or a new alternative which will reflect and represent the fundamentally transformed global economic and financial landscapes of both developed and developing nations. I hope that this time around the US-led "currency-swap" is not a scratching-the-surface stopgap measure. Third, the Bush administration's runaway spending spree, especially on military expenditures, needs to be curbed. The US cannot afford, and the world would not continue to support, his eight years of garrison state-like direction anymore. Nothing short of F. D. Roosevelt's "New Deal" amid the Great Depression is called for, even before the inauguration of the new US president next January. The groundwork for the new visionary program must start now before it is too late to avert the "tsunami." The unprecedented US national debt ($10.2 trillion) and current account deficit ($850 billion in 2007) under Bush tell only half the story. The US military budget ($651.2 billion in 2008) alone constitutes more than half of world military expenditures ($1.1 trillion in 2008). Of the total, the cost of the wars in Iraq and Afghanistan in 2008 was $200 billion. Joseph Stiglitz and Linda Bilmore's estimation of the cost of the Iraq and Afghanistan wars is more than $3 trillion, excluding British spending of some $30-35 billion. Either an individual household or a nation cannot pretend that it is business as usual while its debt is piling up daily. A nation cannot sustain itself indefinitely simply because it is the sole military super power and oil is pegged to its currency. It must restrain consumer spending and runaway deficits and debts and encourage frugal lifestyles and productive work ethics. Where has America's "Protestant ethic" of honesty, frugality, industry and piety gone? Let me close this piece by illustrating three events during Bush years as harbingers for a new direction in America and beyond. The first is the 9/11 horror, which shocked everyone. But the Bush-led global war on terror is ill-conceived and misdirected. Plainly it has proven to be neither a solution nor a strategy. Besides, might is not right. To the contrary, right is might in the long run. The next two catastrophes were the August 2005 hurricane Katrina disaster in the Gulf Coast and the August 2007 Minnesota bridge collapse. To be sure, the blame was heaped on the negligence and impotence of the Federal Emergency Management Agency, which worsened one of the most punishing and the costliest hurricanes ever to hit the United States. Likewise, faulty design was reportedly the cause for the interstate 35W bridge collapse in Minneapolis. Personally, however, I see more fundamental problems associated with these events than the aforesaid surface causes. The 9/11 and these two disasters, not to mention the current global financial meltdown, sternly urge that incoming American leadership must start anew. Instead of wasting precious human lives and money in foreign military adventure, the policy priority should be redirected to investment in infrastructure projects like roads, bridges and embankments by repairing existing infrastructure and building new ones at home, to protect the nation from the imminent dangers of global warming and to help development abroad, including the abovementioned new alternative to the present Bretton Woods system. In doing so, Bush's foreign and domestic policy fiasco during his term of office should be avoided as "an anti-model" for the new leadership in the US.

A renewed commitment to fiscal discipline is necessary to restore American leadership

STEIL, Sr. Fellow of Economics-CFR, 6

http://www.cfr.org/publication/11293/why\_deficits\_matter.html

First among these measures—and the one meaningful action the Administration and Congress can undertake in short order—is to forge a serious and workable plan to reduce the federal budget deficit over the next five years, and the trajectory of future deficits going further forward.  This, of course, is easier said than done. Political forces arrayed against spending cuts and tax increases remain very strong. The impact of budget cuts on the trade deficit is difficult to measure precisely – studies find that every $100 in budget deficit reduction yields from $20 to $50 in trade deficit reduction. Yet budget deficit reduction is the only lever available to cut America’s dependence on imported capital that is both economically sensible and under the US government’s direct control. Many commentators have pointed to America’s low and declining private savings rate as an important target, but decades of government tax incentives to boost private savings have yielded little more than windfalls to those wealthy enough to be able to shuffle their existing savings toward whatever tax carrots are dangled before them. Broad-scale protectionism as an answer is so demonstrably self-defeating that it must be resisted through vigorous public diplomacy. Schumer-Graham tariffs of 27.5% on Chinese goods would become this century’s Smoot-Hawley disaster. The trade deficit is ultimately determined by national saving and investment: protectionism does not increase production and, absent an outright banning of trade, does not even affect the trade balance. With China feverishly pursuing new bilateral trade agreements around the globe, America can ill-afford this short-sighted domestic political pacifier. America must, to the contrary, seek to bolster the multilateral trading system, which is the country’s only effective bulwark against contagious global protectionism in times of political stress. The Administration can continue to look for help from abroad by pressing Western Europe and Japan ever more firmly to boost their growth rates. Better growth among America’s richest trading partners will fuel U.S. exports and bring down the trade deficit. But the Europeans will be slow or worse to eliminate disincentives to work and job creation, and the Japanese will remain disinclined to consume as long as they continue to doubt their government’s ability and commitment to carry on providing for the retired while creating opportunity for the young. Thus the policy burden is necessarily on America to reverse its growing fiscal imbalance. A painful period of world economic adjustment appears inevitable without firm and immediate action on the budget deficit, and it will have serious implications for America’s power in the world. A plunging dollar accompanied by rapidly rising interest rates and a weakening American economy will make other nations less deferential to American wishes at the International Monetary Fund, at the World Bank, and in trade negotiations. Oil-producing Arab states will become even more resistant to American pressures for reform of their political and economic systems, and turn increasingly to Europe and Asia to place their investments and to garner political support. It will become ever more difficult for the United States to afford military action abroad. As it is, the wars in Afghanistan and Iraq are costing the U.S. over $70 billion annually. That high a level will soon become politically and economically unsupportable, and it will become clear both to Americans and to others that the U.S. will hesitate to act even where future threats appear to be dire. America’s standing in the world very directly hinges on what others believe the country can give to them or withhold from them. Washington can prevent a dollar-driven decline of U.S. global power by demonstrating that it has the political leadership and will to make the hard decisions necessary to sustain American economic strength. This must be grounded in restored budgetary responsibility. America is, at this moment, effectively an economic diabetic. Its insulin is fiscal rectitude. It will not cure the trade gap on its own, but it will allow the world to live with it by preserving the dollar as the bedrock of world commerce and finance.

A2: Leadership

Decline In U.S. Hegemony Is Inevitable

Ferguson, Prof. History NYU, 2004

(Niall, FOREIGN POLICY, July/August, http://www.foreignpolicy.com/story/files/story2579.php?))

Why might a power vacuum arise early in the 21st century? The reasons are not especially hard to imagine.

 ***The clay feet of the U.S. colossus*** | Powerful though it may seem—in terms of economic output, military might, and “soft” cultural power—the United States suffers from at least three structural deficits that will limit the effectiveness and duration of its quasi-imperial role in the world. The first factor is the nation's growing dependence on foreign capital to finance excessive private and public consumption. It is difficult to recall any past empire that long endured after becoming so dependent on lending from abroad. The second deficit relates to troop levels: The United States is a net importer of people and cannot, therefore, underpin its hegemonic aspirations with true colonization. At the same time, its relatively small volunteer army is already spread very thin as a result of major and ongoing military interventions in Afghanistan and Iraq. Finally, and most critically, the United States suffers from what is best called an attention deficit. Its republican institutions and political traditions make it difficult to establish a consensus for long-term nation-building projects. With a few exceptions, most U.S. interventions in the past century have been relatively short lived. U.S. troops have stayed in West Germany, Japan, and South Korea for more than 50 years; they did not linger so long in the Philippines, the Dominican Republic, Haiti, or Vietnam, to say nothing of Lebanon and Somalia. Recent trends in public opinion suggest that the U.S. electorate is even less ready to sacrifice blood and treasure in foreign fields than it was during the Vietnam War.

The Eu Will Never Be Capable Of Global Leadership

Ferguson, Prof. History NYU, 2004

(Niall, FOREIGN POLICY, July/August, http://www.foreignpolicy.com/story/files/story2579.php?))

 *“Old Europe” grows older* | Those who dream the EU might become a counterweight to the U.S. hyperpower should continue slumbering. Impressive though the EU's enlargement this year has been—not to mention the achievement of 12-country monetary union—the reality is that demography likely condemns the EU to decline in international influence and importance. With fertility rates dropping and life expectancies rising, West European societies may, within fewer than 50 years, display median ages in the upper 40s. Europe's “dependency ratio” (the number of non-working-age citizens for every working-age citizen) is set to become cripplingly high. Indeed, Old Europe will soon be truly old. By 2050, one in every three Italians, Spaniards, and Greeks is expected to be 65 or older, even allowing for ongoing immigration. Europeans therefore face an agonizing choice between Americanizing their economies, i.e., opening their borders to much more immigration, with the cultural changes that would entail, or transforming their union into a fortified retirement community. Meanwhile, the EU's stalled institutional reforms mean that individual European nation-states will continue exercising considerable autonomy outside the economic sphere, particularly in foreign and security policy.