# Spending Disadvantage – Classic BT

# Negative

## 1NC Shell

#### Fragile recovery now- economy rising and public spending low

Killin 7/9/12 - John Killin is president of the Associated Builders and Contractors’ Pacific Northwest chapter and executive director of the Independent Electrical Contractors of Oregon (John, “Economy improving, but not healthy”, Daily Journal of Commerce, July 9, 2012, <http://djcoregon.com/news/2012/07/09/economy-improving-but-not-healthy/>) // SKRG

While hiring in the construction industry has picked up and extended what feels like a ray of sunshine upon us, key economic indicators provide reason to believe a big cloud still lingers over our nation’s economic recovery.¶ The U.S. Commerce Department announced recently that new home sales rose 7.6 percent between April and May – and at their fastest pace since April 2010. But even with these gains, sales are only about half what is considered “normal.”¶ The National Association of Realtors announced recently that its index of sales agreements increased from 95.5 in April to 101.1 in May (a reading above 100 is considered healthy). Yet the same data says that while overall sales have risen 9.6 percent from a year ago, they are still well below levels considered to be healthy by economists.¶ “This pattern of rising private spending and falling public spending is likely to persist, but stakeholders should be concerned that private spending momentum may begin to abate if the broader macroeconomy does not begin to re-accelerate.”

##### [Insert Specific Link]

New government spending devastates economic growth- 4 reasons Keynesian Stimulus is counterproductive

Stratmann & Okolski, ’10 – scholar at the Mercatus Centre and a professor of economics at George Mason University; alumnus of the Mercatus Centre MA Fellowship at George Mason University, Presidential Management Fellow in the Depertment of Transportatoin (Thomas; Gabriel, “Does Government Spending Affect Economic Growth?”, Mercatus Centre at Geroge Mason Univeristy, 6/10/10, <http://mercatus.org/publication/does-government-spending-affect-economic-growth)//MK>¶ In response to the financial crisis and its impact on the economy, the federal government has increased government spending markedly in order to stimulate economic growth. With billions of taxpayer dollars appropriated toward this effort, policy makers should examine whether federal spending actually promotes economic growth. Although the studies are not all consistent, historical evidence suggests an undesirable, long-run effect from government spending: it crowds out private-sector spending and uses money in unproductive ways. Policy makers should use the best literature available to analyze government spending designed to spur growth for the likelihood of achieving that effect. Where the assumptions or data are uncertain, the analysis should fully explore the potential consequences of different assumptions or different potential values for the uncertain data. TRADITIONAL GROWTH RATIONALES. Proponents of government spending claim that it provides public goods that markets generally do not, such as military defense, enforcement of contracts, and police services.[1](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end1) Standard economic theory holds that individuals have little incentive to provide these types of goods because others tend to use them without paying. John Maynard Keynes, one of the most significant economists of the 20th century, advocated government spending, even if government has to run a deficit to conduct such spending.[2](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end2) He hypothesized that when the economy is in a downturn and unemployment of labor and capital is high, governments can spend money to create jobs and employ capital that have been unemployed or underutilized. Keynes's theory has been one of the implicit rationales for the current federal stimulus spending: it is needed to boost economic output and promote growth.[3](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end3)These views of spending assume that government knows exactly which goods and services are underutilized, which public goods will be value added, and where to redirect resources. However, there is no information source that allows the government to know where goods and services can be most productively employed.[4](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end4) Federal spending is less likely to stimulate growth when it cannot accurately target the projects where it would be most productive. POLITICS DRIVES GOVERNMENT SPENDING In addition to this information problem, the political process itself can stunt economic growth. For example, Professor Emeritus of Law at George Mason University Gordon Tullock suggests that politicians and bureaucrats try to gain control of as much of the economy as possible.[5](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end5) Moreover, demand for government resources by the private sector leads to misallocation of resources through "rent seeking"—the process by which industries and individuals lobby the government for money. Rather than spend money where it is most needed, legislators instead allocate money to favored groups.[6](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end6) Though this may yield a high political return for incumbents seeking reelection, this process does not favor economic growth. The data support the theory. A 1974 paper by Stanford's Gavin Wright found that political attempts to maximize votes explained between 59 and 80 percent of the difference in per capita federal spending to the states during the Great Depression.[7](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end7) Ultimately, spending under the Democratic Congress and the president was much more concentrated in Western states, where elections were much tighter than in the Democratically controlled South. Wright's analysis indicates that instead of allocating spending based purely on economic need during a crisis, the party in power may distribute funding based on the prospect of political returns.THE CONSEQUENCES OF UNPRODUCTIVE SPENDING AND THE MULTIPLIER EFFECTProponents of government spending often point to the fiscal multiplier as a way that spending can fuel growth. The multiplier is a factor by which some measure of economy-wide output (such as GDP) increases in response to a given amount of government spending. According to the multiplier theory, an initial burst of government spending trickles through the economy and is re-spent over and over again, thus growing the economy. A multiplier of 1.0 implies that if government created a project that hired 100 people, it would put exactly 100 (100 x 1.0) people into the workforce. A multiplier larger than 1 implies more employment, and a number smaller than 1 implies a net job loss. In its 2009 assessment of the job effects of the stimulus plan, the incoming Obama administration used a multiplier estimate of approximately 1.5 for government spending for most quarters. This would mean that for every dollar of government stimulus spending, GDP would increase by one and a half dollars.[8](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end8) In practice, however, unproductive government spending is likely to have a smaller multiplier effect. In a September 2009 National Bureau of Economic Research (NBER) paper, Harvard economists Robert Barro and Charles Redlick estimated that the multiplier from government defense spending reaches 1.0 at high levels of unemployment but is less than 1.0 at lower unemployment rates. Non-defense spending may have an even smaller multiplier effect.[9](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end9) Another recent study corroborates this finding. NBER economist Valerie A. Ramey estimates a spending multiplier range from 0.6 to 1.1.[10](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end10) Barro and Ramey's multiplier figures, far lower than the Obama administration estimates, indicate that government spending may actually decrease economic growth, possibly due to inefficient use of money. CROWDING OUT PRIVATE SPENDING AND EMPIRICAL EVIDENCE Taxes finance government spending; therefore, an increase in government spending increases the tax burden on citizens—either now or in the future—which leads to a reduction in private spending and investment. This effect is known as "crowding out." In addition to crowding out private spending, government outlays may also crowd out interest-sensitive investment.[11](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end11) Government spending reduces savings in the economy, thus increasing interest rates. This can lead to less investment in areas such as home building and productive capacity, which includes the facilities and infrastructure used to contribute to the economy's output. An NBER paper that analyzes a panel of OECD countries found that government spending also has a strong negative correlation with business investment.[12](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end12) Conversely, when governments cut spending, there is a surge in private investment. Robert Barro discusses some of the major papers on this topic that find a negative correlation between government spending and GDP growth.[13](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end13) Additionally, in a study of 76 countries, the University of Vienna's Dennis C. Mueller and George Mason University's Thomas Stratmann found a statistically significant negative correlation between government size and economic growth.[14](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end14) Though a large portion of the literature finds no positive correlation between government spending and economic growth, some empirical studies have. For example, a 1993 paper by economists William Easterly and Sergio Rebelo looked at empirical data from approximately 100 countries from 1970-1988 and found a positive correlation between general government investment and GDP growth.[15](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end15) This lack of consensus in the empirical findings indicates the inherent difficulties with measuring such correlations in a complex economy. However, despite the lack of empirical consensus, the theoretical literature indicates that government spending is unlikely to be as productive for economic growth as simply leaving the money in the private sector.WHY DOES IT MATTER RIGHT NOW? In 2009, Congress passed the American Recovery and Reinvestment Act, which authorized $787 billion in spending to promote job growth and bolster economic activity.[16](http://mercatus.org/publication/does-government-spending-affect-economic-growth#end16) The budgetary consequences of this legislation and other government spending initiatives aimed at improving the economic outlook for the federal budget can readily be seen in recent federal outlays. As seen in figure 1, total federal outlays have risen steadily over time, and a sharp increase occurred after 2007. As seen in figure 2, total federal spending as a percentage of GDP has risen sharply in the last two years to nearly 30 percent. As explained above, this spending may have countervailing effects that could actually hamper economic growth by crowding out private investment. CONCLUSION Government spending, even in a time of crisis, is not an automatic boon for an economy's growth. A body of empirical evidence shows that, in practice, government outlays designed to stimulate the economy may fall short of that goal. Such findings have serious consequences as the United States embarks on a massive government spending initiative. Before it approves any additional spending to boost growth, the government should use the best peer-reviewed literature to estimate whether such spending is likely to stimulate growth and report how much uncertainty surrounds those estimates. These analyses should be made available to the public for comment prior to enacting this kind of legislation.

#### Economic Collapse causes nuclear war, terrorism, and proliferation

Harris and Burrows 09-(Mathew, PhD European History at Cambridge, counselor in the National Intelligence Council (NIC) and Jennifer, member of the NIC’s Long Range Analysis Unit “Revisiting the Future: Geopolitical Effects of the Financial Crisis” <http://www.ciaonet.org/journals/twq/v32i2/f_0016178_13952.pdf)//TWR>

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

## Uniqueness

### Economy Growing

#### Economy rising and will continue

NY TIMES 7/12/12 - (“In Latest Data on Economy, Experts See Signs of Pickup”, The NY Times, 7/12/12, <http://www.nytimes.com/2012/07/13/business/economy/in-latest-data-economists-see-signs-of-pickup.html>) // SKRG

Economists at many of the most-watched forecasting organizations, both public and private, expect growth to pick up through the summer and into the fall, although only to a pace broadly considered sluggish, if not dismal.

This week, Macroeconomic Advisers, an economic consultancy often cited by policy makers, estimated the annual rate of growth in the second quarter at just 1.2 percent — well below the pace needed to reduce the unemployment rate. But the firm also projected growth to accelerate to around 2.4 percent in the third quarter.

“The pace of economic growth is picking up, but not to a rate that is very robust,” said Joel Prakken, the chairman of Macroeconomic Advisers. “It certainly is no great shakes.”

United States growth began to surge in late 2011 and early 2012, before slowing significantly in the spring. Some of the recent headwinds — like a re-escalation of the euro zone crisis, households that are paying down their debt, and a falloff in growth in big emerging markets, like China and Brazil — remain.

**Economy is gaining headwind now- the housing market, energy, and oil industry prove**

**Parikh July 12** - head of PIMCO investment committee (Saumil, “U.S. Economic Outlook: Potential for Growth, Vulnerability to Policy Mistakes ,” PIMCO, July 2012**,** <http://www.pimco.com/EN/Insights/Pages/US-Economic-Outlook-Potential-for-Growth-Vulnerability-to-Policy-Mistakes.aspx>)//AK

**There are very early signs of improvement in the housing market.** **Another plus is the shift in U.S. energy supply from imported oil to domestic oil and natural gas.** The U.S. economy still faces significant headwinds from over-indebtedness, large imbalances, growing inequality and policy incrementalism. In our view, investors need to consider the implications of rising forward tax rates and that price inflation will play a greater role in generating nominal GDP growth than in the past. Investors may benefit from exposure to real estate and inflation-linked bonds. Small and mid-cap domestic equities, which have benefited from a multi-year leverage and real growth cycle, will likely take a back seat for some time relative to high quality, unlevered, large cap equities, and nominal bond returns will likely be painfully low for the foreseeable future. The future of the U.S. economy may be in the hands of politicians. In the following interview, portfolio manager Saumil Parikh discusses the long-term outlook for the economy, weighing some positive fundamentals against the need for political solutions to challenges that could derail growth. He also outlines potential risks and strategies for investors. The secular outlook for the U.S. is finely balanced. **There are very early signs of improvement in the housing market, and although it is a smaller portion of the economy today than before the 2008 crash, housing could still be a substantial tailwind for U.S. economic growth over the next three to five years.** Another plus is the shift in U.S. energy supply from imported oil to domestic oil and natural gas. This trend is somewhat significant over the near term and, we believe, will become much more significant over time as some of the hurdles in capital expenditures, deployment technology and regulation of domestic energy are overcome. These two factors could boost U.S. economic growth by about half a percentage point a year over the next three to five years compared to the past. However, the U.S. economy still faces significant headwinds from over-indebtedness, large imbalances, growing inequality and policy incrementalism – and these headwinds could hinder employment growth. In addition, over the coming super-secular period, the changing demographics in the U.S. will likely affect growth as well. The U.S. labor force has, for all intents and purposes, peaked as a percentage of the population, and, therefore, many unfunded liabilities related to old age and retirement are beginning to crystallize on the private sector’s and the government’s balance sheets. Over the secular horizon we expect the government deficit to remain large and become more structural in nature, which will potentially become a significant hurdle for future investment, employment and growth if policymakers do not address it in a meaningful way.

**Economy is moderately growing- inflation and the housing market proves**

Watson, 7/12 - Certified mortgage expert (Ken, “Fed Minutes Suggest Fiscal Stimulus Later This Year,” The Daily Mortgage Advisor, July 12th ,2012,<http://dailymortgageadvisor.com/2012/07/12/fomc-minutes-june-2012/>)//AK

The Federal Reserve released the minutes from its June Federal Open Market Committee meeting, revealing a Fed divided on the future of the U.S. economy. Mortgage rates are higher after the release of the minutes. The Fed Minutes is the detailed recap of an FOMC meeting. It is the companion piece to the more brief, more well-known post-meeting FOMC press release. For a comparison, whereas the Fed’s June 20, 2012 press release contained 5 paragraphs and 490 words, the same meeting’s minutes contain 62 paragraphs and 7,508 words. The extra detail afforded by the extra words Wall Street gives insight into the nation’s central banker. **The June Fed Minutes, for example, suggest that the Fed may soon add new economic stimulus. Recent data suggests that the U.S. economy is expanding, but more slowly that it was at the start of the year.** The Fed acknowledged that this, in part, is the result of “below-trend” growth in Euro-area economies, plus a general slowdown in China. The Fed also said that “strains in global financial markets” continue to pose “significant downside risks” to the U.S. economy. **The Fed expects U.S. growth to “moderate over coming quarters”**. Other notes from with the Fed Minutes included : **On housing : Home sales, construction and prices suggest improvement On inflation : Prices are stable, and inflation will remain “subdued” through 2014** On new policy : Rapid fiscal tightening poses a “downside risk” to the economy In addition, there was discussion about whether the Fed is missing its dual mandate of low inflation and low unemployment. Several Fed member discussed the need for new stimulus to raise employment and to raise the rate of inflation. This action could occur as soon as next month. If the stimulus was enacted, mortgage rates would likely rise because inflation, in general, is a threat to low mortgage rates. The next Federal Open Market Committee meeting is a 2-day affair scheduled for July 31-August 1, 2012.

**Economy is improving- oil, equities and the housing market proves**Global Energy Professors, 6/27 - Foreign Relations Reporter (Global Energy Professors, “Oil Rises For Second Day On Signs U.S. Economy is Recovering,” June 27th , 2012**,** <http://www.globalenergyprofs.com/2012/06/oil-rises-for-second-day-on-signs-u-s-economy-is-recovering/>**)** //AK

**Oil rose for a second day on signs the U.S. economy is recovering,** easing concern that demand from the world’s biggest crude-consuming country will decline. **Crude gained as much as 2 percent after Commerce Department data showed orders for durable goods climbed more than forecast in May. More Americans than estimated signed contracts to purchase previously owned homes, the National Association of Realtors reported**. **Oil pared gains earlier as gasoline inventories jumped last week. “The durable goods number is giving the market the sense that things aren’t too bad, at least in the U.S.,”** said Phil Flynn, a senior market analyst at the Price Futures Group in Chicago. **“The economic data recently seems to be raising expectations for more oil demand.”** Crude oil for August delivery advanced $1.01, or 1.3 percent, to $80.37 a barrel at 1:36 p.m. on the New York Mercantile Exchange. Prices moved below $80 after the release of the inventory data at 10:30 a.m. Oil has fallen 22 percent this quarter, the biggest drop since the final three months of 2008. Brent oil for August settlement increased 57 cents, or 0.6 percent, to $93.59 a barrel on the London-based ICE Futures Europe exchange, after surging 2.2 percent yesterday. Durable goods bookings rose 1.1 percent, the first increase in three months, the Commerce Department reported. The median forecast of 76 economists surveyed by Bloomberg called for a 0.5 percent gain. Excluding the volatile transportation equipment, orders for goods meant to last at least three years advanced 0.4 percent**. The index of pending home resales climbed 5.9 percent to 101.1, matching a two-year high reached in March, after a 5.5 percent decline in April. The median forecast of 39 economists surveyed by Bloomberg News called for a 1.5 percent gain in May. Oil also followed gains in U.S. equities.** The Standard & Poor’s 500 Index rose as much as 1 percent. “Everything popped at the same time,” said Rich Ilczyszyn, chief market strategist and founder of Iitrader.com in Chicago. “Oil is down more than 20 percent and, in the short term, we are all looking for some kind of reasons to get in the market.” Brent gained for a fourth day, along with West Texas Intermediate traded on the Nymex, as Norwegian fields closed in a labor dispute.

#### Economy is improving- energy and housing prove

Parikh 7/12 - Saumil H. Parikh, member of PIMCO investment committee, undergraduate in economics from Grinnell College (Saumil, “U.S. Economic Outlook: Potential for Growth, Vulnerability to Policy Mistakes,”PIMCO, 7/12/12, <http://www.pimco.com/EN/Insights/Pages/US-Economic-Outlook-Potential-for-Growth-Vulnerability-to-Policy-Mistakes.aspx>) // AK

The secular outlook for the U.S. is finely balanced. There are very early signs of improvement in the housing market, and although it is a smaller portion of the economy today than before the 2008 crash, housing could still be a substantial tailwind for U.S. economic growth over the next three to five years. Another plus is the shift in U.S. energy supply from imported oil to domestic oil and natural gas. This trend is somewhat significant over the near term and, we believe, will become much more significant over time as some of the hurdles in capital expenditures, deployment technology and regulation of domestic energy are overcome. These two factors could boost U.S. economic growth by about half a percentage point a year over the next three to five years compared to the past.

#### U.S. still growing economically despite setbacks

Rugaber, 7/5/12 – AP Economics Writer (Christopher, “Survey: Jobs Growth to remain sluggish”, MPR news, July 5)

<http://minnesota.publicradio.org/display/web/2012/07/04/news/econ-survey/>) // ML

WASHINGTON (AP) -- A majority of economists in the latest Associated Press Economy Survey expect the national unemployment rate to stay above 6 percent -- the upper bounds of what's considered healthy -- for at least four more years. If the economists are correct, the job market will still be unhealthy seven years after the Great Recession officially ended in June 2009. That would be the longest stretch of high unemployment since the end of World War II. And it means the job market and the economy -- President Barack Obama's main political threats -- would remain big challenges in either a second Obama term or President Mitt Romney's first term. "The election isn't going to be a miracle cure for the unemployment rate, that's for sure," says Sean Snaith, an economics professor at the University of Central Florida. He thinks unemployment, which is 8.2 percent now, won't drop back to 6 percent until after 2016. Economists consider a "normal" level to be between 5 percent and 6 percent. The economists surveyed by the AP foresee an unemployment rate of 8 percent on Election Day. That would be the highest rate any postwar president running for re-election has faced. The survey results come before the government reports Friday on hiring during June. Fears about the economy escalated after U.S. employers added just 69,000 jobs in May, the fewest in a year and the third straight month of weak job growth. The AP survey collected the views late last month from 32 private, corporate and academic economists on a range of issues. Among their views: • The economy will continue to grow only slowly. The average forecast for the April-June period is that GDP grew at an annual rate of 2 percent. That's down from a 2.4 percent forecast in April. The economists think the rate in the final six months of the year will be just 2.3 percent. That's too weak to bring the unemployment rate down. • Monthly job gains will average 139,000 the rest of this year -- barely enough to keep up with population growth and prevent unemployment from worsening. In their forecast in April, the economists predicted average monthly job gains of 189,000. • The one step Europe could take that would boost confidence in its financial system quickly would be a bailout program like the Troubled Asset Relief Program, or TARP, that Congress approved in 2008 to rescue U.S. banks after the financial crisis hit. • The biggest threat to the U.S. economy is the tax increases and spending cuts that will take effect Jan. 1 unless Congress reaches an agreement. Many economists and the International Monetary Fund have warned that these measures would push the economy off a "fiscal cliff" and back into recession. An unemployment rate of 5 percent to 6 percent is typical of a healthy economy. The rate usually doesn't fall much lower, in part because many people who leave a job or start looking for one after finishing school don't get one right away. Most economists also say that if the Federal Reserve sought to lower unemployment much further, the economy could overheat and ignite inflation. Unemployment has fallen below 5 percent, most recently in 2000 and 2007. But hiring during those periods was swollen by bubbles in technology (2000) and real estate (2007) that ended in crashes that sent unemployment back up. U.S. policymakers are supposed to strive for "full employment" under the Employment Act of 1946. That law defined it as an unemployment rate of 4 percent. Today, most economists, including Fed Chairman Ben Bernanke, define full employment as between 5 percent and 6 percent. Fifty-fix percent of the economists surveyed by the AP said the unemployment rate wouldn't return to 6 percent until 2016 or later. Thirty-one percent said it would take until 2015. The economists said high unemployment remains a persistent problem for several reasons. The biggest factor: The economy isn't growing fast enough to cause employers to expand and hire much. Beth Ann Bovino, deputy chief economist at Standard & Poor's, forecasts growth of about 2 percent this year and next. She doesn't think it will get much better before 2015. "You need something closer to 4 percent to make a dent in unemployment," she said. Consumers, businesses and governments are all cutting back on spending to reduce debts, Bovino said. That creates a vicious cycle: Less spending by consumers results in less revenue for companies. Businesses then reduce hiring. And that means fewer people with paychecks to spend. And even if hiring does pick up, several economists said the unemployment rate will be hard to bring down. That's because millions of Americans have given up looking for work and are no longer counted as unemployed. Many of those "discouraged workers" will likely resume their job searches as employers start hiring more. But because most won't be hired immediately, the unemployment rate will stay elevated. Andrew Kohut, president of the Pew Research Center, said presidents find themselves under pressure almost immediately after taking office to improve the economy and job market. If elected, Romney will likely point out that he inherited a weak economy, Kohut said. Obama has tried the same approach. But voters "still want to know, what have you done for us lately?" Allen Sinai, chief global economist at Decision Economics, said the United States is in a squeeze: It needs to stimulate growth. Yet it also needs to rein in government spending and budget deficits over the long run. "I don't envy the next president, whoever he is," Sinai said. "He is going to have one heck of a problem to fix."

**Economy growing at a moderate rate- inflation stable and there is rising household and business spending**Bernanke 4/25 - Federal Reserve Chairman (Ben, “Fed: U.S. economy growing at moderate pace,” CBS News, April 25 2012, [**http://www.cbsnews.com/8301-505123\_162-57420717/fed-u.s-economy-growing-at-moderate-pace/**](http://www.cbsnews.com/8301-505123_162-57420717/fed-u.s-economy-growing-at-moderate-pace/)**)** //AK  
**The U.S. economy is expanding at a moderate pace, according to the Federal Reserve**. The central bank indicated Wednesday that it will hold off taking any further steps to boost the economy. **Concluding a two-day meeting of members of its monetary policy board, the Fed said labor market conditions have improved in recent months. It also cited rising household and business spending as signs that the economy continues to recover.** But the unemployment rate remains elevated, and the housing sector is "depressed," the Federal Open Market Committee [said in a statement](http://www.federalreserve.gov/newsevents/press/monetary/20120425a.htm). **Although inflation has picked up in recent months, largely because of higher price of crude oil and gasoline, the Fed's longer term inflation expectations remain "stable."**

**Economy Growing- payrolls and bonds prove**Auerback 3/9 - American Macroeconomist (Marshall, “Yes Virgina, the US economy is very strong,” MacroBits, March 9th 2012,[**http://macrobits.pinetreecapital.com/yes-virginia-the-us-economy-is-very-strong/**](http://macrobits.pinetreecapital.com/yes-virginia-the-us-economy-is-very-strong/)**)** //AKAt first glance, a rise in non-farm payrolls up to 227,000 (15,000 more than expected), doesn’t appear to be a big deal. **But combined with the upward revisions to December and January of 61,000, all of a sudden you have the makings of an economy growing at close to 4%. The three month average monthly gain in payrolls of 248,000 are also very impressive and  well above expectations**. The important measure of household employment is up 428,000.  This, after a prior month increase of 631,000. This is not the stuff of statistical ledger main in response to an upcoming Presidential election. The trend has been going on since last October. It is too far advanced to call it an aberration. **The six month average monthly increase in household survey employment ex adjustments for population discontinuities was 349,000.**  Again, more evidence of a strong economy. The total work week was unchanged.  The work week with somewhat smaller coverage is up yet another .1 hours. There is no way this is not a good economy. **The US is growing at close to 4%.** Policy makers are still fighting a debt deflation war when we appear to have reached a significant inflection point in the US economy. The recent Greek induced plunge in the gold price might prove to have marked this year’s low in bullion. **By the end of the year, we predict that bond yields will have risen significantly, and all of the market chatter will be on incipient inflationary pressures and when the Fed will raise rates**.

Economy Growing Now  
MarketWatch, 4/11 – (Steve Goldstein, “‘Modest to moderate’ economic growth: Beige Book,” MarketWatch, 4/11/12, <http://articles.marketwatch.com/2012-04-11/economy/31323234_1_retail-sales-auto-sales-report>) // EW  
But generally, the report showed an economy chugging if not roaring along: manufacturing expanding, professional business services growing, freight volume increasing, strong new-car sales, growing tourism, favorable agricultural conditions, more mining and oil extraction and some improving loan demand. U.S. stocks [(US:SPX)](http://www.marketwatch.com/investing/index/SPX?countrycode=US&link=MW_story_quote) moved away from their highest levels but were still about 0.9% higher Wednesday following the publication of the report. [Read Market Snapshot](http://www.marketwatch.com/story/us-stocks-open-higher-on-alcoas-surprise-2012-04-11) Recent statistics generally support these anecdotes. Institute for Supply Management surveys of purchasing managers showed expansion in both manufacturing and services sectors in March, and first-quarter U.S. auto sales were the strongest since 2008. Real estate activity was at low or lackluster levels but improving, the Beige Book said. The gains in real estate were largely concentrated for apartments and senior housing. Hiring was steady or showing a modest increase, and there was difficulty finding high-skilled workers — the latter point suggesting that structural and not just cyclical factors are holding back employment. Last week the Labor Department reported that nonfarm payrolls grew by 120,000, the weakest advance since October.

#### Economy good now

CNBC, 4/27 – (Margo D. Bellar, “Despite GDP Data, US Economy ‘in Good Shape’: Barton Biggs”, CNBC,4/27,<http://www.cnbc.com/id/47205857/Despite_GDP_Data_US_Economy_in_Good_Shape_Barton_Biggs>, ) // YL

The U.S. economy "looks health and is in pretty good shape" compared with other developed countries, despite data showing cooling growth in the first quarter, hedge fund investor Barton Biggs told CNBC Friday.¶ Earlier Friday the Commerce Department reported gross domestic product expanded at a 2.2 percent annual rate, slowing from the fourth quarter's 3 percent rate and below economists' expectations of 2.5 percent growth.¶ "The numbers this morning, they’re a little less than expected. But the last two quarters, real GDP growth in the U.S. has averaged out to 2.6 percent and the GDP deflator is just 1.2 percent," the managing partner of Traxis Partners told "Squawk on the Street," referring to an economic metric that factors in inflation .¶ "For an economy that’s on a sustained growth pattern, you couldn’t ask for better numbers," said the bullish Biggs.¶ He likes American technology companies, with an investment basket of "mature" firms that includes Cisco Systems [CSCO 16.31 0.33 (+2.07%) ], Intel [INTC 25.25 0.51 (+2.06%) ] and Microsoft [MSFT 29.39 0.76 (+2.65%) ], and "new" firms including Apple [AAPL 604.97 6.07 (+1.01%) ], Qualcomm [QCOM 54.98 1.25 (+2.33%) ] and VMWare [VMW 85.38 1.73 (+2.07%) ].¶ Europe, however, is of big concern to Biggs.¶ "It's clear the...people of Europe have sent a message to the politicians that they’re tired of austerity, they want more stimulation and more growth," he said. "It’s very hard to see how that’s going to work out."¶ China, meanwhile, has "pretty artfully created a soft landing and stabilized growth at around 7 percent to 8 percent, which is pretty darn good for the second-biggest economy in the world, and the markets are starting to suggest they’ve been able to stabilize their real estate markets," he said.¶ He disagrees with those short-selling China, including another hedge-fund titan, Jim Chanos.¶ "I think China’s fine and will be a positive surprise in the months to come. It will be a big plus for world markets," Biggs said.

### Transportation Spending Low Now

#### Tiger Grants cut- no stimulus for TI

Szakonyl 6/6/12 – The Journal of Commerce Online Editor (Mark, “House Bill Would Maintain Highway Spending, Cut TIGER Grants,” The Journal of Commerce Online, 6/6/12, <http://www.joc.com/infrastructure/house-bill-would-maintain-highway-spending-cut-tiger-grants>) //AK

Federal highway spending in fiscal 2013 would remain the same as the prior year, **but there wouldn’t be funding for TIGER grants or high-speed rail, through a bill introduced in the House Appropriations Committee on Wednesday**. The bill would provide $39.1 billion from the Highway Trust Fund for highway spending, and [**the funding level could change if Congress approves a multiyear surface transportation bill**](http://www.joc.com/washington/senate-delivers-transport-bill-compromise-house)**.** There is also no language in the bill that would pull back highway contract authority from the states. “Making smart investments in the nation’s transportation infrastructure is one of the best ways to help provide an environment for American businesses to create jobs and economic growth. This bill targets taxpayer dollars where they can be best used to improve the reliability, safety, and efficiency of our transportation systems, while also holding the line on spending to help reduce the nation’s growing deficits,” House Appropriations Chairman Hal Rogers said. Overall transportation funding would fall $69 million from last year to $17.6 billion, largely because transit spending would be cut $181 million to $2 billion. The proposed funding of all transportation programs is $2 billion below President Obama’s request.Most noticeably, **the bill would** **not** [**fund another round of the Transportation Investment Generating Economics Recovery Program**](http://www.joc.com/infrastructure/tiger-grant-demand-outpaces-supply-20-1). The TIGER grant program has allowed ports and railroads to receive federal funding for projects amid a ban on earmarks in Congress. The Senate version of the bill would provide $500 million for TIGER grants, the same allocated for fiscal 2012, with no less than $120 million allocated for rural projects. The Senate bill would maintain highway spending and include $100 million for high-speed rail grants.

**No new TI spending now – election blocks  
Baca, 6/15** - Orlando Sentinel Politics reporter (Alexandria, “Biden urges bipartisan support for infrastructure, city relief,” Orlando Sentinel, 6/15/12,[**http://blogs.orlandosentinel.com/news\_politics/2012/06/biden-urges-bipartisan-support-for-infrastructure-city-relief.html**](http://blogs.orlandosentinel.com/news_politics/2012/06/biden-urges-bipartisan-support-for-infrastructure-city-relief.html)**)** //AK

**Vice President Joe Biden addressed the U.S. Conference of Mayors in Orlando with a sometimes-fiery 34 minutes speech, calling for Congress to work across party lines and help cities with infrastructure and other support**. Biden said that a lot of issues cities face today aren’t partisan problems yet he took aim at Congress, particularly the Republican-led House of Representatives for blocking the administration’s Jobs Bill and other measures designed to provide economic relief. Biden insisted the debate over such issues used to be “not if, but how.” **However, what Biden and the administration of President Barack Obama pushed, more federal spending to stimulate the economy and build infrastructure is clearly a problem for Republicans more worried about federal deficits and long-term debt.** Biden groused that no major legislation is likely to pass before the November election but called on the mayors, particularly the Republican mayors in the room, to talk with their congressional colleagues about that. “We have to move now, because if we move now, we can help millions of people get out of the God-awful situations they find themselves in,” Biden said. Biden never once mentioned Republican opponent Mitt Romney or directly characterized anything in Romney’s presidential campaign. **He spoke about infrastructure, stimulus spending to help cities continue public services** and most passionately, the struggles of middle-class and poor Americans that mayors see firsthand. Biden concluded his speech, “So let’s act.”

### Unemployment Low

#### Unemployment lowering now – increased auto industry demand

Associated Press, 7/12 – (Christopher S. Rugaber, “Unemployment claims hit four-year low,” Mercury News, 7/12/12, <http://www.mercurynews.com/business/ci_21060308/unemployment-claims-hit-four-year-low>) // J

WASHINGTON -- The number of people seeking U.S. unemployment benefits plunged last week. But a big reason was that some automakers skipped their traditional summer shutdowns to keep up with demand, leading to fewer temporary layoffs of autoworkers. Sales of new cars and trucks surged in June, extending the auto industry's rebound. Automakers also began their Independence Day promotions early, lifting sales at the end of the month. Weekly applications for unemployment aid dropped 26,000 to a seasonally adjusted 350,000, the Labor Department said Thursday. That's the lowest level since March 2008. The four-week average, a less volatile measure, fell to 376,500. Economists expect most of the decline to be reversed in the coming weeks. "Take July with a grain of salt," Jill Brown, an economist at Credit Suisse, said in a note to clients. The auto shutdowns "often cause extreme volatility." Automakers traditionally close their plants for the first two weeks in July to prepare them to build new models and their employees file for unemployment benefits. But Ford Motor Co. said in May that it would reduce its usual two-week closing to only one week. And Chrysler said May 3 that it would skip the shutdown entirely. Applications for unemployment benefits measure the pace of layoffs. When they consistently fall below 375,000, it generally suggests hiring is strong enough to reduce the unemployment rate. They have fluctuated at or above that level since April. At the same time, hiring has slowed sharply compared with the first three months of the year. Employers added only 80,000 jobs in June, the third straight month of weak hiring. The unemployment rate was stuck at 8.2 percent. Job gains have averaged only 75,000 per month for in the April-June quarter. That's roughly a third of the 226,000 average monthly gains in the first quarter. Employers advertised more job openings in May after a sharp drop in April, according to a government report released Tuesday. That suggests the job market is stabilizing. Still, more jobs are needed to lower painfully high unemployment and boost pay for those who are working. Wages have barely kept up with inflation over the past year, which has led consumers to pull back on spending. Consumer spending is critical because it drives roughly 70 percent of growth. But the economy isn't growing quickly enough to encourage more hiring. The economy grew at an annual rate of just 1.9 percent in the first three months of the year. Most economists don't expect growth picked up in the April-June quarter. And some predict that it weakened. The Federal Reserve downgraded its outlook for the economy this year. It now expects growth of just 1.9 percent to 2.4 percent for 2012. That's half a percentage point lower than the range it estimated in April. The Fed also says the unemployment rate won't fall much further this year than it has already.

#### Unemployment down now – initial claims lower

Censky, 7/12 - Adjunct Lecturer at CUNY Graduate School of Journalism, Economics Writer for CNNMoney (Annalyn, “Jobless claims plunge to 4-year low”, CNN Money, 7/12/12, <http://money.cnn.com/2012/07/12/news/economy/unemployment-benefits/)//JY>

The number of Americans filing for first-time unemployment benefits plunged suddenly during the week that included the July 4th holiday. About 350,000 people filed for initial jobless claims in the week ended July 7, down 26,000 from the previous week, the Bureau of Labor Statistics said Thursday. Obama battles job crisis The U.S. lost 4.3 million jobs in President Obama's first 13 months in office. Track his progress since then. The figure was a huge surprise, marking the lowest level of claims since March 2008. Economists had been expecting 375,000 claims last week. Jobless claims are a closely watched economic indicator, correlated with layoffs, and when they fall, it's seen as a positive sign that the job market could be improving.

#### Employment on the rise now-ADP report

Associated Press 7/5- (Associated Press, “Job Market Improving, ADP report suggests”, Aol Jobs, 7/5/12, http://jobs.aol.com/articles/2012/07/05/job-market-improving-adp-report-suggests/)//JY

WASHINGTON (AP) -- A private survey shows U.S. businesses increased hiring in June, suggesting the job market could be recovering after three sluggish months. Payroll provider ADP says businesses added 176,000 jobs last month. That's better than the revised total of 136,000 jobs it reported for May. The report only covers hiring in the private sector and excludes government job growth. The Labor Department will offer a more complete picture of June hiring on Friday. The ADP survey offered some hope that hiring is picking up. But it has often deviated sharply from the government report. In May, the Labor Department said employers added just 69,000 jobs, the fewest in a year and nearly half ADP's estimate.

#### Unemployment will continue to fall- cycle of rises and falls

Censky, 4/6 - Adjunct Lecturer at CUNY Graduate School of Journalism, Economics Writer for CNNMoney (Annalyn, “Unemployment rate: How low can it go”, CNN Money, 4/6/12, <http://money.cnn.com/2012/04/04/news/economy/unemployment-rate/index.htm)//JY>

NEW YORK (CNNMoney) -- The unemployment rate has fallen dramatically over the last six months, but just how low can it go? The answer is being debated among two camps of prominent economic thinkers. One school of thought says that unemployment will return to around 5% as the economy eventually recovers. But an opposing view states that permanent changes in the labor market mean higher unemployment is here to stay. Obama battles job crisis The U.S. lost 4.3 million jobs in President Obama's first 13 months in office. Track his progress since then. Among those who believe the first, more optimistic scenario is Federal Reserve Chairman Ben Bernanke. He thinks that unemployment will fall as part of the regular business cycle, and stimulative policies that boost demand could bring us back to a more normal unemployment rate of between 5% and 6% some time after 2014. There's plenty of research to back that up. A recent report by economists at Harvard, the San Francisco Federal Reserve and the International Monetary Fund suggests that three-quarters of the sharp rise in unemployment during the financial crisis was in fact due to cyclical, not permanent, factors. And unemployment has indeed fallen sharply as the economy has slowly recovered from the recession. As of March, the unemployment rate stood at 8.2%, a substantial drop from 10% at the height of the financial crisis. Check the unemployment rate in your state Under the second, far less rosy scenario, 5% unemployment is out of reach. Devotees of "structural" unemployment, believe permanent shifts mean the job market may never fully recover, even as the broader economy does. Nobel Prize winning economist Edmund Phelps, for example, calls a return to a 5% unemployment rate a "pipe-dream." Phelps likens the economy to a skater who's taken a bad fall. Just getting a boost might not be enough, because the skater may have a few broken bones. What are those broken bones? Less innovation, increased competition from low-wage countries, more efficient technology and a shortage of high-tech skills among American workers may all be to blame. Another problem: Baby Boomers are working longer than their predecessors, creating a demographic shift in the labor market. Plus, many Americans are finding themselves in the wrong place at the wrong time. "Many workers do not have the skills required by employers in the location where employers are seeking jobs," Wells Fargo Chief Economist John Silvia said in a recent research note. All of these factors are a recipe for a longer lasting shift in the labor market, and mean stimulative policies won't have much of an impact, according to the structuralists. So just how much further will unemployment fall? The Congressional Budget Office predicts that the unemployment rate will eventually fall as low as 5.3%, but not until 2021. Economists at Goldman Sachs, however, estimate that due to structural reasons the new normal unemployment rate may now be 6% at best. The biggest wild card that could shift that balance is the long-term unemployed. Of the 12.8 million Americans who are unemployed, 42.6% have been out of work for six months or more. "If progress in reducing unemployment is too slow, the long-term unemployed will see their skills and labor force attachment atrophy further possibly converting a cyclical problem into a structural one," Bernanke said last week.

#### Unemployment falling in majority of states

Associated Press, 5/18 – (Christopher Rugaber, “Jobless rates fall in two thirds of states”, Benefits Pro, 5/18/12, <http://www.benefitspro.com/2012/05/18/jobless-rates-fall-in-two-thirds-of-states)//JY>

WASHINGTON (AP) — Unemployment rates fell in two-thirds of U.S. states last month, evidence that modest economic growth is boosting hiring in most areas of the country. The Labor Department says unemployment rates dropped in 37 states in April, the most in three months. Unemployment rose in 5 states and was unchanged in eight. Nationally, the unemployment rate dropped to 8.1 percent in April. That's a full percentage point lower than last August. Employers have added 1 million jobs in the past five months, although the pace of hiring slowed in March and April. Nevada reported the highest unemployment rate, at 11.7 percent. Rhode Island was next at 11.2 percent, followed by Californi

#### Unemployment rate falling- trends

Reuters 1/6- (Lucia Mutikani, “Unemployment near three year low”, Reuters, 1/6/12, http://www.reuters.com/article/2012/01/06/us-usa-economy-idUSTRE7BM0AB20120106)//JY

WASHINGTON (Reuters) U.S. employment growth accelerated last month and the jobless rate dropped to a near three-year low of 8.5 percent, the strongest evidence yet the economic recovery is gaining steam. Nonfarm payrolls increased 200,000 in December, the Labor Department said on Friday. It was the biggest rise in three months and beat economists' expectations for a 150,000 gain. The unemployment rate fell from a revised 8.7 percent in November to its lowest level since February 2009, a heartening sign for President Barack Obama whose re-election hopes could hinge on the state of the labor market. "The labor market is healing, but we still have a long way to go to recoup the losses we have endured. We may be close to a tipping point where gains can become more self-feeding," said Diane Swonk, chief economist at Mesirow Financial in Chicago. A string of better-than-expected U.S. data in recent weeks has highlighted a contrast between the recovery in the world's biggest economy and Europe, where the economy is widely believed to be contracting. The jobs data was overshadowed in financial markets by concerns over Europe's debt crisis. U.S. stocks ended mostly down, while Treasury debt prices rose on safe-haven bids. The dollar rose to a near 16-month high against the euro. Republican presidential hopefuls have blasted Obama's economic policies as doing more harm than good. The latest economic signs, however, could offer him some political protection. The economy added 1.6 million jobs last year, the most since 2006, and the jobless rate, which peaked at 10 percent in October 2009, has dropped 0.6 percentage point in the last four months. Obama welcomed the news and urged Congress to extend a two-month payroll tax cut through 2012 to help sustain the recovery. "We're moving in the right direction. When Congress returns they should extend the middle-class tax cut for all of this year, to make sure we keep this recovery going," he said. LONG ROAD BACK Employment remains about 6.1 million below its pre-recession level and at December's pace of job growth, it would take about 2-1/2 years to win those jobs back. There are roughly 4.3 unemployed people for every job opening. Unseasonably mild weather last month helped fuel a hefty gain in construction employment. Courier jobs also rose sharply, a move the Labor Department pinned on strong online shopping for the holiday season. Those jobs could be lost in January and the unemployment rate might rise as Americans who had abandoned the hunt for work are lured back into the labor market. The drop in the jobless rate was mostly due to strong hiring. The labor force shrank only modestly. A broad measure of unemployment, which includes people who want to work but have stopped looking and those working only part time but who want more work, dropped to an almost three-year low of 15.2 percent from 15.6 percent in November. Still, all told, 23.7 million Americans are either out of work or underemployed. With the labor market still far from healthy, the debt crisis in Europe unresolved and tensions over Iran threatening to drive up oil prices, the U.S. economy faces stiff headwinds. FED STILL IN PLAY Economists predict the recovery will lose a step early this year after expanding in the fourth quarter at what is expected to be the fastest pace in 1-1/2 years. While the prospect of a further easing of monetary policy was damped a bit by the jobs data, the shaky outlook means a third round of asset purchases by the Federal Reserve remains an option. "The Fed will be watching for further credible evidence that this improving trend is gaining traction," said Anthony Karydakis, chief economist at Commerzbank in New York. New York Federal Reserve Bank President William Dudley on Friday suggested the U.S. central bank was still leaning toward buying more bonds to pull borrowing costs lower, describing the recovery as "frustratingly slow" and the unemployment rate as "unacceptably high." "I believe it is also appropriate to continue to evaluate whether we could provide additional (policy) accommodation," said Dudley. GOVERNMENT A DRAG All the job gains in December came from the private sector, where payrolls rose 212,000 - the most in three months. Government employment contracted 12,000, with most of the drag coming from local government layoffs. However, the pace of government job losses is moderating as some states report revenue growth after years of being in the red. For all of 2011, the private sector added 1.9 million jobs, while government employment fell 280,000. A measure of the share of industries that showed job gains during the month rebounded to a five-month high in December after diving in November. Construction payrolls increased 17,000 after falling 12,000 in November as mild weather has boosted groundbreaking for new homes. Transportation and warehousing employment jumped 50,200. The bulk of the rise came from the messenger industry, which added 42,000 jobs, reflecting an increase in deliveries of online purchases made during the holiday season. Manufacturing jobs rose 23,000, the largest increase since July. Factory employment rose 225,000 last year, sustaining gains for the first time since 1997. But there were soft spots in retail, where payrolls growth slowed to 27,900 after hefty gains in November as retailers geared up for a busy holiday shopping season. Temporary hiring, seen as a harbinger of future hiring, fell for the first time June, dropping 7,500 in December after gaining 11,200. Hourly earnings rose a modest four cents, indicating that most of the jobs being created are low paying. This is a potentially troubling sign for consumer spending, which has been largely supported by a reduction in savings, although it also signals a lack of inflation pressure. "Firms need to grow wages faster if consumption is to accelerate. There is not a lot of appetite to give raises," said Joel Naroff, chief economist at Naroff Economic Advisors in Holland, Pennsylvania.

### Inflation Low

#### U.S. inflation low now

Elam 7/15/12 - Yohay Elam is the author of Forex Crunch. Forex Crunch is a blog all about the foreign exchange market. It includes and will include: tutorials, basics of the forex market, daily and weekly forex analysis, technical analysis, forex software posts, and whatever is related to Forex. forexcrunch.com aims to deal with forex trading, but with a more personal touch (Yohay, “Weekly Market Movers: July 16-20”, Seeking Alpha, 7/15/12, <http://seekingalpha.com/article/721141-weekly-market-movers-july-16-20>) // SKRG

U.S. inflation data: Tuesday, 12:30. U.S. Inflation rate continued to decline amid lower energy prices dropping 0.3% broadly in line with expectations, following a flat reading in the previous month, while the core index gained 0.2% for the third consecutive month. Since the core CPI remained positive it appears that the U.S. economy continues its growth. Core CPI is expected to gain 0.2%.

#### Inflation low and will stay low – slow growth guarantees

InflationData.com 7/3 - (“Deflation or Inflation? Yes.”, InflationData.com, 7/3/12, <http://inflationdata.com/articles/2012/07/03/deflation-or-inflation-yes/>) // SKRG

The next big deflationary force is the slowing of the velocity of money. Very simply, money velocity is the rate at which money moves through the economy from one transaction to another and is a good barometer of economic vitality. It has been falling for five years, pretty much as I wrote it would back in 2006. We are now close to the historical average velocity of money; but, since velocity is mean-reverting, it will continue to fall until it bottoms well below the historical average. This cycle takes years, not months, by the way.

A slow-growth, muddle-through economy is deflationary. High and persistent unemployment is deflationary.

Absent some new piece of data that I just don’t see right now, rates in the US are going lower and are going to stay low for longer than any of us can afford to bet against them.

They will call it something else, of course, but that will not alter the bottom line: the money presses will run day and night. They will be able to monetize more debt than you can shake a stick at, and do so without causing a repeat of the 1970s Great Inflation. Yes, it will eventually catch up with us – there is no free lunch – but they are betting on keeping the lid on actual price inflation by raising rates and cutting back on the money supply. We are some years away from that, but we had better listen when The Inflationator says, “I’ll be back.”

### **Answers To: Fiscal Cliff**

#### **Simpson-Bowles is solution to fiscal cliff – has bipartisan support and will pass when nothing else has**

Schoen 7/12– Political Strategist and Contributor to Fox News (Doug, “Bowles: We Are Going Over the Fiscal Cliff”, July 12 2012, <http://www.forbes.com/sites/dougschoen/2012/07/12/bowles-we-are-going-over-the-fiscal-cliff/?feed=rss_people>) // ML

The Simpson-Bowles plan is a solution to our fiscal problems. It not only reduces our fiscal deficit to 2.2% of GDP, but also is a bi-partisan program that will work when nothing else has. President Obama must lead the way on this issue. As I’ve recommended before and will do so again, Simpson-Bowles gives America a chance at recovery before we go over the “fiscal cliff” Erskine Bowles has been warning us about. We cannot afford to wait until after the election to implement this program. The day we fall over that cliff is rapidly approaching and our politicians are not reacting. Partisanship is destroying our legislative system and rejection of the Simpson-Bowles plan is case in point. Politicians refuse to see the bigger picture: if we don’t act now, we will fail. And fast. In a rare group appearance, Warren Buffett, Alan Simpson and Erskine Bowles came together in Sun Valley for a CNBC interview. They discussed the Simpson-Bowles plan to reduce the federal deficit and called out Congress for “not doing its job” to help our economic recovery. The Simpson-Bowles plan does exactly what it was meant to do. The former Senator and former Chief of Staff to President Clinton sat down with Republicans and Democrats and came up with a viable plan to reduce the deficit. They also got a majority of Republicans to vote for it and support in both the House and Senate, but it’s still not enough. As Bowles was the last man who was actually involved in balancing the budget, it is all the more shocking that they have to fight for their plan. Bowles has real experience in this arena – something our politicians are lacking in. To be expected, the outlook is bleak. Buffett said that the general economy’s growth has slowed so that it is essentially flat. He does note that the US is still doing better than “virtually any other big economy”, but there is no question that we are in trouble even if there has been a pickup for residential housing. The task set out for Simpson and Bowles was indeed great. In Bowles’s words, they worked hard to get common sense to overrule politics, a very tough thing in Washington. Even with bi-partisan Senate support and around 150 House members, they are having to look elsewhere for backing. They have put together a CEO fiscal leadership council of over 100 Fortune 500 CEOs actively trying to influence Congress to do something that will help our recovery. They are also mounting a social media campaign to get 10 million signatures to tell Congress that they must put partisanship aside and address this painful situation. Indeed, there is no easy way out of our fiscal situation. But just because the process of recovery will be painful, does not give Congress the right to continue to stall on this issue. Bowles rightly argues that if politicians do not come together the US will be facing the biggest predictable crisis in history. Our fiscal path is not sustainable. He compares deficits to cancer, over time they will destroy America from within. This morning’s interview affirms what I have been writing about for years. We cannot do politics as usual anymore. It just isn’t working. The Simpson-Bowles plan represents a legitimate way out of this crisis and a whole new way of looking at these issues. It’s time that Washington got it together and rose above the partisan politics that is destroying our system. We will soon fall over the “fiscal cliff” if they don’t.

#### Fiscal cliff arguments are exaggerated – effects will be limited and short term

Stone, 6/18 - Chief Economist at the Center on Budget and Policy Priorities, Ph.D. in economics from Yale University (Chad,“Misguided “Fiscal Cliff” Fears Pose Challenges to Productive Budget Negotiations: Failure to Extend Tax Cuts Before January Will Not Plunge Economy into Immediate Recession,” Centre on Budget and Policy Priorities, 6/18/12, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3788>) // EW

Understanding the relationship between changes to the budget and changes to the economy is critical for making sound decisions.  Policymakers, media, and others widely refer to the tax and spending changes slated to take effect at the start of January as the "fiscal cliff."  Those changes will not produce an economic calamity, however, if the measures most damaging to the economy in the short term are in effect for only a few weeks or even a month or so while policymakers work toward an agreement.  If current law initially takes effect — causing various income and payroll tax cuts to expire on January 1, emergency unemployment insurance (UI) to expire while joblessness remains very high, and across-the-board spending cuts to kick in on top of the discretionary cuts that the 2011 Budget Control Act caps mandate — the economy will indeed start down a slope that could ultimately lead to a recession in 2013.  But that's a far cry from the economy falling off a cliff and plunging immediately into recession.

#### There is time for the fiscal cliff to be resolved

Stone, 6/18 - Chief Economist at the Center on Budget and Policy Priorities, Ph.D. in economics from Yale University (Chad,“Misguided “Fiscal Cliff” Fears Pose Challenges to Productive Budget Negotiations: Failure to Extend Tax Cuts Before January Will Not Plunge Economy into Immediate Recession,” Centre on Budget and Policy Priorities, 6/18/12, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3788>) // EW

In fact, the slope would likely be relatively modest at first (and then much steeper if 2013 unfolds without a fiscal resolution). This means that if there is no agreement by January 1, policymakers will still have some (although limited) time to take steps to avoid the serious adverse economic consequences that the Congressional Budget Office (CBO) outlines in its recent analysis of what will happen if the expiring tax cuts and new spending cuts take effect on a permanent basis.[[1]](http://www.cbpp.org/cms/index.cfm?fa=view&id=3788" \l "_ftn1" \o ")  That is, they will have some time to work out the needed compromises and craft a budget and economic package that can support the recovery over the next few years while putting in place a balanced package of spending and revenue measures that will stabilize deficits and debt (relative to the size of the economy) over the coming decade.

**Fiscal Cliff unlikely- congress will postpone it to prevent economic recession**

Ezrati 6/25 - Senior Economist and Market Strategist (Milton, “Economic Insights: The Fiscal Cliff—Thelma and Louise Remake Unlikely,” LordAbbett, 6/25/12, **http://www.lordabbett.com/ investor/ biographies/?bioKey=382680&bioReferPath=/education/insights/economicinsights/062512/**) //AK

**If allowed to go forward, the CBO estimates that this fiscal restraint would precipitate a recession in the first half of 2013**, with the nation’s real GDP dropping at an annual rate of 1.3%. A modest recovery during the second half would allow 2013, by CBO calculations, to produce a mere 0.5% growth for the year as a whole. This projection contrasts with an earlier CBO forecast of 1.1% real GDP growth in 2013. **Since even Congress cannot ignore such a dire prospect, probabilities are that representatives and senators will take action to stop or postpone these otherwise automatic effects.** Doubtless, they will wait for a lame-duck session after the election. The give and take of compromise on these points is much too politically explosive for any of them to deal with before election day**. But afterward, later in November and in December, there will be ample time for Washington to generate at least a temporary fix to avoid driving the economy off this “fiscal cliff.” Congress can easily postpone the spending cuts otherwise scheduled.** Last year’s Budget Control Act is, after all, a product of Congress and subject to its subsequent votes. **Congress could easily push sequestration out for at least a year and perhaps indefinitely.** Similarly, they should have little trouble postponing the reduction in doctors’ payments. This postponement has become an annual event, in fact, so regular that it has acquired the nickname of the “doc fix.” Similarly, **Congress should have little difficulty softening the end of extended unemployment benefits. They were part of a fiscal compromise in 2010.** A gradual decay in the amount of required spending seems a plausible approach.

**Republicans pushing postponement of fiscal cliff b/c of taxes- they hate the idea of a fiscal cliff**

Ezrati 6/25 - Senior Economist and Market Strategist (Milton, “Economic Insights: The Fiscal Cliff—Thelma and Louise Remake Unlikely,” LordAbbett, 6/25/12, **http://www.lordabbett.com/ investor/ biographies/?bioKey=382680&bioReferPath=/education/insights/economicinsights/062512/**) //AK

**The tax side is more complex, but not insurmountable. The parties are farthest apart on the expiration of the Bush tax cuts. Democrats want to continue the tax relief only for those individuals who make less than $200,000 a year and those couples who make less than $250,000 a year.** Republicans want to continue the tax relief for all income levels. Since all the tax relief would otherwise disappear automatically, the **Republicans will threaten, as they did when this came up in 2010, to vote down anything but complete renewal.** Despite the appearance here of an impasse, tax reform might offer a way out. Both Republicans and Democrats during recent years have proposed reforms that would reduce the statutory rate and broaden the tax base by eliminating tax breaks and credits. These could appeal, especially when neither party has the luxury of inaction. A reform effort would enable either party to sidestep AMT and Obamacare tax matters. Because of the impasse over the Bush tax cuts, reform also would enable both parties to avoid the label of tax increases. **For Republicans, reform would further appeal by offering elements of the growth-oriented tax efficiencies that the party has embraced in the past, most recently in the so-called Ryan plan (named after Congressman Paul Ryan [R-WI]).** **Republicans might even allow a net tax increase if associated with reforms that would allow them to offer their constituents a drop in the statutory rate.** For the Democrats, tax reforms would allow them to sidestep accusations of class warfare and also avoid the risk that an impasse would force tax hikes upon their constituencies at the lower end of the income distribution.

**Discussion of avoiding the cliff is high- partisans will ensure that it gets postponed**

Ezrati 6/25 - Senior Economist and Market Strategist (Milton, “Economic Insights: The Fiscal Cliff—Thelma and Louise Remake Unlikely,” LordAbbett, 6/25/12, **http://www.lordabbett.com/ investor/ biographies/?bioKey=382680&bioReferPath=/education/insights/economicinsights/062512/**) //AK

**They also would embrace the broadening, since, rhetoric aside, they know that tax hikes on the wealthy alone cannot close the budget gap. More cynically, discussion of reform, even if Congress is still far from agreement, could serve as an excuse to avoid the “cliff.”** Both sides could claim that they will accept a simple continuation current law for some months or a year in order to work out the details of more serious and lasting tax reform**. It would at least avoid the appearance of kicking the can down the road, and, if sincere, it might actually give the country a more efficient, simpler, more growth-oriented tax code.** If, **however, there is partisan posing to avoid a difficult vote, the economy could at least avoid driving off the “fiscal cliff.”** In either case, the recovery misses the downside, which the CBO has detailed, and the economy will continue its otherwise plodding recovery.

## Links

### High Speed Rail

#### High Speed Rail costs high- UK proves

Isaby 7/10 - Political Director of the Taxpayer’s Alliance (Jonathan, “High Speed Rail 2: expensive, unnecessary, and unpopular”, The Telegraph, 7-10-12, <http://www.telegraph.co.uk/news/uknews/road-and-rail-transport/9005271/High-Speed-Rail-2-expensive-unnecessary-and-unpopular.html>) JY

So, the worst-kept secret in Westminster is finally out: after days of leaks and briefing to the press, the [British] Government has announced that it intends to spend £32 billion of our money (that’s their estimate at this stage, at any rate) on the High Speed Rail link between London and the North of England. And it won’t be completed for – wait for it – more than twenty years (again, that’s the timescale they’re estimating. For now). By anyone’s standards, £32 billion is an eye-watering amount of cash – and all the more so at a time when families and government alike are having to look for savings. It works out at well over £1,000 for every single family up and down the United Kingdom, and large numbers of us remain unconvinced that this will be money well spent. A YouGov poll into spending cuts commissioned by the TaxPayers’ Alliance last summer found that 48 per cent of people supported cancelling plans for HS2, with barely a third wanting to press ahead with the scheme. And it’s hardly surprising that the public remains so reluctant to support it. Under governments of all colours over the years, these kinds of big projects almost invariably ending up costing more and being delivered later than originally predicted – and then failing to live up to their original billing. And there’s no reason to believe that HS2 will be any different. Research published by the TaxPayers’ Alliance last year into the hidden costs of HS2 set alarm bells ringing, highlighting, for example, the billions of additional funding that would be necessary to mitigate the environmental effects of the line by running more of it underground or through tunnels. Today the Transport Secretary has announced a 50 per cent increase in the number of tunnels on the amended route to a total of 22.5 miles – yet the Government has neither explained how this is going to be paid for, nor formally increased its estimate of the total cost. Likewise, there has been no explanation from the Government as to what it will do for the residents of cities like Coventry and Stoke on Trent, which under current plans will get a worse service once HS2 is in place: if that is not the case - as ministers have claimed - then the saving in the business plan for reducing existing services will not be possible, costing us another £5.4 billion. The economic case for the project is also far from compelling, and senior business leaders have weighed in to highlight the folly of the scheme. In a letter to the Daily Telegraph last year a number of well-known businessmen asserted that there are “more affordable options for increasing capacity and reducing overcrowding than HS2”, concluding that it would be an “extremely expensive white elephant”. Archie Norman, chairman of ITV, concurs, describing it as an "extraordinarily expensive ‘grand project’”, adding that “it will be of benefit to very few”, despite the huge cost that all of us will have to bear. Others have questioned the assertion that HS2 will bring greater prosperity to cities in the Midlands and North, citing the fact that in France and Spain, High Speed railway lines served to strengthen the competitive advantage of already dominant capital cities rather than taking jobs to far-flung regions. HS2 may in two decades’ time provide a faster journey for a fortunate few, but today the Government has done nothing to persuade sceptics that it is a scheme that is worth the enormous amount it will cost.

#### High Speed Rail expensive- California proves

White 1/27- Margaret Byrne Professor of American History at Stanford University, Author of “Railroaded: The Transcontinentals and the Making of Modern America”(Richard, “A Waste of Money, for Years to Come”, The New York Times, 1-27-12, <http://www.nytimes.com/roomfordebate/2012/01/26/does-california-need-high-speed-rail/high-speed-rail-is-a-waste-of-money-for-decades-to-come>) JY

The debate over high-speed rail in California is not about California’s future, or the promise of new technologies, or the American Way. Californians are debating whether to build a very expensive railroad line between Los Angeles and San Francisco. We shouldn’t build it. At best it will not solve any problems for decades to come, and at worst it will become an expensive problem itself. It will become a Vietnam of transportation: easy to begin and difficult and expensive to stop. In a state dismantling its education system and watching its existing infrastructure collapse, it is criminally profligate to build a system that will drain revenue from more-needed projects. This is like building a state-of-the-art driveway while your house collapses. Highway 5 between Los Angeles and San Francisco is miserable, but it is not the key transportation problem in California. For high-speed rail to work, it needs to get people out of cars, but the project doesn’t touch the huge mass of traffic, which swirls daily in the Los Angeles and San Francisco metropolitan areas. High-speed rail between Boston and Washington, D.C., connects trains with functioning public transportation systems. This is not true in Los Angeles nor in large parts of the Bay area. The projected cost of high-speed rail has risen from roughly $33 billion to $100 billion or more even as the promised system has shed Sacramento and San Diego. There is so far no private investment in the project and no federal contribution beyond the initial grant. The state auditor is only the latest to slam the California High-speed Rail Authority as a tool of its consultants and contractors. By all signs, California taxpayers will take the risks; private corporations will reap the gains; and California will either be left with what it can now fund — a white elephant running between Merced and Bakersfield — or a monstrous leech of a project sucking away needed revenue.

### Sea Ports

#### Port dredging requires massive investment

CQ 6/16 - (Nathan Hurst, “Dredging Up More Money for Maintenance”, Congressional Quarterly, 6-16-12, <http://public.cq.com/docs/weeklyreport/weeklyreport-000004107500.html>) // JY

For ports along the Eastern Seaboard and Gulf Coast, the $5.3 billion expansion of the Panama Canal to accommodate wider and heavier vessels is an opportunity to grab a bigger share of trans-Pacific cargo shipping. Instead of sending Asian cargo across the country by rail, for instance, it could be shipped directly by sea to major East Coast ports. BIG BUDGETS: Harbor improvements would cost billions for ports such as Newark, N.J. (MEL EVANS / AP ) Seizing that opportunity will be an expensive proposition. The only eastern port completely ready for “New Panamax” ships — those that will fit through the expanded canal, as opposed to “Panamax” ships that can fit through it today — is Norfolk, Va. Navigation channels in most major harbors are too shallow, while the port of New York and New Jersey would have to spend about $1 billion to raise the Bayonne Bridge by about 64 feet so larger ships could pass. Compounding the challenge is an estimated $2.2 billion backlog in current harbor maintenance before new, deeper channels could be dredged. The Army Corps of Engineers reports that the full, authorized channel dimensions at the 59 busiest U.S. ports are available less than 35 percent of the time, increasing the risk of collisions and groundings and raising the cost of shipping because vessels have to carry lighter loads. The good news is that there’s plenty of money available to address the upkeep problem — at least on paper. The Harbor Maintenance Trust Fund, supported by a tax of $1.25 per $1,000 on imported and domestic cargo, boasts a growing surplus that exceeds $7 billion. But the trust fund is not a separate, off-budget account, so expenditures are set by appropriators and subject to Corps of Engineers budget ceilings. That encourages congressional budget writers to hang on to much of the money to mask overall budget deficits. “We don’t fund dredging enough for maritime commerce,” Sen. David Vitter, a Louisiana Republican, lamented during the opening session of the House-Senate highway bill conference. “We allow that trust to be stolen from, and we really need to stop that.” Rep. Charles Boustany Jr., a Louisiana Republican, included language in the House-passed highway bill extension to require that all trust fund tax receipts and any interest credited to the fund be appropriated annually for dredging and harbor maintenance. Sen. Carl Levin, a Michigan Democrat, has introduced companion legislation in the Senate, and supporters hope the provision will be part of a highway bill conference report. That legislation by itself wouldn’t prepare harbors for the New Panamax shipping, since the law allows Harbor Maintenance Trust Fund money to be spent only on maintenance dredging — not new excavation. The Corps of Engineers is preparing a congressionally mandated report due later this month on strategies for modernizing ports and inland waterways. Raising the fees currently charged shippers and then extending use of the trust fund to pay for dredging deeper channels is among the financing options under review. But a House aide who has worked on the issue says deepening the ports is a waste of time unless the harbor fund is freed up to pay for ongoing maintenance. “The long-term concern is making sure we have the resources to pay for harbor maintenance,” the aide says. “If we’re not doing a good job now, it’s unlikely the corps can keep up without full funding when they need to be deeper.” The Panama Canal expansion has sparked a drive by major Eastern and Gulf Coast ports — often in competition with one another — to deepen their shipping channels. Persuading Congress to authorize and help pay for it in the current fiscal climate is difficult though, and a test of priorities for fiscal conservatives from coastal states. For instance, Sen. Saxby Chambliss, a Georgia Republican who swore off budget earmarks, has said repeatedly that he would make an exception to pay for deepening the harbor at Savannah, which is about 17 miles upriver from the ocean. Georgia officials have said they need about $461 million in federal aid to complete the project. In the competition for limited federal dollars, Savannah has been at odds with Charleston, S.C., which is looking for about $120 million in federal aid to deepen its harbor channels to the 50-foot depth needed to accommodate New Panamax shipping. Like Norfolk, New York and Baltimore have deep enough channels to handle the bigger ships. But the Bayonne Bridge is currently an obstacle to bringing the bigger container ships into the port of New York/New Jersey, and Baltimore does not have the same capacity as some of the larger ports. Florida is paying to dredge a deeper channel for the port of Miami. Dependent Economy Harboring Resources: Click here to view chart The stakes are enormous for an economy increasingly dependent on international trade. “Today, international trade accounts for more than a quarter of America’s gross domestic product,” Jerry Bridges, executive director of the Virginia Port Authority and chairman of the American Association of Port Authorities board, testified at a House Transportation and Infrastructure subcommittee hearing last year. “America’s seaports support the employment of 13.3 million U.S. workers, and seaport-related jobs account for $649 billion in annual personal income. For every $1 billion in exports shipped through seaports, 15,000 U.S. jobs are created.” The idea of raising the tax on imported and domestic cargo and then using the Harbor Maintenance Fund to finance improvements may be attractive to policy makers because the shippers using the ports would pay the higher fees. But one problem is that deep-water West Coast ports that handle much of the ship traffic would be forced to subsidize their competitors along the East and Gulf Coasts, which require more maintenance dredging. Already, natural deep-water ports support the shallower ports that rely on regular dredging. Los Angeles and Long Beach in California are two of the nation’s three busiest ports (New York is the third), together accounting for more than a quarter of the total value of imported cargo in 2005, according to figures compiled by the American Association of Port Authorities. But California accounted for just 6.6 percent of all expenditures from the harbor fund in the decade from 1999 through 2008, according to the Congressional Research Service (CRS). By comparison, almost one-fifth of all harbor fund money from 1999 through 2008 was spent in Louisiana — far and away a larger share than any other state — even though the three Louisiana ports that ranked among the top 25 U.S. ports in 2005 accounted for just 5.1 percent of the value of imported cargo. The single most expensive shipping channel in the nation is the 250 miles of the Mississippi River stretching from Baton Rouge to the Gulf of Mexico, which accounted for 8 percent of all Harbor Maintenance Fund expenditures from 1999 through 2008. Another issue with the Harbor Maintenance Fund is that the shippers contributing the user fees are subsidizing ports that handle little or no cargo. For example, Oregon Inlet, which connects North Carolina’s Pamlico Sound with the Atlantic Ocean, received over the decade ending in 2008 more than $60 million from the fund to maintain a 14-foot-deep, 400-foot-wide channel that tends to clog with the sand that naturally circulates around the Outer Banks, according to the CRS. The channel is popular with charter boat operators, fishermen and recreational boaters, but handles no cargo at all. Nevertheless, Oregon Inlet ranked among the 25 most expensive Harbor Maintenance Fund projects in the decade that ended in 2008, costing more than drift removal in New York Harbor and maintenance in Oakland Harbor in California. Likewise, the only cargo regularly shipped through the Cape Cod Canal in Massachusetts is barge-loads of heating oil, according to CRS. Yet, the seven-mile canal costs the harbor fund $7.7 million annually for maintenance — almost twice the cost of maintaining the channels for the far larger port of Boston. The 10th most expensive harbor maintenance project in the decade from 1999 through 2008 was the Chesapeake and Delaware Canal, which cuts across the state of Delaware. The canal received more than $128 million over the decade for dredging — more than such major ports as those in Savannah, Ga.; Charleston, S.C.; Norfolk; Baltimore; or Houston. In the long run, harbor funding advocates would like to see a more equitable user fee levied on fishing and recreational boaters to fund their needs, although a new tax on pleasure boaters would be a difficult sell politically. For now, the priority for supporters of bigger investment in the nation’s ports is to make sure the highway bill includes the requirement that all funds collected for the harbor fund in a given year to be spent on dredging and other maintenance. “A little over half of it is being used for the appropriate purpose,” Boustany said recently on the House floor, referring to the money collected from shippers for the harbor fund. “The rest is being funneled off into other accounts. This is not fair to those who pay this tax.”

#### Port Dredging costs go up to 5 billion

AP 6/21 - (“Price tag to dredge Eastern ports for big ships: $5 billion”, USA Today, 6-21-12, <http://www.usatoday.com/money/economy/story/2012-06-21/southern-ports-expansion/55746890/1>) JY

SAVANNAH, Ga. – U.S. seaports in the Southeast likely need up to $5 billion to deepen their shipping channels so they can trade with super-size cargo ships expected to arrive soon through an expanded Panama Canal, a federal agency said Thursday in a report to Congress. Richard Burkhart, AP file A container ship in the port of Savannah, Ga. Enlarge Richard Burkhart, AP file A container ship in the port of Savannah, Ga. The report, from the U.S. Army Corps of Engineers, is in response to Congress' request to examine improvement needs among the nation's ports as local governments scramble for federal funds to deepen their harbors to make room for a growing fleet of giant commercial ships. The East Coast has only three ports —New York, Baltimore and Norfolk, Va. — with waterways deep enough to accept the fully loaded ships regardless of tides. The Southeast, forecast to undergo the nation's biggest growth in population and trade, remains too shallow from Virginia to South Florida and across the Gulf to Texas. The need for expanding port capacity "is likely to be most critical along the U.S. Southeast and Gulf coasts," the report said. That's because no shipping channels are at least 50 feet deep, which will be required for the ships — many from China and other Asian countries — that will begin using the Panama Canal after a major expansion is completed by the end of 2014. Savannah, Ga., Charleston, S.C., and Miami on the Southeast coast, as well as several ports in the Gulf, are already undertaking harbor-deepening projects. None have advanced beyond studies to actual dredging, however. In April, the Corps completed a 12-year study on the Port of Savannah — the nation's fourth busiest container port — which wants $652 million in taxpayer funds to deepen more than 30 miles of river. The Corps said 17 such projects are being studied overall, and the cost of harbor expansions across the Southeast would likely be $3 billion to $5 billion. "Strategically, we need to find a bucket of money to fund the projects that need to happen to keep our nation competitive," said Curtis Foltz, executive director of the Georgia Ports Authority, which is seeking final permits and funding to start deepening the Savannah harbor next year. The budget crisis has made federal funding for port projects extremely tight, especially since Congress and President Obama for the past two years have sworn off so-called "earmark" spending that was used to fund such projects in the past. The Army Corps report said current funding levels for port improvements won't cover all the projects that should be done. If Congress won't increase the agency's funding for harbor projects, the report said, then perhaps state governments and private companies such as shipping lines should be required to pay a greater share. Another alternative would do away with the current cost-sharing system. Ports would include the cost of deepening in the fees they charge shippers and could borrow from a federal infrastructure bank for major projects.

### Port Security

#### Port security costs high- Transportation Worker Identification Credential proves

Mica 11- Chairman of the Committee on Transportation & Infrastructure Committee of the U.S. House of Representatives(John L., “Transportation Credential A Dangerous & Expensive Security Experiment”, Transportation & Infrastructure Committee, 3-10-11, <http://republicans.transportation.house.gov/Media/file/112th/CGMT/2011-05-10--Mica_Statement_for_Record_Senate_TWIC_Hearing.pdf>) JY

Washington, DC – The U.S. Government Accountability Office (GAO) released a scathing report today that exposes serious security weaknesses and years-long delays in a program to fully implement a Transportation Worker Identification Credential (TWIC). TWIC is intended to protect the nation’s port and maritime transportation systems. U.S. Rep. John L. Mica (R-FL), the Chairman of the U.S. House Committee on Transportation and Infrastructure, testified at a Senate Commerce, Science, and Transportation Committee hearing today during which the GAO report was released. Chairman Mica, one of the requestors of today’s GAO report, said, “TWIC is turning into a dangerous and expensive experiment in security.” The TWIC for maritime industry workers was mandated in the Maritime Transportation Security Act of 2002 (MTSA). After many delays, the Transportation Security Administration (TSA) finally began issuing TWICs in 2007, but the agency still has not approved a technology to read the biometrically enabled credentials. “Nearly half-a-billion dollars has been spent since TSA was directed to issue biometric security cards to transportation workers,” said Mica, who was chairman of the House Aviation Subcommittee in 2001 when the 9/11 terrorists attacks occurred, and is one of the authors of the legislation that created the TSA. “Yet today, ten years later and with no approved biometric reader, TWICs are at best no more useful than library cards,” Mica said. According to the released report, GAO was able to obtain authentic TWICs using fraudulent identification documentation and gain access to ports using counterfeit TWICs. GAO also found that, among other things, TSA is unable to confirm that TWIC holders maintain their eligibility throughout the life of their TWIC. Mica continued, “Even more troubling, GAO found that in some cases a TWIC can be fraudulently obtained, becoming a permanent biometric key that unlocks our nation’s ports and facilities for any individual with the intent and desire to do us harm.” According to TSA, $420 million in funding has been provided for the TWIC Program, 1.86 million people have enrolled, and 1.72 million cards have been activated. In 2007, the Department of Homeland Security (DHS) estimated that the combined cost to the federal government and the private sector may reach $3.2 billion over a ten-year period – not taking into account the full cost of implementing and operating readers. Despite these significant costs, GAO reports that the TWIC program was poorly tested and evaluated before deployment began. According to the GAO, “DHS has not assessed the effectiveness of TWIC at enhancing security or reducing risk for MTSA-regulated facilities and vessels. Further, DHS has not demonstrated that TWIC, as currently implemented and planned with card readers, is more effective than prior approaches used to limit access to ports and facilities, such as using facility-specific identity credentials with business cases.” In fact, the only port that GAO investigators were not able to gain access to using fraudulent means was the port that still required port-specific identification for admittance to secure areas. “The root of this problem is evidenced in many other TSA programs as well,” Mica said. “This agency still does not conduct risk assessments and cost-benefit analyses of its security programs.” Last year, GAO found that TSA’s Screening People by Observation Techniques Program (SPOT) for aviation security will require $1.2 billion over the next five years, but TSA has yet to validate the underlying methodology of the program or to conduct a cost-benefit analysis. GAO also reported in 2010 that TSA has not conducted comprehensive risk assessments across the surface transportation sector. This lack of analysis results in ill-informed resource allocations and calls into question whether the highest risk targets are being secured. “TSA is not the only agency that has struggled to develop a biometric credential for transportation workers,” Mica said. “The Federal Aviation Administration has yet to produce a pilot’s license that includes biometric identifiers, or even photos of the pilots holding the licenses. The only pilots currently pictured on FAA licenses are Wilbur and Orville Wright.” Mica stated that biometric capabilities, properly implemented, are essential for improved transportation security. However, biometrically enabled credentials will be expensive failures without effective program management.

#### Spending on port security high

Rugy 7- Senior Research Fellow at the Mercatus Center at George Mason University (Veronique de, “Is Port Security Funding Making Us Safer?”, Massachusetts Institute of Technology Center for International Studies, November 2007, <http://web.mit.edu/cis/pdf/Audit_11_07_derugy.pdf>) JY

In FY 2007, port security funding mainly focused on the pursuit and recovery of material and devices should weapons-grade materials fall into terrorists’ hands—our second highest priority.10 The Container Security Initiative (CSI) targets high-risk containers for inspection at overseas ports prior to their departure for U.S. ports. Today, it deploys teams of inspectors, special agents, and intelligence analysts in 53 foreign ports to inspect cargo containers for weapons of mass destruction before being shipped to the United States.11 In 2007, CSI had a budget of $139 million. Veronique de Rugy is a senior research fellow at the Mercatus Center at George Mason University. In addition, the Department of Homeland Security (DHS) spent $60 million on the Custom and Trade Partnership against Terrorism (C-TPAT). The 7,000 businesses, including most of the largest U.S. importers, involved in this public-private and international partnership have agreed to meet “supply chain” standards for establishing a secure chain of custody for every unit of cargo traded overseas.12 Sadly, recent reports have found crippling flaws in DHS’s foreign programs.13 The Domestic Nuclear Detection Office (DNDO) received $535 million in 2007.14 DNDO’s mission addresses a broad spectrum of radiological and nuclear protective measures, but is focused exclusively on domestic nuclear detection.15 The fundamental problem is that DNDO relies on radiation portal monitors that have been proven unable to detect shielded nuclear material essentially rendering them useless.16 Besides, even if the system could detect every dangerous item, it is ineffective unless the nuclear material is brought through the fixed ports of entry where the monitors are located. With thousand of miles of unguarded borders—and no cost effective way to address the issue—smugglers can easily find positions to bring illicit goods inside the country. Consider the country’s long standing War on Drugs and the inability to stop the flow of illegal drugs into the country. This does not mean we should not make some effort to detect material inside U.S. ports. However, we should keep in mind how risky it is to rely on port security at home: if the system fails, the nuclear material ends up inside the country or will be used to blow up a port. If a nuclear bomb blows up at the port of New York, it would kill some of New York City’s eight million residents. It is a small comfort that a detector’s alarm might go off five minutes before so many people die. Another $200 million goes to the highly criticized Port Security Grant Program for direct prevention on site.17 Finally, a large portion of the port security funding goes to the Coast Guard’s $1.5 billion homeland security operating expenses for ports, and a share of the Coast Guard acquisition and modernization program.18 By contrast, in FY 2007 the federal government spent $1.1 billion to keep nuclear weapons and weapon-usable nuclear materials out of terrorists’ hands—supposedly everyone’s highest priority. And if Congress adopted the administration’s FY 2008 proposal in its entirety, the nuclear threat reduction resources available would decline to $989 million.19 Activities in these programs—most of them in the Departments of Defense and Energy—include securing and accounting for nuclear material, helping states intercept nuclear smugglers at their borders, and getting rid of vulnerable caches of bomb material. But, numbers can be misleading. The biggest share of our effort supports activities in the U.S. to eliminate our own highly enriched uranium and plutonium rather than securing Russia’s vast stockpiles of nuclear weapons, which clearly limits the effectiveness of this strategy.20

#### Port Security grants empirically wastes money- Bush Administration

NY Times 5- (Eric Lipton, “Audit Faults U.S. for Its Spending on Port Defense”, NY Times, 2-20-05, <http://www.nytimes.com/2005/02/20/politics/20secure.html?pagewanted=1>) JY

WASHINGTON, Feb. 18 - The Department of Homeland Security has allocated hundreds of millions of dollars to protect ports since Sept. 11 without sufficiently focusing on those that are most vulnerable, a policy that could compromise the nation's ability to better defend against terrorist attacks, the department's inspector general has concluded. Advertisement Advertise on NYTimes.com Hundreds of thousands of dollars has been invested in redundant lighting systems and unnecessary technical equipment, the audit found, but "the program has not yet achieved its intended results in the form of actual improvement in port security." In addition, less than a quarter of the $517 million that the department distributed in grants between June 2002 and December 2003 had been spent as of September 2004, the inspector general found. The report also questioned whether grants allocated for small projects in resort areas and some remote locations should have been considered as critical to national security needs as larger projects at ports that are more vital to the national economy. The findings, released earlier this week, were the latest to criticize the Homeland Security Department's antiterrorism grant program, which has come under attack by people who say it has set poor priorities. For example, Wyoming received four times as much antiterrorism money per capita as New York did last year, according to a Congressional report. A Department of Homeland Security spokesman, citing the department's defense of the port grants that was included in the audit, declined requests for further comment. In remarks included in the audit, a Homeland Security official said the department had taken the higher risk factor of larger ports into account. Ninety-five percent of all international commerce enters the United States through its roughly 360 public and private ports. But nearly 80 percent of that trade moves through only 10 ports, with the biggest loads passing through Los Angeles, Long Beach and Oakland in California and New York. That is why the nation's biggest ports are seen as particularly attractive as terrorist targets. Severely damaging one would not only cause deaths, injuries and property damage, but could also disrupt the flow of many basic goods into and out of the country, port officials say. Part of the problem, the audit found, is that the annual grants were given out based on applications submitted by individual ports and then awarded even when department staff members found that many of the submissions lacked merit. Instead of withholding money because of a shortage of viable projects, the department disbursed the money to finance dubious security initiatives, many of which are detailed in the 70-page report. The grants are described in some detail, but the names of the winners and losers are not disclosed. The grant program was intended to limit awards to what were considered strategic ports, meaning terminals that handle a large volume of cargo or a high number of passengers, are next to military facilities, or handle hazardous cargo. After examining four separate rounds of port grants, the inspector general found that the department appeared to be intentionally distributing the money as widely as possible across the country, instead of focusing it on the biggest ports or on other locations that intelligence reports suggested were most likely to be future targets. Major ports like New York, Los Angeles, Long Beach and Oakland received large allocations. But smaller grants went to ports in places like St. Croix in the Virgin Islands, Martha's Vineyard, Mass., Ludington, Mich., and six locations in Arkansas, none of which appeared to meet the grant eligibility requirements, the audit said. The department, as a result, "had no assurance that the program is protecting the nation's most critical and vulnerable port infrastructure and assets," the audit said. Grants to ports were just a small piece in the more than $2.5 billion given out last year by Homeland Security to local and state governments, as well as to private enterprises. The money is to be used to help prevent attacks and to help equip rescue personnel and other public safety crews in case they need to respond to an attack. The audit results appear to support criticism voiced last September by Senator Frank R. Lautenberg, Democrat of New Jersey, who complained in a letter to President Bush that the methods used to grant the awards did not make sense. "Your administration awarded port security grants in the states of Oklahoma, Kentucky, New Hampshire and Tennessee," Mr. Lautenberg wrote. "While there may be some form of maritime facilities in these locations, I question whether, of the nation's 361 maritime ports, these locations are truly the front lines on the war on terror." Advertisement Advertise on NYTimes.com In California and New York, officials have repeatedly expressed frustration at what they say is insufficient federal financing for their port security projects. Senator Dianne Feinstein, Democrat of California, predicted in 2003 that with nearly half of all port trade going through her state, "there is an almost a one-in-two chance" that any radiological explosive device, known as a "dirty bomb," sent to the United States in a ship container would pass through California. "Clearly, we need to allocate a considerable portions of seaport security resources to California ports to prevent or respond to such an attack," Ms. Feinstein wrote to the Department of Homeland Security. In objecting to the findings, an administrator at Homeland Security, Anna F. Dixon, wrote that the grant program "continues to enhance security and address real or potential vulnerabilities in our nation's ports and waterways." Ms. Dixon said the grants were given "where they are needed most to improve security in U.S. ports." But Ms. Dixon, who works for the department's chief financial officer, also said that Homeland Security intended to adopt several of the auditor's recommendations in order to allocate the money in the future to the highest-risk ports. The Port Authority of New York and New Jersey, in four rounds of port security grants, received $6.2 million, or 1 percent of the total grants given out through the primary port security financing source, according to federal documents. When other New York-based government agencies and private corporations are added in, the grants to the New York City area rise to about $35 million, about 7 percent of the total. The port handles 12 percent of the nation's cargo traffic. Much of the grant money directed to New York went to profit-making oil terminal companies, like Sunoco Logistics Partners, to help them pay for security enhancements. Anthony R. Coscia, chairman of the port authority board, said it had long been obvious to him that the grant-making criteria needed to be changed. "We have only gotten a fraction of the money we have requested," Mr. Coscia said. "We have to start dealing with security based on what intelligence analysis leads us to conclude are greatest areas of vulnerabilities, and not on geographic distribution or political considerations." According to the audit, the questionable projects that were financed include: ¶$130,000 for a closed-circuit television system at one port, awarded even after the department ranked the project 27th of 29 applications and stated in its internal review documents that "these initiatives would be redundant to what the port authority has in place." ¶$180,000 to install security lights at a port that the department noted is a "small, remote facility that receives less than 20 ships per year." ¶$10,000 to one port for encrypted radios that the field staff concluded were not needed and perhaps not compatible with federal and state radios. Grants were also given to private-sector projects that "appeared to be for a purpose other than security against an act of terrorism," the audit said, or simply to replace existing security. At one port - next to which stood a luxury entertainment pavilion that included restaurants, a hotel and spa - a $25,000 grant was given to install video surveillance equipment and alarms, a project that department staff members had ranked last among the applications. The auditors concluded that it "appears to support the normal course of business" and was unrelated to any potential terrorist threat. In another case, a $935,000 grant was awarded for general security improvements to a port where an industrial park was being built, leading department staff members to question if the money was in fact an economic development grant, instead of antiterrorism financing. The Department of Homeland Security requires that the grant money be spent within a year of the award, but few of the recipients met this provision, the report says. The auditors found that few of the projects were ready to start construction at the time of the award, despite the one-year requirement.

#### Port Security spending high

Homeland Security Watch 6- (Christian Beckner, “How much has the U.S. spent on port security?”, Homeland Security Watch, 2-23-06, <http://www.hlswatch.com/2006/02/23/how-much-has-the-us-spent-on-port-security/>) JY

In the Senate Armed Services hearing on the Dubai ports deal today, Sen. Levin made the following statement about spending on port security: At the same time, it has been a constant struggle to devote adequate funds to strengthen port security. According to the Wall Street Journal, while $18 billion has been spent on airport security since 9/11, the amount spent on port security has been only $630 million. This quote is taken from a story in today’s (2/23) edition of the Wall Street Journal; the story itself provides no detail as to the source of this statistic. This figure of $630 million seems incorrectly low to me. It’s very close to the total level of port security grants that have been allocated since 9/11 – the AAPA noted this total at $708m in a recent press statement. But port security grants are NOT the totality of port security spending. The “ports, waterways, and coastal security” budget line item within the Coast Guard’s budget has totaled nearly $5 billion since FY 2003. ($1.25 billion in FY 2003, $1.26 billion in FY 2004, $1.21 billion in FY 2005 and $1.26 billion in FY 2006.) There is no similar estimate available for FY 2002, but it’s likely similar – I’ll estimate $1.1 billion. Not all of this is for port security per se, but a large share of it is – I’ll estimate 60%. Spending within Customs and Border Protection (CBP) on port security is harder to break down, but in FY 2006, the Container Security Initiative is funded at $139m, C-TPAT is at $54m, the National Targeting Center at $16m, Automated Targeting Systems at $28 million, and spending on radiation portal monitors at $125 million (some of which are for land borders). I’d imagine that there’s at least another $200-$300m within the entire $1.27 billion in CBP’s budget for border inspections for FTE’s at seaports (with the balance at land border checkpoints and international airports). That add ups to around $600m/year within CBP’s budget for port security, although prior years are significantly lower since many of these line items have only been introduced in the last 1-3 years. Finally, I’d add the Department of Energy’s Megaports initiative, funded at $74m this year and $28m in FY 2005. All told, I’d have to estimate cumulative port security spending at $6.13 billion during the 4.5 years between the start of FY 2002 (Oct. 1, 2002) and the midpoint of FY 2006 (March 31, 2006). Are we spending enough, however? As I’ve said in recent days, I don’t believe so. MTSA implementation has been underfunded, and there has never really been a “system-wide commitment” to the challenges of port security in the same way that the federal government has addressed the vulnerabilities of the commercial aviation system. But I think it’s important to provide fair spending estimates when engaging in this important debate.

### Airports

#### Airport Improvement requires major spending- NextGen proves

Governing 4/2- (Ryan Holeywell, “The $40B Infrastructure Project You Haven’t Heard Of”, Governing, 4-2-12, <http://www.governing.com/blogs/fedwatch/the-40-billion-project-you-havent-heard-of.html>) JY

Earlier this month, Governing named NextGen – the federal government’s high-tech plan to upgrade the country’s flight system from one based on radar to satellites – as one of its top five “in limbo” transportation projects. The project has huge benefits. That switch, along with other technological improvements, would allow for more efficient flight paths, reduced fuel consumption, smaller carbon emissions, and less flight delays. But it comes with a high price tag: FAA estimates that the infrastructure cost of NextGen through 2025 is $15 billion to $20 billion, plus another $19 billion for the cost of equipping airplanes with the requisite technology. That instantly makes it one of the country's most expensive infrastructure projects, and it's one many people, in a world where the debate about transportation often focuses on highways and transit, often overlook. It's an issue state and local leaders may be wise to monitor. NextGen advocates note that air travel is a linchpin of the economy, and modernization could greatly improve it. Meanwhile, since localities manage most airports, any substantial changes would affect their operations. The much-respected Eno Center for Transportation drew a packed crow of transportation officials, including former Transportation Secretary Norman Mineta, to an event revealing its newest study on NextGen. Eno’s new report – available here – provides insight into how the effort might be funded and explains the potential costs and benefits. Among the obstacles facing NextGen, according to Eno, are: the difficulty experts have had quantifying its potential benefit the hesitance by airlines to shoulder the costs associated with modernization the limited federal funds to pay for the project the lack of political leadership in prioritizing NextGen the FAA’s difficult history with modernization (in the 1980s, modernization was estimated to cost $12 billion and be ready in 10 years).

#### Spending on FAA high- recent funding increase

Transportation and Infrastructure Committee 1/31 - (“House and Senate Leaders Reach Agreement on FAA”, Transportation and Infrastructure Committee, 1-31-12,<http://transportation.house.gov/News/PRArticle.aspx?NewsID=1514>) JY

Washington, DC – House and Senate leaders have reached agreement on long-term Federal Aviation Administration (FAA) legislation to improve the nation’s aviation infrastructure, modernize our air traffic control system, and reform FAA programs. “After a five-year delay and 23 temporary extensions, this measure is key to advancing the nearly eight percent of our nation’s economy impacted by the aviation industry,” said Transportation and Infrastructure Committee Chairman John L. Mica (R-FL). “This bipartisan, bicameral agreement ensures long-term aviation safety and infrastructure funding for the next four years. I commend my colleagues in the House and Senate for working across party lines to come together on this long overdue measure to make needed reforms at FAA, fund programs for constructing major airport infrastructure improvements, and help create jobs for Americans.” “This legislation will, at long last, provide stable funding and policy direction for the FAA’s safety programs, airport development grants, and operations for fiscal years 2012 through 2015,” said Aviation Subcommittee Chairman Tom Petri (R-WI). “I am particularly pleased that we are moving forward with the ‘NextGen’ modernization of our air traffic control system. Once in place, the new system will bring about a revolution in aviation providing greater safety, lower costs, fewer emissions and better on-time performance with shorter, more direct flights. I am very excited about it.” House and Senate conferees convened this afternoon to discuss the compromise on the differing multi-year FAA reauthorization bills passed by each body last year. The measure, expected to be voted on by the full House and Senate before the current short-term funding extension expires on February 17th, includes the following highlights: • Funds safety programs, NextGen air traffic control modernization, and FAA operations through FY 2015. • Creates and supports jobs by providing stable funding for airport improvements under the Airport Improvement Program. • Provides in total approximately $13.4 billion for the Airport Improvement Program, $38.3 billion for FAA Operations, $672 million for Research, Engineering & Development, and $10.9 billion for FAA’s Facilities & Equipment account. • Stimulates private sector job creation in the unmanned aircraft systems industry by setting timelines for FAA action on the safe integration of UASs into the national airspace system. • Accelerates deployment of NextGen technologies that will bring significant benefits to the overall U.S. economy – everybody, not just aviation users, benefits from NextGen. • Strengthen accountability for the progress on the NextGen program. • Streamlines environmental reviews for new, more efficient flight paths. • Includes unprecedented labor reforms of the National Mediation Board (NMB). • Limits efforts by the Obama Administration to over-regulate the lithium battery industry. • Eliminates the most egregious subsidies within the Essential Air Service (EAS) program. • Sets a balanced inspection regime for airliners that are inspected overseas. • Establishes the process for consolidation of outdated FAA air traffic control facilities. • Enacts passenger protections to be sure airline passengers are treated fairly when travelling.

### Highways

#### Highway projects lead to cost overruns- Big Dig proves

Boston Globe 7/10 - (Eric Moskowitz, “True Cost of Big Dig exceeds $24 billion with interest, officials determine, Boston.com, 7-10-12, <http://www.boston.com/metrodesk/2012/07/10/true-cost-big-dig-exceeds-billion-with-interest-officials-determine/AtR5AakwfEyORFSeSpBn1K/story.html>) JY

As construction wound down on the Big Dig nearly a decade ago, officials disclosed that the cost of the highway megaproject had escalated to nearly $15 billion. Now, for the first time publicly, state administrators have tallied the full cost of the work -- principal and interest, plus legally obligated transit commitments -- and it is some $10 billion higher. The highway-tunnel work cost $14.5 billion, with the state using $7 billion in federal aid and borrowing the rest. Add interest and the total figure shouldered by state and federal taxes and tolls will be $21 billion by the time the final bond is paid off in 2038, Dana Levenson, chief financial officer for the Massachusetts Department of Transportation, told a legislative committee Tuesday. The numbers largely confirm the accounting of a 2008 Globe review of hundreds of pages of state documents. But even that figure does not quite cover it. The state two decades ago agreed to a list of public transit improvements to offset the air pollution and other impacts of the additional traffic the Big Dig would generate and to comply with federal environmental law. Transit work completed so far -- including adding the waterfront Silver Line, modernizing the Blue Line, and extending the commuter rail to Worcester, Middleborough, Plymouth, and Newburyport -- resulted in $1.7 billion in construction costs and $1.6 billion more in interest. And the state has not yet started to pay for one of the most expensive commitments, the $1 billion-plus planned Green Line extension to Somerville and Medford. “As we all know, the Central Artery/Tunnel Project, while operating today as a superb facility that has improved the quality of life in Boston as well as the transportation function for the entire region, cost a lot more than was anticipated,” Levenson said in prepared testimony, speaking for an administration that inherited a project started a generation ago. The House Committee on Post Audit and Oversight called the hearing to better understand the total cost and its continued effect, limiting the state’s ability to pay for other transportation infrastructure projects and even day-to-day highway and transit operation by gobbling up so much money for debt. The state still owes $9.3 billion in principal and interest on the Big Dig and the completed transit commitments, Levenson said. The numbers required some wrangling. Unlike a homeowner’s mortgage, the project’s borrowing costs sprawl across an array of original and refinanced bonds issued by the former Massachusetts Turnpike Authority, the MBTA, and the Commonwealth itself. And though state officials once believed that the federal government would cover 80 percent or more of the construction, that support was capped as the project cost spiraled. “It is extremely important that we understand the effect that the Big Dig debt service has on overall transportation spending in Massachusetts,” said Representative David P. Linsky, committee chairman and a Natick Democrat. “We’re paying over $100 million a year in Big Dig debt service, and that is obviously $100 million that we can’t spend on other transportation needs.” Linsky said the accounting will help inform the work lawmakers do next year when they debate the state’s transportation-finance crisis, as legislative leaders have indicated. Michael J. Widmer, president of the Massachusetts Taxpayers Foundation, called the numbers illuminating. “It’s certainly a positive step that the administration has laid out these costs with such clarity. It reinforces the fact that this was one incredibly expensive project” and remains one of the key reasons why the state’s gas taxes, highway tolls, transit fares, and other transportation revenues fall short of needs and force more borrowing, Widmer said. The escalating cost and the project’s flaws -- including a fatal ceiling-tile collapse in 2006 -- have “obscured or tainted the other reality” of the Big Dig, Widmer said, meaning the transportation, economic, and other benefits of submerging the Central Artery and improving travel into and through downtown Boston and to Logan Airport. “This is a hugely positive project for Boston and the region,” he said.

#### Highway projects lead to increased funds- 2013 budget proves

Bloomberg 2/16 - (Carol Wolf, “Obama Proposes Doubling Highway Spending on Military Spending”, Bloomberg, 2-16-12, <http://www.businessweek.com/news/2012-02-16/obama-proposes-doubling-highway-spending-on-military-savings.html>) JY

Feb. 13 (Bloomberg) -- President Barack Obama’s fiscal 2013 budget proposed almost doubling the amount spent on U.S. highway, bridge and mass transit projects by using money previously spent on military operations in Iraq and Afghanistan. The White House budget released today proposes $476 billion over six years for surface transportation, and the president calls for an immediate $50 billion infusion in spending this year. It also increases a transportation lending program by four fold while reducing funding for airport grants. “This transportation budget is fully paid for,” said Transportation Secretary Ray LaHood on a conference call with reporters. “This is real money.” The Highway Trust Fund, which finances U.S. transportation projects using vehicle-fuel taxes, faces insolvency as soon as October, according to the Congressional Budget Office. Obama would transfer about $38.5 billion a year from the U.S. general fund for use on roads and bridges, offset by “reduced overseas military expenditures,” to supplement trust-fund income, the document said. No funding sources for transportation other than the trust fund were specified in last year’s budget. Half of the money from reduced war expenditures would go to pay down the U.S. deficit, with the rest targeting infrastructure, LaHood said. The president and some Republicans have ruled out raising fuel taxes to fill the funding gap. House, Senate Proposals The House has proposed a five-year transportation spending plan of $260 billion. The Senate’s proposal is for $109 billion over two years. House and Senate committees have turned to non- transportation funding ideas to offset the difference between fuel-tax income and proposed spending in both bills, including having federal employees pay more toward their pensions and changing the tax treatment of some IRAs. The Transportation Infrastructure Finance and Innovation Program, or TIFIA, would have financing authority of about $5 billion under the president’s budget. In fiscal 2012, financing authority was $1.23 billion. The TIFIA program provides loans to help pay for toll-road and other projects in combination with private financing. The budget reduces grants to airports by $900 million. Larger airports would be permitted to raise more money for improvements by increasing so-called passenger facility charges on airline tickets, as grant money is directed more to small airports.

### Pipelines

#### Pipeline construction expensive- empirics prove

US Infrastructure 10- (Timon Singh, “Alaskan Pipeline: Most Expensive US Infrastructure project?”, US Infrastructure, 4-9-10, <http://www.americainfra.com/news/alaskan-pipeline/>) JY

America is no stranger to expensive infrastructure projects - the Hoover Dam for example cost $50 million in 1931 (that would be $700 million today) and the currently under-construction 'Big Dig' is projected to cost $14.6 billion - but a plan to build a gas pipeline from the Arctic Ocean to Alberta could cost as much as $40 billion. If finished, the pipeline would stretch 2000 miles and would ease gas supplies to households both in the US and Canada. As if the project wasn't complex enough, two separate consortia are competing to implement their separate projects, meaning that there is the possibility that two pipelines could be made, meaning a investment of possibly $80 billion. The two groups, one composed of TransCanada and ExxonMobil and the other of BP and ConocoPhillips (called Denali), are of course aware of the money to be made in gas discovery and distribution, but there is the question whether there are enough reserves to justify both pipelines. As such, it is more likely that only one will go ahead. The question is which... Currently, both groups are still to line up firm commitments from customers and suppliers in a process called "open season" to analyze the feasibility of building the pipeline. Of course, the State of Alaska will have to approve any plans before construction begins, as will the Federal Energy Regulatory Commission, but with former Alaskan governor Sarah Palin still promoting her "drill, baby, drill" initiative, President Obama's recent U-turn on offshore drilling and America's need for greater energy dependency, there is a high chance it will be green-lit. Large reserves While there are large reserves of natural gas in Alaska's Prudhoe Bay, increased interest in gas production from shale gas could potentially see the pipeline's life expectancy double. While the North Slope in the Arctic Circle is estimated to have reserves of 35 trillion cubic feet of natural gas, the United States still imports approximately 4.5 trillion cubic feet of gas a year and that is only a fifth of the country's total consumption. Any new pipeline in Alaska would enable the extraction of these resources, providing a gas version of the trans-Alaska Pipeline System that transfers gasoline from Prudhoe Bay to Valdez. Seeing as the North Slope is extremely remote and in some of the harshest conditions in nature, a pipeline would make sense over using tankers and rigs, and if shale gas production increasing potential reserves to 3000 trillion cubic feet, then the investment and high price tag may be worth it. The question is who secures the backing first and whether approval is given by the authorities given the possible ecological damage it could cause.

#### Keystone hurts economy- decreases state tourism and agriculture

Barron, 3/27- associate focusing her practice on environmental and toxic tort litigation. Ms. Barron has worked for several non–profit environmental organizations and graduated from Harvard Law School (Leah K. “Cornell Study: Keystone XL pipeline could hurt farm, Tourism Economies,” Janet, Jenner & Suggs, LLC, 3/27/12 <http://myadvocates.com/blog/report-keystone-pipeline-is-a-threat-to-jobs-the-economy> )//LA

A study released March 20 by Cornell University’s Global Labor Institute found that the Keystone XL Pipeline could actually harm the economies of pipeline states. Most affected would be agricultural and tourism industries, the report said.¶ The study notes that between 2002 and 2011 there were more than 3,700 pipeline spills in the U.S., and that evidence suggests that a tar sands pipeline–such as the Keystone XL Pipeline–would have an even higher spill rate than a conventional pipeline. The higher rate is due to the fact that tar sands oil is “heavier, more corrosive, and contains more toxic chemicals and compounds than conventional crude oil.” Moreover, the study argues that these properties of the tar sands oil also make it more difficult to clean when there is a spill.¶ The existing Keystone 1 Pipeline began operations in June 2010 and has already produced at least 35 spills. From 2010-2011 the pipeline had a spill rate 100 times greater than what TransCanada (the company building the pipelines) had predicted. In fact, the spill rate was so high that in June 2011, U.S. regulators ordered the pipeline shut down until operators addressed mounting safety concerns. The Cornell report cites an independent analysis by the University of Nebraska concluding that over a 50-year period, the Keystone XL Pipeline is expected to experience 91 significant spills (defined as greater than fifty barrels).¶ While there has been much debate over the number of new jobs that might be created by the construction of the Keystone Pipeline, the Cornell study is unique in that it focuses on how existing jobs and economic sectors will be affected. The study reports that farming and ranching employ some 571,000 workers in the pipeline states, which have a total agricultural output of $76 billion annually. Tourism employs another 780,000 workers, and tourism spending totaled more than $67 billion in 2009.¶ The study argues that leaks or spills along the pipeline could greatly harm the states’ agricultural and tourism economies, which depend on clean water. A leak or spill could contaminate drinking water for residents and livestock, as well as the irrigation water for crops. It could also impact recreation areas including state and federal public lands, parks and forests, national historic trails, wildlife refuges, wildlife management areas, scenic byways and historic trails.¶ The President of the Nebraska Farmers Union is quoted in the report stating that, “Despite TransCanada’s assurances, we know there will be leaks and spills. All pipelines have some sort of leak during their operating lifetimes. It is not a matter of if, it is a matter of when, how often and how much leakage there will be. When a leak happens, it will be the farmers’ drinking water, their livestock water supply, and their irrigation supply that will be contaminated. Their economic well-being is directly impacted by spills and leaks.”¶ Ultimately, the report notes the need for a comprehensive spills risk assessment, providing independent review of the risk of spills and their impact on jobs and the environment. The Obama administration should not make any further decisions about the Pipeline until such an assessment has been completed and reviewed.

#### Pipeline building increases spending- investments could be 210 billion dollars

Hoffman, 11- Rich is the Executive Director of The INGAA Foundation Inc. He is responsible for implementing the Foundation’s new Strategic Plan. Rich had a distinguished 34 + year career as a member of the staff of the Federal Energy Regulatory Commission (FERC), including service as Director, Division of Gas – Environment and Engineering, in the Office of Energy Projects (Richard, “Natural Gas Pipeline and Storage Infrastructure Projections Through 2030,” Interstate Natural Gas Association of America, 7/11, <http://www.ingaa.org/cms/31/7306/7828.aspx>) //LA

The Natural Gas Pipeline and Storage Infrastructure Projections Through 2030 study, analyzes future natural gas infrastructure requirements under various market scenarios. It projects a range of investment from $133 to $210 billion in infrastructure over the next 20 years (between $6 and $10 billion per year), primarily to attach increased domestic natural gas production from unconventional shale basins and tight sands to the existing pipeline network. Anticipated market growth from the electric generation and industrial sectors as well as the potential to connect vast Arctic resources and LNG supplies to the grid also will be key drivers for additional investment, according to the study. Miles of pipeline, storage additions, horsepower requirements, gathering facilities and LNG import expansion are all projected.

### Infrastructure Bank

#### Infrastructure Bank requires constant government expenditure and wastes money

Washington Examiner 11- (Conn Carrol, “Conn Carroll: Infrastructure Bank is Just Another Stimulus Boondoggle”, Washington Examiner, 8-14-11, <http://washingtonexaminer.com/article/40694>) JY

It is an article of faith among liberals that one of the best ways the federal government can reduce unemployment is to borrow billions of dollars and spend it on infrastructure projects. For example, at a recent press conference President Obama made his case for creating an "infrastructure bank" that "could put construction workers to work right now, rebuilding our roads and our bridges and our vital infrastructure all across the country." Let's put aside, for the moment, that Obama should have already learned the lesson that infrastructure spending is not a path to immediate job creation. It was just two months ago that, Obama jokingly told his own Council on Jobs and Competitiveness, "Shovel-ready was not as ... uh .. shovel-ready as we expected." But even over the long term, the job-creating prospects of politically directed infrastructure spending is highly doubtful. Infrastructure projects can be good a investment for a community, but only when their long-term benefit outweighs their initial costs. These decisions are best made at the most local level possible. When they are made at the federal level, politics, not cost-benefit analysis, dictates what gets funded. Just look at Obama's favorite infrastructure program: high-speed rail. Obama's failed stimulus included $8 billion in spending for high-speed rail projects including $3 billion for a California project, $2 billion for a Florida project and $1.2 billion for projects in Ohio in Wisconsin. When the governors of Florida, Ohio and Wisconsin all determined that their state's high-speed rail projects were not worth state taxpayers' dollars, Obama rejected the governors' pleas to let them keep the federal funding for other infrastructure spending. Instead, Obama doubled down on his faith in high-speed rail and sent all the money to California. So how is that California high-speed rail project going? When California voters first approved state funding for the project, they were told it would cost $33 billion to build a line from Los Angeles to San Francisco. But last Tuesday, the California High-Speed Rail Authority released new cost estimates showing the initial section of track between Merced and Bakersfield will cost $13.9 billion alone. The cost of that stretch had been originally pegged at $6.8 billion. Extrapolating that cost increase out for the whole project and the final price tag could reach $87 billion. California only has one-fourth of that total on hand and no plan for where to find the rest. Enter Obama's infrastructure bank. The first thing to note about this proposal is that it's not really a bank. Banks use deposits from some customers to fund loans to other customers, and they make money by charging interest to borrowers at higher rates than they offer to depositors. Obama would run his bank a little differently. Instead of forcing borrowers to pay money back, Obama's National Infrastructure Innovation and Finance Fund would "directly provide resources for projects through grants, loans, or a blend of both." Another word for "grant" is "gift," so basically Obama's infrastructure bank would be just giving money away. But then how would Obama's bank stay in business? Simple. Congress would give it $5 billion to spend every year. And, of course, Obama would be in charge of hiring the 100 new employees who would decide which projects were worthy of those Obama "bank" funds. Considering the left's demonstrated obsession with high-speed rail, how much of the infrastructure bank's "grants, loans, or a blend of both" will go to boondoggle's like California's high-speed rail project? How much of that money will taxpayers ever see again?

#### NIB increases spending- Obama proposes 10 billion dollars

Bernstein, 11-Award- winning journalist and director of public radio Transportation Nation project, winner of Knight fellowship at Stanford, former political correspondent for the New York Observer, Yale graduate (Andrea, “President Proposes 10 billion infrastructure bank” Transportation Nation, 7/11, <http://transportationnation.org/2011/09/08/president-proposes-10-billion-infrastructure-bank/>//LA

With one foot on the terra firma of national pride and another in his old familiar haunt of progressivism, President Barack Obama Thursday [proposed](http://www.whitehouse.gov/the-press-office/2011/09/08/address-president-joint-session-congress) a $10 billion infrastructure bank with $50 billion in expedited infrastructure spending to help stimulate the economy.¶ “Everyone here knows that we have badly decaying roads and bridges all over this country. Our highways are clogged with traffic. Our skies are the most congested in the world,” said the President while a sour-faced Speaker John Boehner sat to his right.¶ “This is inexcusable. Building a world-class transportation system is part of what made us an economic superpower. And now we’re going to sit back and watch China build newer airports and faster railroads? At a time when millions of unemployed construction workers could build them right here in America?”¶ In a speech that sounded at times feisty and at times impatient, the President repeatedly urged congress to pass a bill the administration put at $450 billion, which he said would be paid for by other cuts.¶ But still the speech sounded more like old-style Obama than the man who last month, back to the wall, agreed to $2.4 trillion in spending cuts, with no tax increases. Thursday the President once again called on the rich to pay “their fair share,” an idea that the public has embraced but that Congress has rejected.

### Inland Waterways

#### Inland waterways exceed construction costs

**Stern, 4/25**- Analyst in Natural Resources Policy,(Charles V, “Inland Waterways: Recent Proposals and Issues for Congress,” Natural Resources Reports, 4/25/12, <http://natural-resources-reports.blogspot.com/2012/04/inland-waterways-recent-proposals-and.html> )//LA

Inland waterways are a significant part of the nation’s transportation system. Because of the national economic benefits of maritime transport, the federal government has invested in navigation infrastructure for two centuries. As a result, barge shipping has received significant support through federal funding for operational costs, capital expenditures, and major rehabilitation on inland waterways. Since the Water Resources Development Act of 1986, expenditures for construction and major rehabilitation projects on inland waterways have been cost-shared on a 50/50 basis between the federal government and users through the Inland Waterways Trust Fund (IWTF). Operations and maintenance costs for inland waterways typically exceed these construction costs, and are a 100% federal responsibility pursuant to WRDA 1986.

#### Inland Waterways cost overruns

Clayton, 11- DTN Ag Policy and recognized on a state and national level. He has won story of the year and writer of the year from the American Agricultural Editors Association for a series published by DTN (Chris, “Inland Waterway Project Woes”, RFD TV, 7/13, http://www.rfdtv.com/news/agriculture/news\_feed/inland\_waterway\_project\_woes/)//LA

OMAHA (DTN) -- Shippers who rely on the nation's dilapidated river transport systems want to reform the way lock-and-dam projects are funded and built. In addition, they want commitments for more funding and increased efficiency from Congress and the Corps of Engineers.¶ Members of a House Transportation and Infrastructure Subcommittee highlighted problems with the aging locks and dams at a hearing Wednesday in Washington to consider possible funding solutions.¶ "Fifty seven percent of our inland system is more than 50 years old and 37% of the system is more than 70 years old," said Rep. Bob Gibbs, R-Ohio, who chairs the subcommittee. "It is literally falling apart."¶ The waterways now move roughly $70 billion a year in freight. Testimony noted that it would take hundreds of railcars and more than 2,500 locomotives to haul the freight currently moved through the river system. But the infrastructure is falling apart faster than it can be fixed.¶ Even when projects are considered a priority, they take decades for the Corps of Engineers to complete. Comparable projects that took three years in the 1950s are now taking a decade or more to complete. Significant changes in engineering construction can explode in terms of both time delays and costs.¶ The current business model for modernizing the nations' locks and dams is seriously broken, testified Steve Little, president and CEO of the barge company Crounse Corp., and the most recent chairman of the Inland Water Users Board.¶ "It must be reformed," Little said. "As a nation, we seem to have lost the ability we once had to plan and construct individual inland waterways capital projects in a timely fashion."¶ The poster child for delayed Corps projects is the Olmsted Lock and Dam along the Ohio River, straddling Illinois and Kentucky. Approved in 1988, construction began in 1992. Originally pegged to cost $775 million, construction has ballooned to $2.1 billion, and users have been told that "a significant change" is coming later this year, said Michael Toohey, president and CEO of the Waterways Council.¶ "So, even before we know the exact magnitude of the latest change, which we understand to mean 'increase,' the cost of this project has tripped with the completion date nowhere in sight," Toohey said.¶ The cost overruns have gotten so out of hand that the Corps has commissioned a study to examine just what has gone wrong at Olmsted. The project has become so complicated that Toohey said it may be necessary to re-evaluate it entirely and consider alternatives.¶ All the while, President Barack Obama has championed doubling the nation's exports, and that requires upgrading ports and the avenues that lead to those ports.¶ Steve Ebke, a farmer from Daykin, Neb., testified for the National Corn Growers Association and noted that more than 57% of all grain exports are shipped down the Mississippi River and through the Panama Canal. He noted the canal is adding a new lock that should lessen transport time and freight costs.¶ "However, if domestic infrastructure is inadequate, the canal expansion project will be a missed opportunity," Ebke said.¶ Locks and dams on the northern Mississippi can only handle 600-feet barge tows, while in the southern portion of the river tows are twice as long. Five lock projects on the Upper Mississippi and two on the Illinois River were approved by the Corps in 2004, and authorized by Congress in 2007. Still, little or no funding has been allocated for the projects.¶ Little, president and CEO of Crounse Corp., chaired the users board, a group created by Congress to ensure the shipping industry had a voice in how capital projects were prioritized. The Obama administration has let the terms for the entire board expire and not reappointed new members. Jo Ellen Darcy, assistant secretary of the Army, said the Corps has asked the Department of Defense for approval to make the appointments but has not received a response.¶ The Waterways Council and members of the Inland Users Board have worked with Corps officials over the last couple of years to improve project delivery for building locks and dams, and prioritize projects over the next two decades. The industry groups propose a 6-to-9-cent-a-gallon increase on the 20-cent a gallon diesel tax shippers already pay for the waterways trust fund. Right now, the trust fund generates $70 million to $90 million a year.¶ In exchange for raising their diesel taxes, the industry groups want larger federal spending as well. The shippers are proposing a $7.6 billion funding plan over 20 years that would balance out at about $380 million a year. Of that, about $110 million would come from the waterways trust fund while taxpayers would pay about $270 million a year through general funds.¶ Part of the industry groups' plans would also require that federal funding pay for all project-cost overruns.¶ Ebke said in his testimony that NCGA realizes any increase in the diesel tax would be passed on to shippers, but spending on upgrading the locks and dams would have long-term benefits for farmers.¶ The president's job proposal goes a different route, and calls for a new user fee on the rivers to generate about $1.1 billion over 10 years from the barge industry. More details are expected on that when the president provides actual bill language within the next week or so.¶ The business groups argue that right now they are the only private funding source, even though a broad array of other people benefit from tourism, commerce, waterway restoration and lakefront property values around Corps projects, particularly dams. Taxpayers should pick up higher construction and rehabilitation costs as their investment in the system.¶ Steve Ellis, a vice president of Taxpayers for Common Sense, criticized the funding of inland waterways in his testimony. The industry proposal would shift more funding for barge infrastructure on to general taxpayers.

### Bering Strait Tunnel

#### Bering Strait tunnel costs 100 billion dollars

Voice of America 4/28 - (James Brook, “Join Russia and USA by Rail Tunnels under the Bering Strait?”, Voice of America, 4-28-12, http://blogs.voanews.com/russia-watch/2012/04/28/join-russia-and-usa-by-rail-tunnels-under-the-bering-strait/)JY

Russia’s Urals oil has been over $100 a barrel for a year now. The country’s budgets are balanced. Debt is low. Savings are piling up. Russians are getting their pre-recession mojo back. On the consumer end, sales of foreign cars made in Russia jumped 90 percent during the first quarter of 2012 over last year. In the Kremlin, leaders are thinking big again. In rapid succession, the government leaked a plan to create a “super agency” to develop the Russian Far East; President-elect Vladimir Putin vowed to spend $17 billion a year for new and improved railroads, and Vladimir Yakunin, president of Russian Railways, promoted a think big plan — a rail and tunnel link connecting Russia and the United States. “It is not a dream,” Yakunin, a close ally of Mr. Putin, told reporters last week. “I am convinced that Russia needs the development of areas of the Far East, Kamchatka. I think that the decision to build must be made within the next three-five years.” Next year, Russia’s railroad czar will open one big leg on the trip toward the Bering Strait – an 800 kilometer rail line to Yakutsk, capital of Sakha Republic, a mineral rich area larger than Argentina. Moscow-born Fyodor Soloview lives in Anchorage, Alaska, where he lobbies for uniting his two homelands, Russia and the United States, with rail tunnels under the Bering Strait. Photo: Soloview But the 270,000 residents of Yakutsk do not want to live at the dead end of a spur line. They dream of five kilometer long freight trains rolling past their city, carrying Chinese goods to North America, and North American coal and manufactured products to Russia and China. From their city, 450 kilometers south of the Arctic Circle, passenger tickets could be sold west to London, and east to New York. With the West’s swelling population of aging affluent retirees, what better gift for Mom and Dad than a one-month train trip, rolling across the International Dateline, traveling by rail three quarters of the way around the world? A TransBering rail voyage would make the TransSiberian and the TransCanada look like short hops. To push thinking along, Yakutsk hosted a trans Bering rail conference last August. Engineers showed charts indicating that the tunnels under the Bering Strait would be 103 kilometers long, about twice the length of the tunnel under the English Channel. Unlike Europe’s “Chunnel,” there are two islands along the Bering route – geographical factors that would ease construction and allow for ventilation and emergency access. For now, the only trains in Alaska run from Seward on the coast 760 kilometers into the interior, carrying tourists to Denali National Park and freight to two military bases. Photo: Fyodor Soloview A trans Bering rail link was first seriously proposed by Czar Nicholas II in 1905. One century later, with the rise of China and the explosion of Asian manufacturing, some Russian economists believe that the day is near when a rail link to North America up would be economically viable. The current price tag for the missing 10,000 kilometers, tunnel included: $100 billion. Freight fees are estimated at $11 billion a year. Russian Railways estimates that a Bering Strait tunnel could eventually handle 3 percent of the world’s freight cargo. Yakunin says that China is interested in the project. At a railway meeting in Moscow Thursday, Mr. Putin said that freight traffic on a main Siberian line, the Baikal-Amur Mainline, is expected to nearly triple by 2020. To critics who worry about harsh winter weather, Russian Railways notes that since 1915, the company has been running passenger and freight trains year round to Murmansk, located 300 miles north of the Arctic Circle. The proposed route for a tunnel under the Bering Strait would pass 50 kilometers south of the Arctic Circle. Trans Bering rail promoters envisage building feeder lines to connect 'stranded' mineral deposits and to allow shipment of freight between North American and Russia, China, Japan and the Korean peninsula. Map: InterBering For a tunnel linking two continents, support has to be generated on the North American side. In Alaska, Fyodor Soloview, a native of Moscow, recently formed InterBering, a private group to lobby for rail construction to the Bering Strait. “We can ship cargo between two the continents by rail,” Soloview said by telephone Thursday from his office in Anchorage. “Once the Bering tunnel is built, it will convert the entire world to different thinking.” Yakunin estimates that the Russian side of a trans Bering railroad would take 10 to 15 years to build. That could fit into the political calendar of his friend Mr. Putin. On May 7, Mr. Putin will be inaugurated for a new six year term. He has left open the possibility of running in 2018 for another six year term. So Russian Railways may have the political cover for another 12 years. The question is whether oil prices will stay high enough to build a tunnel linking America and Asia. If so, Washington’s diplomatic reset with Moscow could be welded in steel. To reconnect Asia and North America -- after a 15,000-year separation -- engineers would dig two 103-kilometer long tunnels, each about twice as long as the rail tunnels opened under the English Channel in 1994. Diagrams: Victor Razbegin

#### Bering Strait tunnel extremely expensive

Mail Online 11- (Will Longbottom, “Return to London please, via Moscow: Kremlin paves way for East to West rail link after after 'approving' $99bn Bering Strait tunnel”, Mail Online, 8-22-11, <http://www.dailymail.co.uk/news/article-2028854/99bn-Bering-Strait-tunnel-approved-Kremlin-paves-way-East-West-rail-link.html>) JY

The prospect of an epic train journey from New York to London might seem like a distant dream for those seeking the ultimate railway holiday. But booking a ticket from Grand Central to St Pancras Station could be a step closer after Russia gave the green light for plans for a 65-mile tunnel under the Bering Strait. The Kremlin this week gave its support for a $99billion scheme that would link Asia and North America and allow for a potential once-in-a-lifetime train journey. Trip of a lifetime: The Kremlin has given the green light for a £60billion tunnel linking Siberia to Alaska through the Bering Strait The views would be breathtaking: A snowmobile makes its away across the frozen tundra in Alaska Better wrap up warm: If the tunnel was ever built, the train journey would probably take the best part of three weeks in sub zero temperatures The proposed tunnel would pass underneath the Big Diomede and Little Diomede islands and straddle the international dateline to link East and West. Engineers have said there is no technical reason the tunnel could not be completed and it could provide a cheaper way of shipping freight around the world, The Times reported. The idea was first raised by Tsar Nicholas II in 1905, but was this week endorsed by Aleksandr Levinthal - deputy federal representative for the Russian Far East - at a conference on developing infrastructure in the country's remote north-east. A dream too far? The plans would see a 65-mile tunnel, twice that of the Channel Tunnel, bored through the international date line in the Bering Strait (pictured) Rejuvenation: Russia will open a £900million extension to the Trans-Siberian railway to Yakutsk and could link to the north-eastern tip of Siberia by 2030 SO HOW LONG COULD THE EPIC JOURNEY TAKE? An East to West train route would require both Russia and the U.S. to construct railway lines in Siberia and Alaska. Currently, train services extend as far east as Chita or Vladivostock in Russia, while you would need to take a ferry between Bellingham and Anchorage to get anywhere near the Bering Strait on the U.S. side. At present it would take just over two weeks to get as far along the route as physically possible. Here's how: London - Brussels - Cologne - Moscow: 18hrs 30mins Moscow - Chita: 106 hours Train route from Chita to Anchorage Bellingham - Anchorage: 7 days - by ferry Seattle - Bellingham: 2 hours New York - Philadelphia - Pittsburgh - Chicago - Seattle: 64hrs 30mins Total journey time: 14 days 23 hours The three-day conference, held in the eastern city of Yakutsk, brought delegates from the U.S., China and Britain and was aimed at capturing the economic potential of the resource-rich region. Mr Levinthal told The Times: 'We should see advanced development of road and rail infrastructure here [in the Russian Far East] and improvement in the investment climate in Russia as a key aim.' A 500-mile railway line stemming from the existing Trans-Siberian line to Yakutsk - costing £900million and due for completion in 2013 - is part of Kremlin plans to extend rail lines 2,360 miles to the north-eastern tip of Siberia by 2030. That could open up the way for the construction of a tunnel - which could take up to another 15 years to complete. The route would be twice the length of the Channel Tunnel, in a sparsely populated area miles from large population centres. It would also require U.S. engineers to create through train lines in Alaska, linking it with cities in Canada and onwards. Currently, travellers would have to get a ferry to Anchorage, Alaska, from the U.S. west coast and train services in Russia would only take you as far as Chita or Vladivostock, before they move down into China and Mongolia. It remains to be seen whether Russia could finance such an ambitious project, but it opens up the possibility of a breathtaking train journey through picturesque Siberia and Alaska. Read more: <http://www.dailymail.co.uk/news/article-2028854/99bn-Bering-Strait-tunnel-approved-Kremlin-paves-way-East-West-rail-link.html#ixzz20XBNGnxW>

### CO2 Pipelines

#### CO2 pipelines costs high

Carbon Capture and Sequestration Technologies Program 9, - Massachusetts Institute of Technology (“Carbon Management GIS: CO2 Pipeline Transport Cost Estimation”, MIT, October 2006/Updated in June 2009, <http://www.canadiancleanpowercoalition.com/pdf/CTS12%20-%20Transport.pdf>) JY

The amount of cost data on CO2 pipelines in the open literature is very limited. But there is an abundance of cost data for natural gas pipelines. For this reason, land construction cost data for natural gas pipelines were used to estimate the construction costs for CO2 pipelines. This should be adequate for the screening study as there is little difference between land construction costs for these two types of pipelines. It is worthy noting, however, that CO2 pipelines might be slightly more expensive because of the greater wall thickness needed to contain CO2, which is transported at higher pressures. The CO2 transport package divides the pipeline transport cost into two components: the land construction cost and the O&M cost. Equation (2) gives the formula to annualize the land construction cost over the operating life of the pipeline: Annualized Cost = Land Construction Cost \* Capital Charge Factor + O&M Cost (2) The package uses a default capital charge of 0.15 and assumes the pipeline O&M cost to be $5,000/mile per year, independent of pipeline diameter (Heddle, et.al., 2003). The package adopts two correlations to estimate the land construction costs for CO2 pipelines: the MIT correlation and the CMU correlation, which are discussed in details below. 5.1 MIT Correlation The MIT correlation was developed by the Carbon Capture and Sequestration Technologies Program (CCSTP) at the Massachusetts Institute of Technology. It assumes that the CO2 pipeline land construction cost has a linear correlation with pipeline diameter and length. Using data for natural gas pipelines consists of cost estimates filed with the United States’ Federal Energy Regulatory Commission (FERC) and reported in the Oil and Gas Journal between 1989 and 1998, Heddle et.al. (2003) estimate the CO2 pipeline construction cost to be $33,900/in/mile. Figure 5.1 shows the regression analysis of pipeline land construction cost data. Equation (3) provides the formula for the MIT correlation used in the transport package: LCC  \*D\*L (3) where  = $33,853; D: pipeline diameter in inches (function of CO2 flow rate); L: least-cost pipeline route length in miles; In addition, the package also allows users to replace parameter  with their self-defined values. 10 Figure 5.1 Regression Analysis of Pipeline Land Construction Cost Data Due to increased costs and inflation, the land construction costs of pipeline construction have increased since the original LCC was calculated (based on data between 1989 and 1998). New data from the Oil and Gas Journal shows the costs of pipeline construction up to 2007. These new values were used in order to obtain a more accurate, up to date number. The equation is the same; it is just calculated by an Index. LCC= α \* D \* L \* Indext (4) The new Index for year 2007 equals to 2.92. See Table 5.1 and Figure 5.2. This value is an optional addition when calculating the LCC for post 2007.

#### CO2 pipelines expensive- construction and installation

Power Plant CSS 10- (“Cost of Pipeline Based Transportation”, Power Plant CSS, 2010, <http://www.powerplantccs.com/ccs/tra/tra_pipe_cost.html>) JY

The costs of pipelines can be categorized into three items Construction costs Material/equipment costs (pipe, pipe coating, telecommunication equipment; possible booster stations) Installation costs (labour) Operation and maintenance costs Monitoring costs Maintenance costs Energy costs Other costs (design, project management, regulatory filing fees, insurances costs, right-of-way costs, contingencies allowances) Initial capital costs, up-front capital outlays for a new CO2 pipeline network are substantial. MIT for example has estimated overall annualized pipeline transportation (and storage) cost of approximately $5 per metric ton of CO2. The 2007 Duke study, estimated it would cost approximately $5 billion to construct a CO2 trunk line along existing pipeline rights of way to transport captured CO2 from North Carolina to potential sequestration sites in the Gulf States and Appalachia. For costs it is assumed that CO2 is delivered from the capture system at 10 MPa. The pipeline material costs depend on the length of the pipeline, the diameter, the amount of CO2 to be transported and the quality of the carbon dioxide. Investments are higher when compressor stations are required to compensate for pressure loss along the pipeline, or for longer pipelines or for hilly terrain. Compressor stations may be avoided by increasing the pipeline diameter and reducing the flow velocity. Reported transport velocity varies from 1 to 5 m/s. The actual design will be optimized with regard to pipeline diameter, pressure loss (required compressor stations and power) and pipeline wall thickness. Costs depend on the terrain. Onshore pipeline costs may increase by 50 to 100% or more when the pipeline route is congested and heavily populated. Costs also increase in mountains, in nature reserve areas, in areas with obstacles such as rivers and freeways, and in heavily urbanized areas because of accessibility to construction and additional required safety measures. Offshore pipelines generally operate at higher pressures and lower temperatures than onshore pipelines, and are often, but not always, 40 to 70% more expensive. It is cheaper to collect CO2 from several sources into a single pipeline than to transport smaller amounts separately. Early and smaller projects will face relatively high transport costs, and therefore be sensitive to transport distance, whereas an evolution towards higher capacities (large and wide-spread application) may result in a decrease in transport costs.

### Hydrogen

#### Hydrogen fueling stations expensive- Beijing Hydrogen Park proves

BP 12- (“Opening ceremony of China's first hydrogen refueling station”, BP, 2012, <http://www.bp.com/extendedgenericarticle.do?categoryId=9011373&contentId=7026801>) JY

"Zero emission, low noise, high energy-efficiency… this is like a dream." said an excited passenger on board a hydrogen fuel cell bus. The polished bus was just refilled with hydrogen fuel in a BP-branded hydrogen station in Beijing. Located in Beijing Hydrogen Park, the park officially started operation on 8th Nov, bringing spotlight to hydrogen for transportation – which many believed to be the fuel of the future. Jointly built by BP and its Chinese partner, Sinohytec, the station currently provides 100 kilograms of hydrogen a day, enough to fuel four hydrogen-powered busses. "As China's first hydrogen filling station for transportation, this marks a milestone in the country's development of alternative energy," said Xu Jing, Deputy Director of the High-tech Industrial Development Department under China's Ministry of Science and Technology, addressing the station's opening ceremony. Bill Fitzharris, BP's general manager of technology for hydrogen for transportation, said the park also holds "BP's largest hydrogen refueling station" worldwide. Yet Bill cautioned during the opening that "the manufacturing cost of hydrogen fuel cell vehicles is now over 10 times that of traditional vehicles." He added: "Storage and transportation of hydrogen, and the construction of hydrogen station infrastructure also entail significant expenses." The reality today is that hydrogen power is still, for much of the world, little more than an ultra-expensive dream. To build the hydrogen refueling station in Beijing, BP invested US$3.5 million, along with technological and human resources. "This is like the chicken and egg question," explained Bill, "If hydrogen stations are not plentiful, who will be willing to buy hydrogen fuel cell vehicles? On the other hand, if the cost of such vehicles remains high and no one is willing to use them, how can we maintain the operation of the hydrogen refueling stations?" BP and other promoters of a hydrogen-fueled future state that advances in production of hydrogen fuel cell technology and vehicles, along with rapidly expanding market demand, could make the hydrogen energy sector commercially viable within a decade. And Bill predicted this would happen around 2015. Before then, pilot-program hydrogen fuel cell vehicles will be put into commercial operation and serve as a great opportunity for BP to test its hydrogen fuel business model and establish its reputation as a hydrogen energy supplier. Next year, BP plans to build a localized infrastructure to extract hydrogen from natural gas in the Beijing station, in order to avoid transportation and storage costs. In collaboration with government and industry partners, BP has built demonstration hydrogen stations across the globe. The company is committed to explore and learn about the hydrogen energy sector through practice. This includes its challenges and its potential.

#### Hydrogen transition expensive- production and infrastructure changes

Considine 5- Professor of Natural Resource Economics in the College of Earth and Mineral Sciences (Tim, “The Price of Power”, Penn State, 6-8-05, http://www.rps.psu.edu/hydrogen/price.html)JY

Can hydrogen stack up to the competition? A conversation with Tim Considine There's an economist at the hydrogen energy party and he's not afraid to speak his mind. "I hate to sound like a pessimist," says Tim Considine, professor of natural resource economics at Penn State. "But the simple fact is hydrogen is not economical, and it's unlikely to be for quite some time." What's in the way? According to Considine, production costs, major technical hurdles, and society's reluctance to pay the true cost of burning fossil fuels, to name just a few obstacles. Can hydrogen compete at the pump? Photo by Emily Rowlands According to a 2004 report from the National Academy of Engineering, "the vision of the hydrogen economy is based on the expectation that hydrogen can be produced from domestic energy sources in a manner that is affordable and environmentally benign," and that "applications using hydrogen — fuel cell vehicles, for example — can gain market share in competition with the alternatives." The conclusion of the committee that authored the report? A transition to a hydrogen economy is, at best, decades away. Considine agrees. "We have a long way to go." Former associate editor Dana Bauer sat down with Tim Considine to learn more about the direction—and challenges—of hydrogen research. Q: Gas is cheap. How can hydrogen compete? A: You can make a case that if one were to internalize all the external effects from burning gasoline — these might be air pollution, health effects, the amount of money that we're spending directly and indirectly on the military to protect world oil lands — one could calculate that the true social cost of oil is not $30 to $40 a barrel, it's at least $100 a barrel. So, if you believe that, the corrective policy is to put a tax on gasoline. If the social cost of oil is $50 a barrel, say, you divide that by 42 gallons in a barrel, that's more than a $1 tax per gallon of gasoline. But tell me what politician would be willing to put a tax of a dollar on gasoline? So that's the essence of the problem. We're not paying the true cost of gasoline. The point is that hydrogen and alternative fuels have to compete in that type of market. Also there is competition from the good old internal combustion engine. Don't rule it out. Automakers have been improving the internal combustion engine on a steady basis over the past ten years and it's likely to improve even further both in terms of fuel efficiency and power output. Q: What are the biggest challenges facing hydrogen research? A: Right now, producing hydrogen is expensive and energy intensive. It takes about six gallons of gasoline to make and compress a little over two pounds of hydrogen, which carries about the same amount of energy as a gallon of gasoline. The biggest producer of hydrogen is the oil industry. Coal and natural gas are alternative ways to fuel hydrogen production, but at some point we're going to have to go nuclear. We'll run out of oil and natural gas. Researchers also need to develop efficient and affordable fuel cell technologies and a safe and economical means of storing hydrogen aboard vehicles. Q: Will consumers go for hydrogen-powered vehicles? A: What do consumers want in vehicles? They want safety and they want space. Granted, there's a segment of the population that's happy driving small cars, but it's a small segment. Most of the market, more than 50 percent, is after space and safety. The other thing is that cars are becoming electronic platforms for gadgets — DVD players, stereos. Cars are becoming power plants and they have more creature comfort features that consume energy. That's a real demand on the engine to produce power. Also, think about this: You have a hydrogen vehicle and someone comes along and says, 'Hey, we can sell you a Chevy Suburban that seats eight and gets 40 miles a gallon.' Don't rule it out. You could see a dramatic increase in fuel economy among the SUVs. Right now there's no great incentive, but the technology is there to do it. What will it take for consumers to purchase hydrogen vehicles? Photo by Leslie Eudy (DOE/NREL) Q: Will automakers make hydrogen vehicles? A: Automakers are risk averse. Increasingly, these companies are in the service business. You've seen the warranties go up in the past 10 years. They all have to have solid service and repair networks. So when you're talking about switching to a new kind of vehicle, you're talking about a radical change in the whole service infrastructure. Making these changes is a huge logistical challenge for the automakers. It's capital intensive. It has to evolve. You're not going to see these changes happen very quickly. Q: Are hybrid vehicles a good way to test the waters? A: Automakers are learning about that technology, too. When they build these hybrids, they don't know how long they're going to last. The engineers can estimate, but you don't really know until consumers start to use them and get them into the repair network. Most of the major car companies have hybrids on the market. You see more hybrids in Japan. California is a good market for hybrids. Some of the car companies are talking about bringing hydrogen cars to market in the 2010 to 2020 time frame. They'd be sort of sliding into the same market that hybrids are in now. Q: Why is the idea of a hydrogen economy so popular? What are the steps to getting there? A: I'm focusing on transportation, because that seems to be where the big push for hydrogen is. One of my main motivations is that scientists, engineers, and politicians see the great promise of hydrogen as a clean fuel, no pollution. That's the nirvana that everyone's looking for. Politically, it's very attractive. A lot of areas in the country have real air quality problems. Something has to be done. Hydrogen may be a solution. It's just going to take a while. There is now a cottage hydrogen industry that's feeding off of federal support and most of the major automakers are conducting research and development on hydrogen fuel cells. These programs will continue. And there's a legitimate case for research and development. There could be a dramatic breakthrough in fuel cell operation. There have already been significant reductions in fuel cell operating costs because material scientists have been able to reduce the amount of platinum used in fuel cell catalysts. There could be other similar materials science based innovations — special membranes to store hydrogen at a higher density, for example. So technology changes and advances and you don't know when it's going to happen. But it's a race because conventional technology is getting more efficient as well.

### Mass Transit

#### Light Rails expensive and lead to cost overruns- Norfolk proves

New Geography 10- (Wendell Cox, “Norfolk Light Rail: Expensive Rising Tide”, New Geography, 2-19-10, <http://www.newgeography.com/content/001422-norfolk-light-rail-expensive-rising-tide>) JY

The Virginian Pilot reports that the cost of the Hampton Roads (Virginia Beach-Norfolk metropolitan area) “Tide” light rail line has now [escalated to nearly $340 million](http://hamptonroads.com/2010/02/hrt-sets-final-cost-norfolk-light-rail-3383-million). This is up nearly one-half from the estimates made when the project was approved by the Federal Transit Administration. According to federal documentation, the line will carry 7,100 daily passengers in 2030. This means that the capital cost alone will amount to an annual subsidy of approximately $6,500 per daily passenger (using Office of Management and Budget discount rates), plus an unknown additional operating subsidy. This is enough to lease every daily commuter a new Ford Taurus for the life of the project (assumes a new car every 5 years and includes future car price inflation).

The light rail line cannot be expected to do much for transportation. Even if the line reaches its projected ridership (many do not) by 2030, it will carry only 0.1% of the travel in the metropolitan area (one out of every 1,000 trips).

#### Subway improvement prices high and inevitably escalate- San Francisco Central Subway Project

Cal Watchdog 11- (Katy Grimes, “S.F. Subway Derails into Boondoggle”, Cal Watchdog, 7-22-11, <http://www.calwatchdog.com/2011/07/22/s-f-subway-derails-into-boondoggle/>) JY

The California High-Speed Rail Authority isn’t the state’s only massive choo-choo boondoggle. San Francisco boasts the Central Subway project, a wasteful train system all its own. Fortunately, citizen volunteers, transportation and rail experts and local writers have been making noise about the Central Subway project. But no one in public office appears to be listening, or care. Has the train already left the station with all of the elected San Francisco officials on board? Since the passage of Proposition E in November 1999, the Muni bus system has been part of the San Francisco Municipal Transportation Agency (SFMTA), a semi-independent city agency created by that ballot measure. The Muni, the Department of Parking and Traffic and the Taxicab Commission were merged into the SFMTA, which is governed by a seven-member Board of Directors appointed by the mayor. When Gavin Newsom was mayor of San Francisco, he and the county supervisors decided that, instead of just beefing up the Muni bus system — which used to be lauded for efficiency — adding expensive trains to the local transportation system was the new direction. In 2003, Rep. Nancy Pelosi, D-San Francisco, got a special provision for her city inserted into the federal $820 billion budget appropriations bill, bringing home more $100 million in federal earmark money to create the Central Subway project. But that was just the beginning. Many feel that the transportation projects in San Francisco are only federal money-chasing boondoggles; it would seem that Pelosi’s earmark supports that theory. More than half of the money spent on transportation projects is funded by the federal government — as long as local municipalities “match” the funding, forcing cities into putting local tax measures on the ballot. In a recent report, the San Francisco Grand Jury blasted the subway project for unaccountable spending of public money — nearly $1.6 billion. Still, no one in elected office in or from San Francisco appears to have lifted a finger to stop the ridiculous train project, nor have indictments come down or heads rolled. The Central Subway project has grown exponentially, turning into a billion-dollar boondoggle with no end in sight. Neighborhoods and streets have been torn up and a great deal of the existing bus system has been ruined, charge local transit experts and activists. Both train experts and the Grand Jury said that, when completed, the Central Subway will actually leave passengers stranded without connections. The 1.7-mile line is designed to run from around Pacific Bell Park, under Third and Stockton streets, to Chinatown. But it will no longer connect to BART, the city bus system or the ferry. The Subway Project The Central Subway project is phase two of a three-part transportation project, approved by voters in San Francisco as Measure K, which extended to 2033 a sales tax slated for expiration in 2009. The tax originally was passed in 1989. The completion date of the subway was supposed to be 2011, but has now has been extended to 2019. And the costs have extended and escalated as well: early estimates of $648 million in November 2003 increased to $994 million in 2006 and up to $1.578 billion in 2011. What will the true cost be upon completion in 2019? At $176,000 per foot of construction, this is the most expensive public transit project considered for federal funding. And it doesn’t appear to be slowing or decreasing. Even with the statewide economic downturn, San Francisco has had to rein in overall budgets. The Central Subway is no exception. “Due to budget constraints, SFMTA has deferred certain capital projects that include expenditures to maintain its assets in a state of good repair,” the Grand Jury found. In the last three years, SFMTA has lost nearly $180 million of funding from the state, and nearly $50 million from local funding.

### Sealift

#### Activation of Sealifts leads to major costs- RRF proves

Pirmann 97- Lieutenant Commander Supply Corp, United States Navy (John C., “Is It Time To Subsidize American Sealift? An Alternative View For Strategic Sealift Requirements In The 21st Century”, Global Security, 1997, <http://www.globalsecurity.org/military/library/report/1997/Pirmann.htm>) JY

OPERATIONS IN ODS  The concept behind the Ready Reserve Force (RRF) was to establish a reserve force capable of a quick response to support rapid world wide deployment of U.S. military forces and unit equipment.[[21]](http://www.globalsecurity.org/military/library/report/1997/Pirmann.htm" \l "_ftn21" \o ") Consisting of 96 ships, the RRF was maintained in a 5-10-20 day readiness status. Originally conceived to support the strategic lift of the MPS, APS and FSS ships, the RRF possessed a combination of ships including RORO, crane ships, tanker and break bulk vessels having a military use. A 1988 Memorandum of Understanding between MSC and the Maritime Administration (MARAD) tasked MARAD with the maintenance funding responsibility for the RRF through the Department of Transportation. MSC would exercise operational control of RRF assets when they were activated.[[22]](http://www.globalsecurity.org/military/library/report/1997/Pirmann.htm" \l "_ftn22" \o ") The primary reason for the existence of the RRF was the shifting of the United States merchant marine from militarily useful ships such as break bulk cargo ships towards large container ships which were of limited military value. The DOD, already concerned with the ability to meet strategic sealift requirements during such crises as the Iran/Iraq war and the Soviet invasion of Afghanistan during the 1980's, decided to purchase these older ships that had no commercial value but still had some military usefulness.[[23]](http://www.globalsecurity.org/military/library/report/1997/Pirmann.htm" \l "_ftn23" \o ") LIMITATIONS  The response of the RRF during ODS was poor. Of the 42 ships activated under the 5 day plan, 31 missed their cast off dates. The age of these vessels, their material conditions and the lack of adequate numbers of merchant mariners to man them severely impacted their responsiveness to sail orders.  Activating ships from a reduced operating status that have not been operated since being acquired proved to be both slow and expensive. Less than 50 percent of the RRF contingency force was activated to support the initial surge of ODS and of the total number requested to be activated, 63 percent had never been broken out of reserve status.  The activation of these ships was not only expensive at $1.5 million each, it was extremely labor intensive requiring between 800 and 1200 man days for each vessel. The RRF was an aged force averaging 24 years and consisted of mostly oil fired steam plants. Spare parts were scare and skilled operators were even harder to find. Their 5-10-20 day readiness status proved to be a paper designation based on policy requirements. Despite these drawbacks, the RRF provided lift of over 741,000 short tons of materiel to the Gulf. However, delivery dates to the theater commenced more than 90 days after the FSS ships. In fact, some ships of the Prepositioned Force and FSS made two deliveries to the theater before the arrival of the first RRF ship.[[24]](http://www.globalsecurity.org/military/library/report/1997/Pirmann.htm" \l "_ftn24" \o ")  The reduction in size of the U.S. Merchant Marine fleet between World War II and ODS became acutely apparent when the activation of the RRF generated the need for more than 3,000 seamen. A pool of readily available and qualified seamen did not exist among active members of the U.S. flag fleet. Retired merchant marines were recruited and many volunteered; some were 82 years old. The resulting average age of the RRF crew was 55 years of age. Often, these crews were assigned to ships on which they had little or no experience. Despite this critical manning problem, all RRF vessels activated were eventually manned.[[25]](http://www.globalsecurity.org/military/library/report/1997/Pirmann.htm" \l "_ftn25" \o ")

#### Shipbuilding construction expensive

National Defense Industrial Association 8- (Grace V. Jean and Sandra I. Erwin, “Ship Construction Costs Endanger Navy’s Fleet Expansion”, National Defense Industrial Association, January 2008, <http://www.nationaldefensemagazine.org/archive/2008/January/Pages/ShipCons2388.aspx>) JY

With runaway shipbuilding costs, disruptions in key programs and competing budgetary needs, the Navy is heading into one of its toughest procurement cycles yet. “The U.S. Navy is facing a numbers crunch,” said Stuart Slade, senior naval editor at Forecast International, a Connecticut-based marketing research and consulting firm. “The cost of ships is going up through the roof,” he said. As a result, it remains uncertain whether the Navy can reach its goal of a 313-ship force by 2020. The fleet currently stands at 280 ships. To get to 313 ships, the Navy must spend $13.4 billion — in 2005 dollars — each year, said Rear Adm. Barry McCullough, director of warfare integration. The Navy, however, historically has programmed $11 billion a year in its shipbuilding accounts. If that rate holds, the service will end up with a fleet of 260 ships, McCullough said. “We have to get the costs out of our ships to meet the inventory,” he said. George Sawyer, a former assistant secretary of the Navy for research, development and acquisitions, estimated that the Navy needs $19 billion a year to catch up. But it is unlikely that the Navy will see such a boost, despite recent congressional add-ons to the Virginia-class submarine program. In the fiscal 2008 defense budget, Congress provided an additional $588 million in advance procurement funding to accelerate submarine production. However, even that plus-up is not enough to complete the buy of the ships, which will require between $1.5 to $2 billion more in future years, said Ronald O’Rourke, a naval analyst with the Congressional Research Service. The Congressional Budget Office has estimated that warships will cost substantially more to build than the Navy estimates. The 30-year shipbuilding plan could cost an average of $20.8 billion per year in fiscal 2008 dollars to execute — about 35 percent more than the Navy’s $15.4 billion, according to O’Rourke. “If the Navy in coming years does not receive or cannot devote more budgetary resources to ship construction, and if the Navy retains roughly the same proportionate mix of ship types as called for in the 313-ship proposal, the fleet could eventually be reduced to a total of 211 ships, or about 33 percent fewer than called for in the 313-ship proposal,” he wrote in a report. “We are in a vicious cycle. As costs go up, ship numbers go down, and if numbers go down, they drive costs up further,” said Slade. “These are the questions that the Navy is struggling with at the moment, and they’re not easy ones to answer.” Already, the service has taken measures such as cutting sailors from the fleet to free up money. But the drawdown has not generated as big a savings as Navy officials had hoped. The Navy would have a tough time convincing Congress that it needs a bigger budget right now, said Shaun McDougall, a military budget analyst at Forecast International. “The Navy has no glamorous role to play in the wars in Iraq and Afghanistan,” he wrote in a recent report. “There is little in the current Navy story that can be used to push back against encroachment on its budget by the other services.” Ship procurement has been further hindered by program changes and delays, as well as cost overruns in a number of the Navy’s most important projects, McDougall said. The current DDG-1000 destroyer program is a prime example of the difficulties facing the Navy, he noted. “Because the ship is designed to include several new still-experimental technologies, the costs of its development have gone so far beyond the original projections that cancellation is a real possibility.” Navy officials have argued that the costs of DDG-1000 are justified because the ship will be the launch pad for a host of new technologies. Congress appears unconvinced by this argument, McDougall said. “Lawmakers have shown concern over the long-term future of the new destroyer, and may be unwilling to provide full funding down the road should the costs continue to soar.” The Littoral Combat Ship program has been facing even more problems. At $220 million per ship, the LCS was supposed to be a relatively inexpensive way to boost the Navy’s fleet numbers by 55 ships. Now it seems unlikely that the service will have even half of those ships in operation by 2020. A cost growth of more than 50 percent in the first two LCS prototypes has dealt a serious blow to the program. More importantly, McDougall noted, the LCS is key to the Navy’s intent to dominate “green water,” or littoral areas. “The Navy has begun to see its future as supporting expeditionary forces ashore and interdicting terrorists attempting to use the ocean for movement,” McDougall said. “The new Littoral Combat Ship is meant to serve as the backbone of this practice.” “Both House and Senate defense committees slammed the program, going so far as to call LCS a ‘case study in how not to acquire ships,’” said McDougall. Through fiscal 2007, the Navy experienced a cumulative cost growth of nearly $5 billion among the 41 ships it was constructing during the year, he said. The first two San Antonio class amphibious ships, LPD-17 and -18, have seen their costs grow by more than $1.3 billion. The CVN-77, the final aircraft carrier of the Nimitz class, is currently under construction. It has gone over budget by about 17 percent, McDougall estimated. Like other analysts, McDougall believes the current shipbuilding plan is unrealistic. “The 2008 30-year shipbuilding plan contained 10 more ships than the previous year’s plan, yet the annual funding estimated for the plan went largely untouched,” he said. “That means the Navy assumes the cost of shipbuilding will decrease as the years pass by, though recent history suggests otherwise. If today’s trends continue, the Navy’s buying power will be severely diminished in the out-years, making a 313-ship fleet an impossibility without a significant boost to the service’s annual budget.” Navy officials have announced in recent years several new initiatives designed to lower the cost of ships, but it remains to be seen whether they will pay off. These include limiting design changes, standardizing engineering plans, sharing combat system suites, allowing longer production lines and stabilizing shipbuilding plans, said McCullough. Acquisitions officials also are considering whether to pare down the number of ship models in the fleet for affordability. Having only 10 different models of ships, rather than the current 29, will change the way the Navy thinks, said Rear Adm. Charles Goddard, program executive officer for ships. In 2020, for example, the Navy could potentially have a single type of amphibious ship. “That’s a debate we need to have in the future,” he said. This is not the first time that the Navy has lived through a turbulent shipbuilding era when it was experimenting with new ship designs, Slade said. That happened in the 19th century when steam was revolutionizing the industry and metal was replacing wooden hulls. Ship prices escalated vastly then, too, said Slade, and as navies produced small batches of prototype ships during a course of 20 to 30 years, they eventually hit upon a formula that worked. “The Navy is doing very much the same thing. It’s building prototypes, looking at concepts, evaluating concepts, trying to work out what is going to work, and what isn’t. Eventually, out of this process, probably in about five years or 10 years, a new concept of warship would arrive, which is tuned into the strategic environment and buildable at an affordable cost,” said Slade. But the service does not have the luxury of time — or money — to waste. Its shipbuilding affordability challenges are not endemic to the United States. They are indicative of a much larger problem. “This is something that’s hitting every navy everywhere in the world,” said Slade. The Australians are paying $900 million for destroyers and the Dutch paid $600 million for their new warships. The Germans are paying $700 million for a new F125-class frigate. All of these ships are short-term projects that will be finished in the next five years. “By 2015, the billion-dollar warship is going to be the industry standard. That is what everybody will be buying and we’re well on our way to that now,” he said. “This is actually a very serious problem. Countries have maritime interests. How are they going to fill these interests if ship prices are going through the roof?” Under budget constraints, the Danish navy came up with a money-saving technique by building ships with modularity, so that weapons systems could be removed and upgraded without having to construct a new ship. “We’re beginning to see they probably had a point,” said Slade. Both the LCS and the DDG-1000 are embracing that philosophy. Because the Navy is looking at the real possibility of having its ship numbers decrease, Naval Sea Systems Command is examining the feasibility of extending the service life of all ships by five years, said McCullough. “If you look at the surface combatant force and look at where we’ve routinely decommissioned our ships, we decommission them about halfway through their engineering service life projections,” he said. For example, a ship with a service life of 35 years is often decommissioned at 17 years because it cannot be upgraded at an affordable cost. Destroyers have been decommissioned at about 22 years while cruisers have gone out of service at 20 years. Extending the service life of a ship to 40 or 50 years is going to be required, said Slade. “It’s not as outrageous as it sounds,” he added. The Navy’s old carriers lasted for 35 to 40 years and the service is requiring its new generation of carriers to last 50 or 60 years. But extending the life of old ships can only act as a bandage for a navy that needs new ships. “We have significant challenges to address so this plan can become a reality,” said McCullough. “We recognize there will be other higher priorities in the defense budget requirements.” Further, “We’re at a disadvantage in that it will take a long time to transform the Navy’s ship force structure. All of these factors will affect the Navy’s ability to execute the 30-year plan,” he said. Meanwhile, Navy aviation will be facing its own budget crunch in the near future, McDougall said. “The Navy has recently tried to rein in its aircraft spending to ease tensions on the troubled shipbuilding programs, pushing back or reducing the number of aircraft being purchased.” Aviation programs such as the F-35, the EA-18G, and the MH-60 saw a slowdown in their planned procurement schedules in the 2008 budget request. “The Navy’s demand to replace aging aircraft is not going away, however, and the service will find itself having to purchase an increasing number of aircraft as it moves into the next decade,” said McDougall. “Navy aircraft procurement spending is expected to rise by about $5 billion over the next five years, with the number of aircraft being bought growing from 185 in 2008 to 244 in 2012.” He said that the 2009 budget request will begin to reflect the Navy’s thinking regarding future aircraft spending.

### Freight Rail

#### Costs of improving freight rail high

Cambridge Systematics 7- (“National Rail Freight Infrastructure and Capacity Investment”, Cambridge Systematics, September 2007, <http://www.aar.org/~/media/aar/Files/natl_freight_capacity_study.ashx>) JY

The cost of improvements needed to accommodate rail freight demand in 2035 is estimated at $148 billion (in 2007 dollars). The Class I freight railroads’ share of this cost is projected to be $135 billion; the short line and regional freight railroads’ share is projected to be $13 billion. The cost estimates cover: • Line expansion: – Upgrades to mainline tracks and signal control systems; – Improvements to significant rail bridges and tunnels; – Upgrades to Class I railroad secondary mainlines and branch lines to accommodate 286,000-pound freight cars; and – Upgrades to short line and regional railroad tracks and bridges to accommodate 286,000-pound freight cars. • Facility expansion: – Expansion of carload terminals, intermodal yards, and international gateway facilities owned by railroads; and – Expansion of Class I railroad service and support facilities such as fueling stations and maintenance facilities. Table 7.1 summarizes the investments required by type of improvement for the Class I and the short line and regional railroads. National Rail Freight Infrastructure Capacity and Investment Study Table 7.1 Cost of Rail Freight Infrastructure Improvements Millions of 2007 Dollars Class I Freight Railroads Short Line and Regional Freight Railroads Totals Line Haul Expansion $94,750 $320 $95,070 Major Bridges, Tunnels, and Clearance $19,400 $5,000 $24,400 Branch Line Upgrades $2,390 $7,230 $9,620 Intermodal Terminal Expansion $9,320 $9,320 Carload Terminal Expansion $6,620 $6,620 Service Facilities $2,550 $2,550 Totals $135,030 $12,550 $147,580 Source: Cambridge Systematics, Inc. Notes: All estimates exclude real estate acquisition costs, consistent with national highway needs analysis study practices. Line expansion costs for short line and regional railroads are only for segments used to connect the primary corridors, not the entire system. The category Major Bridges, Tunnels, and Clearance covers very large projects such as expansion of major bridges and tunnels (or construction of new parallel bridges and tunnels) and corridor overhead clearance projects that are not adequately accounted for by per mile unit costs. The category Branch Line Upgrades covers upgrades to secondary main and branch lines to meet 286,000-pound weight-limit standards for the Class I railroads. A preliminary analysis shows limited need to upgrade the capacity of secondary mainlines and branch lines. Line expansion cost estimates were based on per mile construction costs to upgrade from one level of corridor capacity to another. Table 7.2 lists the average construction cost per mile for each set of upgrades. For example, upgrading a corridor from “one track and N/S-TWC control” to “one track with CTC-TCS control” would cost $700,000 per mile. All costs are reported in current (2007) dollars. 7-2 Cambridge Systematics, Inc.National Rail Freight Infrastructure Capacity and Investment Study Table 7.2 Average Unit Costs From To Tracks Control Tracks Control Construction Cost (per mile) 1 N/S-TWC 1 CTC-TCS $700,000 2 NS-TWC 2 CTC-TCS $700,000 1 ABS 1 CTC-TCS $500,000 2 ABS 2 CTC-TCS $600,000 1 CTC-TCS 2 CTC-TCS $3,800,000 2 CTC-TCS 3 CTC-TCS $4,400,000 3 CTC-TCS 4 CTC-TCS $4,400,000 4 CTC-TCS 5 CTC-TCS $4,400,000 5 CTC-TCS 6 CTC-TCS $4,400,000 Key: N/S-TWC – No Signal/Track Warrant Control. ABS – Automatic Block Signaling. CTC-TCS – Centralized Traffic Control/Traffic Control System. Note: The table presents average costs for typical rail freight corridors. The actual costs of the corridors were estimated using railroad-specific capacity tables. Per mile construction costs for Eastern rail corridors were higher than the averages presented in the table because of the number of urbanized areas, hilly terrain, and numerous river crossings. Conversely, per mile construction costs for Western rail corridors in non-urban areas were lower than the averages presented in the table because of the prevalence of flatter, non-urbanized areas along some Western railroad primary corridors. At the request of the railroads, the railroad-specific cost tables were not included in this report to protect confidential railroad business information. Source: Cambridge Systematics based on Association of American Railroads and Class I railroads’ data. Expansion costs for major bridges and tunnels were estimated separately for each facility based on the cost of recent and comparable projects. Expansion costs for facilities such as intermodal yards, carload terminals, fueling stations, and maintenance facilities were estimated using the anticipated number of intermodal units, cars, and trains operating in the corridor. The estimates do not include all line expansion costs on short line and regional railroads, nor the cost of expanding tunnels, bridges, and service facilities on the short lines and regionals. Neither the Class I nor the short line and regional railroad estimates include the cost of additional real estate, the cost to maintain or replace existing rail lines and facilities, or the cost to acquire additional locomotives and railcars. Appendix A provides more information on the cost estimating methods. Cambridge Systematics, Inc. 7-3National Rail Freight Infrastructure Capacity and Investment Study 7-4 Cambridge Systematics, Inc. 7.2 COST SAVINGS FROM PRODUCTIVITY IMPROVEMENTS The recommended improvements and the cost estimates assume that the future demand for rail freight transportation will be met by using current technology and existing rail corridors. The analysis also assumes that there will be no shift in freight traffic among modes (i.e., rail, truck, water), and no significant changes in regulation or other factors that could change the demand for or supply of rail freight services. However, there are alternative futures that could, and eventually should, be examined. These include futures that assume significant changes in rail technology, major shifts in markets or trade patterns, and new innovations in railroad operations. A full examination of these alternative futures was not attempted for this first approximation study. However, a preliminary estimate was made of the potential cost savings from productivity improvements. The railroads anticipate that they can improve train productivity by up to 0.5 percent per year over the 28-year period from 2007 to 2035. The productivity would be gained by carrying more freight over each primary rail corridor. This would be done by increasing the number of trains, hauling more cars per train, and loading railcars more efficiently to make better use of the 286,000-pound capacity of current railcars. These improvements would allow the railroads to carry the same amount of rail freight in 2035, but carry it with fewer trains. A 0.5 percent productivity improvement would reduce the number of trains to about 87 percent of the initial 2035 forecast number of trains. This would reduce capacity expansion needs in many corridors, reducing the cost of line expansion across all railroads from $148 billion to about $121 billion.22 The Class I freight railroads’ share for infrastructure expansion would be reduced from $135 billion to $109 billion, a savings of $26 billion. The short line and regional freight railroads’ share of capital expenditures would be reduced from $12.6 billion to $12.3 billion, a savings of about $0.3 billion. 22 Productivity improvements are only applied to line costs, not to terminals, yards, facilities, etc. National Rail Freight Infrastructure Capacity and Investment Study 7.3 RAILROAD INVESTMENT CAPACITY In general, Class I railroad capital expenditures have tracked income, as shown in Figure 7.1, increasing consistently (in current dollars) since the economic deregulation of the railroad industry in 1980. Class I capital expenditures for infrastructure expansion totaled $1.1 billion in 2005 and $1.4 billion in 2006. The AAR estimates that Class I capital expenditures for infrastructure expansion will total $1.9 billion in 2007. Figure 7.1 Capital Investment and Income Class I Railroads, 1981 to 2006, in Current Dollars Capital Expenditures for Roadway and Equipment Net Income Billions of Dollars 9 -1 0 1 2 3 4 5 6 7 8 1981 1983 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 Year Source: American Association of Railroads data. If rail revenues grow proportionally to rail tonnage, currently forecast to increase by 88 percent by 2035, and if the railroads maintain their current level of effort for expansion, then the Class I railroads will invest cumulatively about $70 billion over the 28-year period. Cambridge Systematics, Inc. 7-5National Rail Freight Infrastructure Capacity and Investment Study 7.4 INVESTMENT REQUIREMENTS FOR CLASS I RAILROADS The estimated cost of the improvements needed to accommodate rail freight demand in 2035 is $148 billion. Of this amount, the Class I freight railroads’ share is projected to be $135 billion. The Class I railroads anticipate that they will be able to generate approximately $96 billion of their $135 billion share through increased earnings from revenue growth, higher volumes, and productivity improvements, while continuing to renew existing infrastructure and equipment. If revenue and capital expenditures for expansion follow the growth in rail tonnage, as the railroads expect, the Class I railroads could realize about $70 billion of the $135 billion from growth. And if the Class I railroads can continue to achieve train productivity gains of up to 0.5 percent per year, the railroads could realize savings of $26 billion in reduced capital expenditures. This would leave a balance for the Class I freight railroads of $39 billion or about $1.4 billion per year to be funded from railroad investment tax incentives, public-private partnerships, or other sources. These investment projections assume that the market will support rail freight prices sufficient to sustain long-term capital investments. If regulatory changes or unfunded legislative mandates reduce railroad earnings and productivity, investment and capacity expansion will be slower and the freight railroads may not be able to meet the U.S. DOT’s forecast demand.

### Link Magnifier - Cost Overruns Inevitable

**Large Transportation projects always cause cost overruns**

FLYVBJERG et. al. 3- Department of Development and Planning, Aalborg University, Denmark(Bent, Mette K. Skamris Holm, Soren L. , “What Causes Cost Overruns in Transportation Infrastructure Projects?”, Taylor and Francis, January 2004, <http://www.sbs.ox.ac.uk/centres/bt/Documents/COSTCAUSES7.1-PRINT.pdf>)JY

Flyvbjerg et al. (2003b) showed that large construction cost escalations in transport infrastructure projects are common and exist across different project types, different continents and different historical periods. The present paper tests what causes construction cost escalation, focusing on three variables: (1) the length of the implementation phase; (2) the size of the project; and (3) the type of ownership. The database used in the tests is by no means perfect. A more robust database with more, and more evenly distributed, observations across subdivisions is desirable. Such a database is not available at present, however. The database provided is the best and largest available and is a major step ahead compared with earlier databases. First, for the length of the implementation phase the main findings are as follows: Cost escalation is highly dependent on the length of the project-implementation phase and at a very high level of statistical significance (p < 0.001). Influence of the length of the implementation phase on cost escalation is not statistically different for rail, fixed-link (bridge and tunnel) and road projects, respectively. For every passing year from the decision to build until operations begin, the average increase in cost escalation is 4.64%. For a project in the size range of the Channel Tunnel, this is equal to an expected average cost of delay of approximately US$1 million/day, not including financing costs. It can be concluded that decision-makers should be concerned about long implementation phases and sluggish planning and implementation of large transport infrastructure projects. Sluggishness quite simply may be extremely expensive. Consequently, before a project owner decides to proceed and build a project, every effort should be made to conduct preparation, planning, authorization and ex ante evaluation in such ways that problems are negotiated and eliminated that may otherwise resurface as delays during implementation. Similarly, after the decision to build a project, it is of crucial importance that the project organization and management are set up and operated in ways that minimize the risk of delays. If those responsible for a project fail to do this, the evidence indicates that the financiers—be they taxpayers or private investors— are likely to be severely penalized in terms of cost escalations of a magnitude that could threaten project viability.

#### Transportation projects cost overruns – contractors and lobbyists

Edwards, 09- Chris Edwards is the director of tax policy studies at Cato and editor of [www.DownsizingGovernment.org](http://www.downsizinggovernment.org/). He is a top expert on federal and state tax and budget issues, a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. He is the author of [Downsizing the Federal Government](http://www.cato.org/store/books/downsizing-federal-government-hardback) and co-author of [Global Tax Revolution](http://www.cato.org/store/books/global-tax-revolution-rise-tax-competition-battle-defend-it-hardback). Edwards holds a B.A. and M.A. in economics, and he was a member of the [Fiscal Future Commission](http://www.napawash.org/publications-reports/choosing-the-nations-fiscal-future/) of the National Academy of Sciences.( Chris, “Government Cost Overruns”, March 2009, <http://www.downsizinggovernment.org/government-cost-overruns>) //LA

**Transportation.** Large cost overruns are routine on federally funded transportation projects. A good example was the Springfield, Virginia, highway interchange project. When initiated, Virginia officials claimed that the project would cost $241 million, but it ended up costing $676 million by the time it was completed in 2007.1 To add insult to injury, Virginia officials said that the project was finished "on time and under budget," but the Washington Post correctly pointed out that "the final cost was nearly three times what was first projected."2¶ The most infamous budget buster in highway history was probably Boston's "Big Dig," or Central Artery project. In 1985, government officials claimed that the Big Dig would cost $2.6 billion and that it would be completed by 1998. The project's cost ballooned to $14.6 billion and it was finally completed in 2005.3 The federal share of the cost was $8.5 billion.¶ What happened? The Big Dig was grossly mismanaged, as the Boston Globe revealed in a detailed investigation.4 One problem was that the state government bailed out bungling Big Dig contractors on more than 3,000 separate occasions rather than demanding accountability from them. Contractors were essentially rewarded for delays and overruns with added payments and guaranteed profits. Auditors warned state politicians about developing problems, but they did not seem to care.5 As a final blow to the public, hundreds of leaks were found in the project's tunnels after it was completed, and a tunnel ceiling collapsed on a motorist.¶ Not all government highway projects are as mismanaged as the Big Dig, but cost overruns and delays are routine. A Government Accountability Office study found that half of the federal highway projects it examined had cost overruns of more than 25 percent.6¶ Similar problems plague other government transportation projects. One example was the grossly over-budget Denver International Airport. In 1989, both Congress and Denver voters agreed to the construction of a new $1.7 billion airport. But by the time the airport was opened in 1995 the cost had mushroomed to $4.8 billion.7

#### Future government spending on transportation breaks the budget- Map 21 proves

Goff and Fraser 6/28 - Research Associate and Director of the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation(Emily J., Alison Acosta, “Transportation Conference Bill: Some Good Reforms, but too much Spending”, The Heritage Foundation, June-28-12, <http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending>) JY

Senate and House conferees have reached an agreement to fund surface transportation programs through 2014. The bill, MAP-21 (H.R. 4348), should be measured against how it steers the country away from its current path of reckless spending and whether it improves congestion, mobility, and safety. Lawmakers deserve credit for including reforms such as environmental review streamlining, consolidating or eliminating programs, and giving states more flexibility on how to use their federal transportation dollars. However, the bill spends too much and does not keep spending in line with what the Highway Trust Fund (HTF) brings in through the federal gas tax. **Positive Reforms** Conferees made welcome improvements that reduce the federal government’s role in transportation policy and give more freedom to states and localities, which know their transportation needs better than Washington does. **No earmarks.** The bill stayed consistent with the original House bill (H.R. 7) and got rid of all earmarks, sharply reversing course from its predecessor, SAFETEA-LU, and its 6,300 earmarks.[[1]](http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending#_ftn1)Eliminating earmarks removes some of the politics from the legislative process and reduces the bias toward favoring certain projects over other, potentially less important ones. **Consolidates and eliminates programs.** This bill consolidates over two-thirds of highway programs and eliminates unnecessary programs, saving $700 million on the Land and Water Conservation Fund alone, for example. However, it retains some competitive grants such as New Starts, allowing Washington to pick winners and losers instead of giving states that money through normal formula funding to use as they see fit. **Gives states flexibility.** States are currently unable to fully set their transportation priorities, because the federal government dictates how they can spend portions of their money. Their limited resources are diverted from urgent infrastructure projects to so-called enhancements, such as flower plantings, bicycle and nature trails, and roadside transportation museums.[[2]](http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending" \l "_ftn2) This bill would send 50 percent of the funds meant for these alternative transportation programs to the local level, and the rest would go to the state. States would have the ability of opting out of spending money on pedestrian and bike trails and safety-related infrastructure. With other projects eligible for this once-sacrosanct funding, states will have more control and freedom to meet their transportation needs without the micromanagement of Congress or federal bureaucrats. **Streamlines the regulatory process.** The bill would speed up the environmental review process for approving projects, in part by allowing certain projects to fall under categorical exclusions. Cutting the project delivery time for these projects in half—from 15 years to about seven—would free up resources for others. Cutting red tape saves states both time and money and stretches their highway dollars further. **Irresponsible Spending Continues** The bill spends too much, and to pay for this overspending, it contains transfers from the general fund, which are themselves paid for through new revenue streams. Some of the policy changes that yield new revenues are unacceptable, but beyond that, new revenue should not be used for new spending. The bill also continues diverting HTF funds to costly and wasteful transit programs. **Spending Is Too High.**To fund transportation programs through 2014, the bill would spend $120 billion, or $60 billion per year. Though consistent with current spending levels, it is well above what the HTF will collect: According to the Congressional Budget Office, the trust fund will run out of money in 2013, meaning spending is clearly outpacing revenues.[[3]](http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending" \l "_ftn3) Keeping spending within the limit of the trust fund puts pressure on lawmakers to return control of transportation programs and their funding to the states. Transfers from the general fund to pay for the bill would be offset mostly by pension and flood insurance changes. One pension-related reform would allow private businesses to invest less money in their employees’ defined-benefit pension plans. This is terrible policy that would harm the position of many under-funded plans. It also increases taxpayer risk of a pension bailout through the Pension Benefit Guaranty Corporation (PBGC).[[4]](http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending" \l "_ftn4) The other increases the premiums that an employer must pay to the PBGC for insurance. This change is good policy, but revenues should shore up PBGC instead of paying for additional spending. Similarly, revenue gained from higher premiums to the National Flood Insurance Program (NFIP) should begin to repay the $17.5 billion the program owes to taxpayers—not to pay for more spending.[[5]](http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending" \l "_ftn5) A different change to the NFIP would require that homes located near a levee or similar structure must have NFIP coverage. This would protect both homeowners and taxpayers. However, new revenues generated by sound policy reforms should go toward reducing the country’s unsustainable deficits—not new spending. **Continues Transit Diversion.** The HTF is in an unhealthy state due to declining gas tax revenues, caused in part by changes in motorist habits, gas prices, and increasingly fuel-efficient cars. The diversion of up to 35 percent of funds to non-general-purpose road projects exacerbates this problem. Transit programs are the most egregious recipient, siphoning off 20 percent of revenues. They are incredibly costly, do not deliver on promises to reduce congestion or improve air quality, and commit state taxpayers to paying operating subsidies for years to come that they cannot afford. **Continues Subsidizing Student Loans.** The bill would extend the 3.4 percent interest rate on subsidized Stafford student loans, saving the average student about $7 per month.[[6]](http://www.heritage.org/research/reports/2012/06/transportation-conference-bill-some-good-reforms-but-too-much-spending" \l "_ftn6) However, keeping these college loan rates artificially low and saddling taxpayers with the $6 billion price tag fails to fundamentally drive down the cost of college in the long term. Ever-increasing federal higher education subsidies have exacerbated the college cost problem, and maintaining the 3.4 percent rate on Stafford loans is yet another federal subsidy. Part of the pension reform described above would offset the cost of extending the loan rates, but this amounts to one bad policy on top of another. **Get Serious** The federal government’s overreach into transportation program and funding decisions has increased, fueled by the misguided premise that Washington must have a say in how every transportation dollar is spent. With this has come more regulation—as well as funds being spent on programs that have little to do with general purpose roads. Some of the reforms in this bill that give states more flexibility over their money and reduce the burden of red tape are positive steps toward reversing those trends. Lawmakers are responsible for changing course, and that means cutting spending to live within the federal government’s means—in this case, within the limits of the HTF. This bill does not meet that goal. The use of new revenues—from both good and bad policy changes—to pay for the overspending is particularly unacceptable. Congress should demonstrate that it is serious about curbing its overspending habit.

#### **Administration wants increased spending on transportation- FY2013 budget proposal**

The Hill 2/13- (Keith Laing, “Obama budget tells Congress to spend more on transportation bills”, The Hill, 2-13-12, <http://thehill.com/blogs/transportation-report/highways-bridges-and-roads/210277-obama-budget-tells-congress-to-spend-more-on-transportation-bills>) JY

As Congress is set to consider transportation bills that spend about $50 billion per year, President Obama is calling on lawmakers to appropriate nearly $80 billion annually on road and transit projects. The House is expected to bring to the floor this week a bill that spends $260 billion on transportation over the next five years, and the Senate will likely vote this week on its two-year, $109 billion measure. But in a $3.8 trillion budget [released](http://thehill.com/blogs/on-the-money/budget/210253-obama-releases-38-trillion-budget) Monday, Obama calls for a transportation bill that spends $476 billion over the next six years. The measure would "create thousands of new jobs and modernize a critical foundation of our economic growth," the White House said in fact sheet about the president's budget proposal. Obama is also renewing his proposal for spending $50 billion of the transportation bill immediately that marked his unsuccessful push for an "American Jobs Act" last fall. The budget also calls again for an increase for a per-takeoff fee on flights that could run as high as $100 and an increase in the security taxes airline passengers pay each way on trips to $7.50. The White House said the proposal, which has been strongly opposed by the aviation industry, would generate between $7.4 billion and $25.5 billion over the next 10 years. Obama said in a speech in Northern Virginia Monday that his recommendations would help keep the recovery of the national economy "on track." But his transportation proposals were immediately met with skepticism from Congress, where lawmakers have already scoffed at the president's recommendations for transportation spending and aviation tax proposals. "Upon preliminary review of his FY13 budget request I have great concerns this year’s budget looks all too familiar," Rep. Robert Aderhold (R-Ala.), a member of the House Appropriations Committee, said Monday in a statement. "Once again, the President’s request grossly underfunds vital security priorities like maritime and border security and is riddled with the same budget gimmicks as last year, including $317 million in increased airline ticket taxes that stand no chance of passing in either chamber,” he continued.

#### Federal Spending on Infrastructure puts holes in taxpayer’s pockets

Edwards, 11- Chris Edwards is the director of tax policy studies at Cato and editor of [www.DownsizingGovernment.org](http://www.downsizinggovernment.org/). He is a top expert on federal and state tax and budget issues, a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. He is the author of [Downsizing the Federal Government](http://www.cato.org/store/books/downsizing-federal-government-hardback) and co-author of [Global Tax Revolution](http://www.cato.org/store/books/global-tax-revolution-rise-tax-competition-battle-defend-it-hardback). Edwards holds a B.A. and M.A. in economics, and he was a member of the [Fiscal Future Commission](http://www.napawash.org/publications-reports/choosing-the-nations-fiscal-future/) of the National Academy of Sciences.( Chris, “Infrastructure Spending hurts more than it helps”, 10/24/11, http://www.heraldextra.com/news/opinion/editorial/around-the-nation/article\_4edc0d3e-cd55-52ce-a21d-1f0bb120ffa3.html) //LA

In a recent television ad for her network, MSNBC host Rachel Maddow stands below the Hoover Dam and asks whether we are still a country that can "think this big" -- Hoover Dam big. The commercial is built on the assumption that American greatness is advanced by federal spending on major infrastructure projects.¶ If I had my own television commercial, I'd stand in front of the wreckage of Idaho's Teton Dam, which, like the Hoover Dam, was built by the federal Bureau of Reclamation. The Teton Dam was based on shoddy engineering and a flawed economic analysis. It collapsed catastrophically in 1976, just a year after it was built.¶ Increased infrastructure spending has significant support in Washington these days. President Obama wants a new federal infrastructure bank, and some members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and bureaucratic bungling, with money often going to wasteful and environmentally damaging projects.¶ For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies -- the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the federal government shouldn't be in the infrastructure business. Rather, state governments and the private sector are best equipped to provide it.¶ The Corps of Engineers has been building levees, canals and other civilian water infrastructure for more than 200 years -- and it has made missteps the entire time. In the post-Civil War era, for example, there were widespread complaints about the Corps' wastefulness and mismanagement. A 1971 book by Arthur Morgan, a distinguished engineer and former chairman of the Tennessee Valley Authority, concluded: "There have been over the past 100 years consistent and disastrous failures by the Corps in public works areas . . . resulting in enormous and unnecessary costs to ecology 1/8and 3/8 the taxpayer."¶ Some of the highest-profile failures include the Great Mississippi Flood of 1927. That disaster dramatically proved the shortcomings of the Corps' approach to flood control, which it had stubbornly defended despite outside criticism. Hurricane Katrina in 2005 was like a dreadful repeat. The flooding was in large part a man-made disaster stemming from poor engineering by the Corps and misdirected funding by Congress.¶ Meanwhile, the Bureau of Reclamation has been building economically dubious and environmentally harmful dams since 1902. Right from the start, "every Senator . . . wanted a project in his state; every Congressman wanted one in his district; they didn't care whether they made economic sense or not," concluded Marc Reisner in his classic history of the agency, "Cadillac Desert." The dam-building pork barrel went on for decades, until the agency ran out of rivers into which it could pour concrete.¶ Looking at the Corps and Reclamation, the first lesson about federal infrastructure projects is that you can't trust the cost-benefit analyses. Both agencies have a history of fudging their studies to make proposed projects look better, understating the costs and overstating the benefits.¶ And we've known it, too. In the 1950s, Sen. Paul Douglas, D-Ill., lambasted the distorted analyses of the Corps and Reclamation. According to Reisner, Reclamation's chief analyst admitted that in the 1960s he had to "jerk around" the numbers to make one major project look sound and that others were "pure trash" from an economics perspective. In the 1970s, Jimmy Carter ripped into the "computational manipulation" of the Corps. And in 2006, the Government Accountability Office found that the Corps' analyses were "fraught with errors, mistakes, and miscalculations, and used invalid assumptions and outdated data."¶ Even if federal agencies calculate the numbers properly, members of Congress often push ahead with "trash" projects anyway. Then-Sen. Christopher Bond of Missouri vowed to make sure that the Corps' projects in his state were funded, no matter what the economic studies concluded, according to extensive Washington Post reporting on the Corps in 2000. And the onetime head of the Senate committee overseeing the Corps, George Voinovich of Ohio, blurted out at a hearing: "We don't care what the Corps cost-benefit is. We're going to build it anyhow because Congress says it's going to be built."¶ As Morgan noted in his 1971 book, these big projects have often damaged both taxpayers and ecology. The Corps, Reisner argues, has "ruined more wetlands than anyone in history" with its infrastructure. Meanwhile, Reclamation killed wetlands and salmon fisheries as it built dams to provide irrigation water to farmers in the West -- so they could grow crops that often compete with more efficiently grown crops in the East.¶ Taxpayers are double losers from all this infrastructure. They paid to build it, and now they are paying to clean up the environmental damage. In Florida, for example, the Corps' projects, along with federal sugar subsidies, have harmed the Everglades. So the government is helping to fund a multibillion-dollar restoration plan. In the West, federal irrigation has increased salinity levels in rivers, necessitating desalination efforts such as a $245 million plant in Yuma, Ariz. And in a large area of California's San Joaquin Valley, federal irrigation has created such toxic runoff that the government is considering spending up to $2 billion to fix the damage, according to some estimates.¶ When the federal government "thinks big," it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, it replicates the mistakes nationwide. Today, for instance, Reclamation's huge underpricing of irrigation water is contributing to a water crisis across much of the West.¶ Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities.¶ When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. The solution is to move as much infrastructure funding as we can to the state, local and private levels. That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It's true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren't automatically repeated across the country.¶ The states should be the laboratories for infrastructure. We should further encourage their experiments by bringing in private-sector financing. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed -- the densely populated Northeast.¶ As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation's massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports.¶ The recent infrastructure debate has focused on job creation, and whether projects are "shovel ready." The more important question is who is holding the shovel. When it's the federal government, we've found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let's give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They're ready.

#### Federal Infrastructure has unexpected and expensive cost on the environment that detract from worth of the projects and economic viability

Edwards, 11-  He is a top expert on federal and state tax and budget issues. Before joining Cato, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. Edwards has testified to Congress on fiscal issues many times, and his articles on tax and budget policies have appeared in the Washington Post, Wall Street Journal, and other major newspapers. He is the author of Downsizing the Federal Government and co-author of [Global Tax Revolution](http://www.cato.org/store/books/global-tax-revolution-rise-tax-competition-battle-defend-it-hardback). Edwards holds a B.A. and M.A. in economics, and he was a member of the [Fiscal Future Commission](http://www.napawash.org/publications-reports/choosing-the-nations-fiscal-future/) of the National Academy of Sciences. (Chris, “Infrastructure Projects to Fix the Economy? Don’t bank on it.”, Cato Institute, October 21, 2011, <http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it>)//TWR

Increased infrastructure spending has bipartisan support in Washington these days. President Obama wants a new federal infrastructure bank, and members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and bureaucratic bungling, with money often going to wasteful and environmentally damaging projects.¶ For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the federal government shouldn't be in the infrastructure business. 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### Link Happens Before Link Turn

#### Transportation Infrastructure construction takes years

RPA, 6/18- independent, not-for-profit regional planning organization, founded in 1922, that focuses on recommendations to improve the quality of life and economic competitiveness (“Event: Getting Infrastructure going”, 6/18/2, <http://www.rpa.org/2012/06/event-getting-infrastructure-going.html> ,Regional Plan Association) //LA

Big transportation and other infrastructure projects typically take many years to complete, in part because of delays in the environmental review process. Regional Plan Association, the Eno Center for Transportation and the Bipartisan Policy Center will hold a policy discussion on Thursday, June 28, in Washington, D.C., to address the issue. Register [here](http://bipartisanpolicy.org/events/2012/06/getting-infrastructure-going-expediting-project-delivery-and-environmental-review).¶ The increasing delay of major transportation and other infrastructure projects in the U.S. is not only frustrating, but expensive. As more projects are delayed, the public's trust in government to deliver major projects also is eroding, making it more difficult to gain approval for work that modernize our transportation system and meet the needs of a 21st century economy.¶ On June 28, a panel of federal and local transportation officials and experts in transportation policy and environmental regulatory review will discuss ways to expedite project delivery in transportation, from the environmental review process to procurement to construction. Panelists will respond to a new paper by Regional Plan Association that discusses best practices in expediting the environmental review process while still achieving strong environmental protections. This timely discussion comes as the congressional conference committee on the surface transportation bill reconciles various proposals for environmental streamlining and expedited project delivery.

#### Infrastructure construction always has delays

Aftuck ’99 – lawyer of construction, insurance, commercial law and has a Georgetown Juris Doctorate, bachelor from Tufts (Scott A. “Delay Claims in Construction Cases: Common Pitfalls,” Haese LCC, 8/1/99, <http://library.findlaw.com/1999/Aug/1/127109.html> )//LA

Some of the most common disputes in construction cases relate to delay. However, delay claims tend to be some of the least understood and frequently confusing claims in the construction field. A clear understanding of the basic elements necessary to prove delay claims is invaluable in the processing of complex construction claims.¶ Much as it sounds, a delay claim on a construction project relates to a period of time for which the project has been extended or work has not been performed due to circumstances which were not anticipated when the parties entered into the construction contract. The most common causes of delay on a project include: differing site conditions; changes in requirements or design; weather; unavailability of labor, material or equipment; defective plans and specifications; and interference by the owner. Such delays will often force a contractor to extend its schedule to complete the work required under the contract, as well as to incur additional costs in the performance of said work. Generally, these costs may include: the costs of maintaining an idle workforce and equipment; unabsorbed office overhead; lost efficiencies; and general conditions. However, in order to receive an extension of time for project completion, or to recover additional costs, the contractor must meet a number of prerequisites.¶ A delay must be excusable in order to be the basis for an extension of time or additional compensation. Categories of excusable delay are often determined in the contract and typically involve matters beyond the control of the contractor. Examples of excusable delay include design errors and omissions, owner initiated changes, unanticipated weather, and acts of God. A non-excusable delay is a delay for which the contractor has assumed the risk under the contract. Oftimes, even if a delay appears to be excusable, it will be the responsibility of the contractor if it was foreseeable, it could have been prevented but for the acts of the contractor, or it was caused by the negligence of the contractor.¶ Delays may be further classified into compensable and non-compensable delays. If a delay is compensable, the contractor is entitled to recover compensation for the costs of the delay in addition to time extensions to complete the project. Most contracts will include classes of delay which are compensable. The general rule, however, is that if the delay could have been avoided by due care of one of the parties, the party which did not exercise such care is responsible for the additional costs. The contractor may also be liable for the negligent acts of its subcontractors. If the negligent subcontractor is in the chain of privity with the contractor, the contractor cannot recover delay damages from the owner as those delays are the responsibility of the contractor. However, if the subcontractor has a direct contractual relationship with the owner of the project, the contractor most likely will be able to recover damages as it was not in a position to prevent the delay. Additionally, in order to recover damages, a contractor must show a link between the delay and the resultant damage. Simply stating that there was a delay is not sufficient without showing a nexus between the delay and the damages.

## Internal Links

### Spending Bad

#### Government spending on infrastructure wrecks GDP – empirics prove politicians and lobbyists cause overruns ¶

#### Powell, 11-Jim Powell, senior fellow at Cato Institute, is an expert in the history of liberty. He has lectured in England, Germany, Japan, Argentina and Brazil as well as at Harvard, Stanford and other universities across the United States.).(Jim, Why Government Spending is Bad for Our Economy, 10/13/11,<http://www.forbes.com/sites/realspin/2011/10/13/why-government-spending-is-bad-for-our-economy/>)//TWR¶ More government spending has been widely-touted as a cure for unemployment, but support for that view seems to be eroding – not least because Obama has little to show for his spending spree except about $4 trillion of additional debt. America needed more than 200 years to hit that number, but Obama did it in only three years. The experience offers a reminder that there isn’t any net gain from government spending since it’s offset by the taxes needed to pay for it, taxes that reduce private sector spending.¶ When Obama was sworn in, his top priority ought to have been reviving the private sector, since the private sector pays all the bills. Government basically doesn’t have any money other than what it extracts from the private sector. Yet Obama decided to indulge his progressive whims and make government bigger.¶ His administration drained resources out of the private sector via taxes, then he signed his $825 billion “stimulus” bill, the American Recovery and Reinvestment Act of 2009 (ARRA), so that money could be redistributed among government bureaucracies. For instance, Obama authorized spending money to repair U.S. Department of Agriculture buildings, maintain the Farm Service Agency’s computers and inform the electronically disadvantaged about digital TV.¶ Obama essentially acknowledged that he didn’t know or care about how to stimulate the private sector, since he provided hardly any specific guidance for spending the money. For instance, ARRA awarded $600 million to the National Oceanic and Atmospheric Administration, saying only that the money was “for procurement, acquisition and construction” — which could have meant almost anything.¶ If the aim was really to stimulate recovery of the private sector, the most effective way of doing that would have been to leave the money in the private sector. After all, people tend to be more careful with their own money than they are with other people’s money. Undoubtedly people would have spent their money on all sorts of things to help themselves, things worth stimulating like food, clothing, gasoline, downloads, cell phones and household repairs.¶ Because of the federal government’s taxing power, it commands vast resources, and politicians can be counted on to start new spending programs they can brag about during re‑election campaigns. Unfortunately, spending programs often have unintended consequences that can make it harder for the private sector to grow and create productive jobs. Nonetheless, interest groups that benefit from the spending lobby aggressively to keep the money flowing, which is why, since the modern era of big government began in 1930, spending has gone up 88% of the time. If we exclude the demobilization periods following the end of World War II (three years) and the Korean War (two years) when spending declined, it has gone up 95% of the time.¶ Economists James Gwartney, Randall Holcombe and Robert Lawson reported: “Evidence illustrates that there is a persistent robust negative relationship between the level (and expansion of) government expenditures and the growth of GDP. Our findings indicate that a 10% increase in government expenditures as a percent of GDP results in approximately a 1 percentage point reduction in GDP growth.” Similarly, Harvard economist Robert J. Barro found that “growth and the size of government are negatively related when the government is already very large.”

#### Excessive spending results in economic collapse; leads to unsustainable cycle of spending and borrowing. Keynesian fiscal policies are a hoax

Young, 6/14 -served in the Department of Treasury and the Office of Management and Budget from 2001 to 2004 and as a Congressional staff member from 1987 to 2000 (J.T., “It’s About Reality, Not Austerity”, 6/14/2012, [**http://spectator.org/archives/2012/06/14/its-about-reality-not-austerit**](http://spectator.org/archives/2012/06/14/its-about-reality-not-austerit)) VS

Today's European debate isn't about governmental austerity, it's about governmental reality. Ultimately, the argument is not whether governments can keep trying to stimulate their economies, but when their creditors will quit financing it. Somehow, Europe's governments, teetering on tilting economies, have missed this point; we can only hope that Washington hasn't.**¶** We are witnessing a prolonged domino-effect among the world's economically intrusive states. It began over two decades ago with the fall of the USSR and communism across Eastern Europe.Now the dominoes are falling into Western Europe -- Greece, Portugal, Spain, and Italy, all are threatened with economic collapse.¶ By now, the obvious should be axiom: A state cannot run an economy and a state-run economy cannot sustain its state. The more of its economy a government consumes, the less productive its economy becomes. And the more dependent its subpar economy then becomes on its government.¶ This vicious cycle creates a widening gap between what the government promises and what its economy can deliver. The government resorts to spending more, while its economy responds by producing increasingly less of the revenue needed to finance the government's increasing spending.¶ The only reconciliation possible between the over-demanding government and its under-producing economy is borrowing. Once this pattern becomes firmly and deeply established, the conclusion becomes inevitable. Political oppression -- as in both former and current communist countries -- can temporarily extend the contradiction, but it cannot extinguish it.¶ Of course, there are liberals who dispute this scenario -- just as they dispute anything that questions the state's efficacy. They claim that governments can and should do more -- that government spending actually stimulates the economy.¶ There is no more than a limited truth to this: Simply because of the way that GDP is calculated, government spending can make the official numbers look better… temporarily.¶ However, over a sustained period, this amounts to merely cooking the books. The problem remains that nagging gap between governmental demand and economic production: someone has to finance what the economy cannot.¶ Nor are the government's demands static either. Once political promises of increased economic benefits are made, voters demand that they not only be met, but expanded.¶ Equally important, as crisis looms, the economically interventionist government finds itself less able to address it -- precisely because of its now routine expanded intervention.¶ In 1930, the year after the Great Depression began, federal spending was 3.4 percent of GDP. By 1936, as FDR and the New Deal faced reelection, federal spending was 10.5 percent -- a threefold increase -- insufficient to end the Depression but still a sizable proportional increase. According to the Congressional Budget Office, over the last 40 years, federal spending has averaged 21 percent of GDP. To proportionally match the New Deal boost, federal spending would need to be over 63 percent of GDP -- a politically and economically impossible figure.¶ We therefore find ourselves dealing with quantitative, not qualitative differences when it comes to economically intrusive governments. All else being equal, the more intrusive will fall first, yet even in the case of the less intrusive, it is not a question of "if," but "when."¶ The gap is remorseless and must be financed. Capital is mobile, while the government's clientele is stationary -- if not expanding. The "demand" stays and increases, while the "means" flees to where it is most rewarded and it takes ever increasing borrowing costs to bribe it back.¶ Over the last four decades, the federal government has averaged spending roughly one-fifth of everything America produces. Over the last three years, it has averaged almost one-quarter -- spending an equivalent of 24.5 percent of America's GDP.¶ America is approaching a point where it must ask what road it wants to follow.¶ One is the politically easy, but economically impossible, route of attempted government-induced prosperity. If this is the one chosen, then Washington needs to start arranging its lines of credit quickly. Which should be relatively simple at the moment, since so many lenders now are fleeing Europe's collapsing economies.¶

#### Government spending isn’t worth it – benefits less than costs

Mountford & Uhling 09 – Royal Holloway, University of London; University of Chicago, IL, USA, and CEPR, London (Andrew; Harald, "What are the effects of fiscal policy shocks," Jounrla of Applied Economentrics, September/October 2009, <http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full>) // MK

A basic government revenue shock is identified as a shock that is orthogonal to the business cycle and monetary policy shock and where government spending rises for a year after the shock. The identified government spending shocks are plotted in the fourth panel of Figure[1](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#fig1), where the change from shaded to non-shaded areas denotes changes in presidential terms. These identified shocks show that government spending shocks were predominantly positive in the mid 1960s and early 1990s and predominantly negative around 1960 and in the early 1970s. In the the 1990s government spending appears to be more stable than average, with relatively few shocks reaching the 2.5% level in absolute terms. The impulse responses for this shock are displayed in Figure [7](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#fig7). Figure [7](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#fig7) shows that the basic government spending shock stimulates output during the first four quarters, although only weakly, and has only a very weak effect on private consumption. It also reduces investment, although interestingly not via higher interest rates. Real wages do not respond positively to the government spending shock and indeed are negative on impact and in the medium term, which is more in accordance with neoclassical than New Keynesian models of government spending (see Ramey and Shapiro, 1998). Although no restriction is placed on the behavior of government revenue, this does not change very significantly and so the basic government spending shock will resemble a fiscal policy shock of deficit spending, whose responses are displayed in Figure [10](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#fig10) below. The response of prices to the increase in government spending is a little puzzling since both the GDP deflator and the producer price index for crude materials show a decline. Although this is a counter-intuitive result, it should be noted that this negative relationship between prices and government spending has also been found in other studies (see, for example Canova and Pappa, 2007; Edelberg, et al., 1999. Fatás and Mihov, 2001a). 4.8. Policy Conclusions An important lesson one can draw from the results is that while a deficit-financed expenditure stimulus is possible, the eventual costs are likely to be much higher than the immediate benefits. Suppose that government spending is increased by 2%, financed by increasing the deficit: this results, using the median values from Table [V](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#tbl5), at maximum, in less than a 2% increase in GDP. But the increased deficit needs to be repaid eventually with a hike in taxes. Even ignoring compounded interest rates, this would require a tax hike of over 2%.[10](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#note10)This tax hike results in a greater than 7% drop in GDP. Thus, unless the policy maker's discount rate is very high, the costs of the expansion will be much higher than the initial benefit. This general line of reasoning is consistent with the balanced budget spending scenario whose impulses are shown in Figure [12](http://onlinelibrary.wiley.com.proxy.lib.umich.edu/doi/10.1002/jae.1079/full#fig12). This shows that when government spending is financed contemporaneously the contractionary effects of the tax increases outweigh the expansionary effects of the increased expenditure after a very short time

#### Infrastructure Spending hinders economic growth-overruns, waste fraud and abuse

Rugy,11-Veronique de Rugy is a senior research fellow at the Mercatus Center at George Mason University. Her primary research interests include the U.S. economy, federal budget, homeland security, taxation, tax competition, and financial privacy issues. Her popular weekly charts, published by the Mercatus Center, address economic issues ranging from lessons on creating sustainable economic growth to the implications of government tax and fiscal policies.¶ She has testified numerous times in front of Congress on the effects of fiscal stimulus, debt and deficits, and regulation on the economy. (Veronique, “Infrastructure Spending is A Bad Bet”, National Review, Sep 09, 2011 <http://www.nationalreview.com/corner/276636/why-infrastructure-spending-bad-bet-veronique-de-rugy)//TWR>

Veronique de Rugy [testified before the Joint Economic Committee](http://mercatus.org/features/publication/federal-infrastructure-spending-neither-good-stimulus-nor-good-investment) today about whether infrastructure spending is a good investment for job creation. Although infrastructure may be a good long-term investment, said de Rugy, it is a particularly bad vehicle for stimulus and will not boost short-term job growth.¶ “According to economic research, fiscal stimulus can be counterproductive if it is not timely, targeted, and temporary,” said de Rugy. “By nature, infrastructure spending is not timely and very hard to target. Even when money is available, it can be months or even years before it’s spent.”¶ Government-funded infrastructure projects often are not good investments either, said de Rugy, and tend to suffer from massive cost overruns, waste, fraud, and abuse.¶ “Research shows that the political process encourages a systematic tendency to overestimate the benefit and underestimate the cost of infrastructure projects,” she said. “In other words, it’s not the best projects that get implemented but the ones that look the best on paper.”¶ According to de Rugy, infrastructure projects are not a good idea, because they hinder economic growth and cost taxpayers money in return for low-quality services. A better alternative to federally funded projects could be private-public partnerships, privatization, or simple devolution to the states.

### Spending Kills Private Sector

#### **Federal spending causes self-perpetuating economic harm and kills private sector**

Young, 10 - served in the Department of Treasury and the Office of Management and Budget from 2001 to 2004 and as a Congressional staff member from 1987 to 2000 (J.T.,“Spending, spending, spending”, Washington Times, 3/25/2010, <http://www.washingtontimes.com/news/2010/mar/25/spending-spending-spending/>) VS

America's fiscal problem has many manifestations but just one cause: spending. If you¶ believe that, you are a fiscal conservative. If you don't, you're wrong. And if you believe that all America needs to do to fix the problem is raise taxes, read on.¶ However you examine America's fiscal history, from New Deal to foreseeable future, you find federal spending outracing all else. As the table shows, neither revenues nor economy can keep pace with it.¶ Because of federal spending's unremitting growth, the only way to understand it is as a percentage of gross domestic product (GDP). Only by consistently comparing it to the economy can you see its full effect. Its growth - both past and projected - shows a rapid rise not just overall but relative to the economy as well.¶ Government spending's explosion started first to fight the Depression and then World War II. The problem is, it never ended - even when its original justifications did. In the postwar 1940s, federal spending was more than 50 percent greater, relative to the economy, than it had been during Franklin D. Roosevelt's first year in office. By the time the Great Society's entitlement programs began to accelerate it, spending rose another 25 percent as compared to the economy.¶ Today's recession-fueled federal spending has grown another 44 percent beyond that of the Great Society. According to the Congressional Budget Office, long-term estimates (CBO's more conservative set of assumptions) show spending's continuing escalation as baby-boomer-boosted entitlement programs swell.¶ During this fiscal onslaught, revenues have been far from dormant. Their trend, too, is one of steady progression - again, collecting an increasing share relative to the U.S. economy. Yet they are hopelessly overmatched. In fact, even applying the highest percentage of federal taxes ever collected from the economy in U.S. history (20.9 percent of GDP in 1944) would not cover any of the present or projected levels of federal spending.¶ From an economic standpoint, it is not surprising that outlays outstrip revenues. While means are always limited, wants are always unlimited. Once government thrusts itself into the want-fulfilling business, its course is preordained.¶ Having established the fact and cause of government spending's spiral, the question is: Why is this bad? The answer is fourfold.¶ First is its effect on our governing foundation. With infinite foresight, our forefathers constructed a very limited government document in the Constitution. They saw government as a necessary means that had to be tolerated but also tightly controlled. Its articles strictly define its purview, and the Bill of Rights caps it with a Ten Commandments of "thou shalt nots."¶ Increased spending means increased government. The entity our Founders sought to constrain with laws we now expand with uncontrolled spending. One thing is certain: When the economy and laws conflict, bet on the economy. The only laws that governments have proved consistently unable to rewrite are the laws of economics.¶ Second is its economic effect. When government spending increases, the resources come from somewhere. That somewhere is the private sector. The private sector is not only more productive than the public sector, but productive of real wealth. Increasing federal spending faster than the economy can grow means having an economy that is increasingly falling behind its potential. That in turn means a decrease in society's overall wealth from what it otherwise would have been.¶ Third is the effect of federal spending's expansion. Federal spending tends to perpetuate itself. The more government gets, the more it wants and the better equipped it becomes to get it. Because government is not internally ordered by economic laws of competition, there is no brake on its demands. Going from small government to big government was hard; it took roughly 1 1/2 centuries. Going from big to enormous was inevitable - taking just three decades.¶ Fourth is its effective transformation of citizens into clients. As government does more, people expect more. Our relationship with it changes. A nation that sprang from the Declaration of Independence tacitly ratifies an Admission of Dependence. Already, the bottom half of the nation's tax filers pay a negative 1.1 percent of the nation's income taxes, while just more than a quarter of the nation's top tax filers pay almost 92 percent of its income taxes.¶ As federal spending continues uncontrolled, the stakes go well beyond the economy. We threaten to go from a governing template in which citizens rigorously control their government to the reverse. Just as there are many manifestations of the spending problem but only one cause, there is also but one solution: Stop.

#### Government spending causes a net economic loss-disrupts individual actors’ economization

Catalan, 11- Jonathan M. Finegold Catalán writes from San Diego and studies political science and economics (Jonathan, “Government Spending is Bad Economics”, Ludwig Von Mises Institute, March 31, 2011, <http://mises.org/daily/5123/Government-Spending-Is-Bad-Economics>)//TWR

We know that if economization of resources is taking place government spending will disrupt this economization and redistribute the resources toward the attainment of ends considered less important. It may seem, though, that this argument fails to properly tackle the issue of countercyclical fiscal policy during a recessionary period, since it is during this period that, it is said, that there is an excess of "idle resources."¶ Idle resources are means of production that are seemingly being left unused — an obvious example is an unemployed laborer. If these means of production are "idle", what harm is there in government employing these resources?¶ There are a number of possible responses to this question. It is worth mentioning that governments tend to exacerbate the degree to which resources are left "idle"; thus, one could make the argument that the problem of idleness is to a large extent artificial. However, this would imply that there could nonetheless be *some* degree of idleness on the market and that this presents some type of problem. The correct answer to this question is the one that explains why the supposed problem of "idle resources" is actually not a problem at all, because resources are not purposelessly left idle.¶ Economic goods are constantly economized within the means-end framework of the individual market agent. That some goods may not be applied toward the attainment of a specific end does not mean that these resources are now idle and valueless. It simply suggests that these resources are better *saved* for the attainment of another end. If economic activity is defined by the attainment of ends and the economization of means toward these ends, and certain means of production are deemed as better off unused, what sense is there in forcibly using these "idle resources" through government spending? The redistribution of allegedly "idle resources" faces the same problem as the redistribution of "non-idle resources" — the opportunity cost of the foregone market activity is higher than the benefit of the actualized government program.¶ One can reasonably expect an increase in the quantity of "idle resources" during periods succeeding phases of prolonged intertemporal discoordination. During the length of intertemporal discoordination, the structure of production grows around the distorted profit signals caused by monetary expansion. The capital goods developed and produced during this time tend to range in specificity, with some being very unspecific (such as low-skill labor), some being highly specific (such as a machine that is designed to produce only a single type of good), and most falling somewhere in between.¶ The necessary readjustment of the structure of production that occurs when the distortions are revealed (in what is considered the depressionary, or recessionary, stage) will necessarily cause an increase in the volume of idle resources. Capital goods of higher specificity will sit idle because they may be fully or partially inapplicable toward alternative lines of production. Individual entrepreneurs will have to plan their actions around these remnants of malinvestment, consumer preference, and their own predictions in the face of uncertainty. These "idle" capital goods are not idle at all, but merely being economized during a period of structural readjustment.¶ During this period of readjustment, wealth redistribution through government spending may employ what are considered to be idle resources. The structure of production may adjust around the various new lines of production revived or funded by government. However, the shape of this structure of production is inferior to that which would have developed without government intervention, and thus there is still a net economic loss.

### Answers To: Keynesian Stimulus Solves

#### Keynesian stimulus fails – four reasons

Meltzer, ’11 **--** a professor of public policy at the Tepper School, Carnegie Mellon University and a visiting scholar at Stanford University's Hoover Institution (Allan, “Four Reasons Keynesians Keep Getting It Wrong,” Wall Street Journal, 10/28/11, <http://proquest.umi.com.proxy.lib.umich.edu/pqdweb?did=2496554801&Fmt=3&clientId=17822&RQT=309&VName=PQD>) // MK

Those who heaped high praise on Keynesian policies have grown silent as government spending has failed to bring an economic recovery. Except for a few diehards who want still more government spending, and those who make the unverifiable claim that the economy would have collapsed without it, most now recognize that more than a trillion dollars of spending by the Bush and Obama administrations has left the economy in a slump and unemployment hovering above 9%. Why is the economic response to increased government spending so different from the response predicted by Keynesian models? What is missing from the models that makes their forecasts so inaccurate? Those should be the questions asked by both proponents and opponents of more government spending. Allow me to suggest four major omissions from Keynesian models:First, big increases in spending and government deficits raise the prospect of future tax increases. Many people understand that increased spending must be paid for sooner or later. Meanwhile, President Obama makes certain that many more will reach that conclusion by continuing to demand permanent tax increases. His demands are a deterrent for those who do most of the saving and investing. Concern over future tax rates is one of the main reasons for heightened uncertainty and reduced confidence. Potential investors hold cash and wait.Second, most of the government spending programs redistribute income from workers to the unemployed. This, Keynesians argue, increases the welfare of many hurt by the recession. What their models ignore, however, is the reduced productivity that follows a shift of resources toward redistribution and away from productive investment. Keynesian theory argues that each dollar of government spending has a larger effect on output than a dollar of tax reduction. But in reality the reverse has proven true. Permanent tax reduction generates more expansion than increased government spending of the same dollars. I believe that the resulting difference in productivity is a main reason for the difference in results.Third, Keynesian models totally ignore the negative effects of the stream of costly new regulations that pour out of the Obama bureaucracy. Who can guess the size of the cost increases required by these programs? ObamaCare is not the only source of this uncertainty, though it makes a large contribution. We also have an excessively eager group of environmental regulators, protectors of labor unions, and financial regulators. Their decisions raise future costs and increase uncertainty. How can a corporate staff hope to estimate future return on new investment when tax rates and costs are unknowable? Holding cash and waiting for less uncertainty is the principal response. Thus, the recession drags on. Fourth, U.S. fiscal and monetary policies are mainly directed at getting a near-term result. The estimated cost of new jobs in President Obama's latest jobs bill is at least $200,000 per job, based on administration estimates of the number of jobs and their cost. How can that appeal to the taxpayers who will pay those costs? Once the subsidies end, the jobs disappear -- but the bonds that financed them remain and must be serviced. These medium and long-term effects are ignored in Keynesian models. Perhaps that's why estimates of the additional spending generated by Keynesian stimulus -- the "multiplier effect" -- have failed to live up to expectations.

#### Spending does little to nothing to help the economy

Foster 3/6-Ph.D. Norman B. True Senior Fellow in the Economics of Fiscal Policy at the Heritage Foundation (J.D., “WaPo Admitting Keynesian Stimulus Failed?” The Foundry, 3/6/12, http://blog.heritage.org/2012/03/06/wapo-admitting-keynesian-stimulus-failed/ ) // TWR

The central failing—the essential fiscal alchemy of Keynesian stimulus—is the belief that government can increase total spending in the economy by borrowing and spending. What Keynesians ignore is that we have financial markets whose job in good times and bad is first and foremost to shift funds from savers to investors, from those who have money they do not wish to spend today to those who have a need to borrow to spend as much as they’d like, whether on new business equipment, a home, or a car. There are no vast sums of “excess funds” just sitting around in bank tellers’ drawers waiting for government to borrow and spend them. Government borrowing means less money available to the private sector to spend. So government deficit spending goes up, and dollar-for-dollar private spending goes down. America’s resources are generally speaking spent less wisely, and the federal debt is unequivocally higher. If past is prologue, the current infatuation with Keynesian deficit spending as stimulus will fade, just as it always has in the past, in this country as elsewhere. Perhaps this simple WaPo article marks the beginning of the end for the latest incarnation of this fiscal folly.

#### Keynesian Economics flawed-short term, fails to consider incentives, and not evidence based

Ross, 11-(Ron, “Fatal flaw of Keynesian Economics”, The American Spectator, spectator.org/archives/2011/07/22/fatal-flaws-of-keynesian-econo/,7/22/11)//TWR

It's now clear that the federal government's massive stimulus spending has not achieved its objectives. Why hasn't it? It's important that we have answers to that question.¶ The stimulus was premised on the economic model known as Keynesianism: the intellectual legacy of the late English economist John Maynard Keynes. Keynesianism doesn't work, never has worked, and never will work. Without a clear understanding of why Keynesianism cannot work we will be forever doomed to pursuing the impossible.¶ There's no real mystery about why Keynesianism fails. There are numerous reasons why and they've been known for decades. Keynesians have an unrealistic and unsupportable view of how the economy works and how people make decisions.¶ Short-Run Focus¶ Keynesian policy advocates focus primarily on the short run -- with no regard for the future implications of current events -- and they assume that all economic decision-makers do the same. Consider the following quote by John Maynard Keynes: "But the long run is a misleading guide to current affairs. In the long run we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past the ocean will be flat again."¶ After passage of the stimulus package, Lawrence Summers, Obama's chief economic advisor at the time, often said that the spending should be "timely, targeted, and temporary." Although those sound like desirable objectives, they illustrate the Keynesian focus on the short term. Sure it would be convenient if you could just spend a bunch of money and make the economy get well, but it's not that simple.¶ The implication of a Keynesian perspective is that you can hit the economy a few times with a cattle prod and get society back to full employment. Remember that so-called "cash-for-clunkers" program? Maybe it accelerated some new car sales by a month or two, but it had no lasting impact.¶ The "Chicago School" is the primary source of serious research and analysis related to the Keynesian model. Two Chicago School conclusions, in particular, make it clear where Keynesian policies run aground. The two theories are the "permanent income hypothesis" and the theory of "rational expectations."¶ The "permanent income hypothesis" was how Milton Friedman termed the findings of his research on the spending behavior of consumers. The MIT Dictionary of Economics defines the permanent income hypothesis as "The hypothesis that the consumption of the individual (or household) depends on his (or its) permanent income. Permanent income may be thought of as the income an individual expects to derive from his work and holdings of wealth during his lifetime."¶ Whether consumers and investors focus mostly on the short run or the long run is basically an "empirical question." A convincing theoretical case can be made either way. To find out which focus actually conforms closer to reality, you have to gather evidence.¶ Not Evidence-Based¶ Much of the difference between the two schools of thought can be explained by differences in their methodologies. Keynes was not known for his research or empirical efforts. Keynesianism is definitely not an evidence-based model of how the economy works. So far as I know, Keynes did no empirical studies. Friedman was a far more diligent researcher and data collector than was Keynes. Friedman fit the theory to the data, rather than vice versa.¶ The Keynesian disregard for evidence is reflected in their advocacy for more stimulus spending even in the face of the obvious failure of the what's already been spent. At a minimum, we are due an explanation of why it hasn't worked. (Don't expect that to be forthcoming, however).¶ Failure to Consider Incentives¶ Another of the Chicago School's broadsides against Keynesianism is the theory of "rational expectations." It's a theory for which the 1995 Nobel Prize for Economics was awarded to Robert Lucas of the University of Chicago. As economic theories go, it is relatively straightforward. It essentially states that "individuals use all the available and relevant information when taking a view about the future." (MIT Dictionary of Modern Economics) The rational expectations hypothesis is the simple assertion that individuals take into account their best guesses about the future when they make decisions. That seemingly simple concept has profound implications.¶ The Chicago School's research led them to conclude that individuals are relatively deliberate and sophisticated in how they make economic choices. Keynesians and their liberal followers apparently think individuals are short-sighted and simple-minded.¶ An elemental but too often overlooked reality about our economy is that it is based on voluntary exchange. Voluntary exchange is an even more fundamental feature of our economy than is the market. A market is any arrangement that brings buyers and sellers together. In other words, the primary purpose of a market is to make voluntary exchange possible.¶ Voluntary exchange leaves large amounts of control in the hands of private individuals and businesses. The market relies on carrots rather than sticks, rewards rather than punishment. The actors, therefore, need to be induced to move in certain desired directions rather than simply commanded to do so. This is the basic reason why incentives are such an important part of economics. If not for voluntary exchange, incentives wouldn't much matter.¶ In designing economic policy in the context of a market economy it becomes important to take into account what actually motivates people and how they make choices. If you want to change behavior in a voluntary exchange economy, you have to change incentives. Keynesian policies do not take that essential step.¶ The federal government's share of GDP has gone from 19 percent to 24 percent during Obama's time in the White House. A larger government share of GDP ultimately necessitates higher taxes or more debt. In and of themselves, higher taxes retard economic growth because of their impact on incentives. The disincentive effect of higher taxes illustrates why big government is far costlier than it first appears.

#### **Keynesian spending just an excuse for bigger government, doesn’t stimulate economy, empirics prove**

Washington Times 11- (Steven Stanek, “Two years of epic stimulus failures”, Washington Times, 3/10/2011, <http://www.washingtontimes.com/news/2011/mar/10/two-years-of-epic-stimulus-failures/>) VS

We've just passed the second anniversary of "economic stimulus" under [President Obama.](http://www.lexisnexis.com.proxy.lib.umich.edu/lnacui2api/search/XMLCrossLinkSearch.do?bct=A&risb=21_T15107435532&returnToId=20_T15107445205&csi=8176&A=0.8428953420296093&sourceCSI=9369&indexTerm=%23PE000A0BO%23&searchTerm=President%20Obama.%20&indexType=P)  Aside from spending on the stimulus itself - the actual price tag soon climbed from $787 billion to $821 billion - not much else has been stimulated.¶ Nearly a trillion dollars have been poured into the U.S. economy, courtesy of the American Recovery and Reinvestment Act of 2009. Result? Unemployment has barely budged, housing prices continue to fall in many markets and more mortgages slip into foreclosure.¶ How can this be happening when so many people in government assure us that government spending spurs the economy? Because it's not true. For government to pour money into the economy, it must take money out of the economy in the first place. To hand out money, government must first take money from taxpayers.¶ It's like moving money from the left pocket to the right pocket. It doesn't make us any wealthier. What it really stimulates is more government, not more economic activity.¶ Or government can borrow money, which is simply taking money now and promising to pay it back later with money that will come from taxpayers who are around when "later" arrives. Government borrowing reduces the amount of money available for private businesses and individuals to borrow.¶ The federal government also can create money, which leads to price inflation, making today's dollars worth less than yesterday's. We're already seeing the impact of a less-valuable dollar in items ranging from gold and silver to cotton and gasoline, all of which are at or near record prices. As high prices for essentials such as food and energy work their way through the economy, consumers will have less money to spend on everything else.¶ The nonsensical idea that government should spend more in economic downturns stems from "Keynesianism," which is all the rage in government policy circles today, and for good reason. It provides cover to people who believe in expansive, interventionist government.¶ Keynesianism claims government can spur demand for goods by spending money to make up for what private businesses and consumers are not spending. This provides an excuse to grow government, even when - especially when - the economy is slowing or contracting, and it gives government more power.¶ But if government spending can boost an economy, how did the U.S. economy ever decline in the first place?¶ When George W. Bush became president, total federal spending was $1.8 trillion. When he left office eight years later in January 2009, federal spending topped $3.4 trillion. And by 2009, the country was in the second year of the worst economic downturn since the 1930s.¶ Spending under Mr. Bush increased at more than twice the rate of increase under President Clinton during the 1990s, a decade many Democrats now clamoring for even more government spending point to as years of strong economic growth.¶ And let us not forget state and local governments. They did their part to supposedly prevent an economic slowdown by expanding their spending by more than $1 trillion - from $1.74 trillion in 2000 to $2.83 trillion in 2008 - when the financial crisis began.¶ Record government spending did nothing to stop the recession. More government spending will do nothing to end it.¶ Ah, but what about World War II spending, ending the Great Depression, you say? It did no such thing. Keynesian economists in the 1940s warned the end of war spending and return of millions of soldiers would result in an economy every bit as bad as or worse than we had during the Depression.¶ Instead, federal spending plummeted from 40 percent of the economy to less than 15 percent (it's about 25 percent today), unemployment fell to less than 4 percent, and the economy boomed - the opposite of what many government economists said would happen, and another refutation of Keynesianism.¶ The way to end this recession is for government to cut spending, shrink the deficit, end corporate welfare, stop using taxpayer money to bail out politically connected businesses and industries, and reduce regulations that make investing for the future more difficult.

### Stimulus Doesn’t Solve Jobs

#### Keynesian Stimulus Fails – fails to solve unemployment

Cox & Alm '12- economist, speaker, consultant, Director of the O'Neil Centre for Global Market and Freedon at Southern Methodist Unviersity's Cox School of Business; writer (W. Michael; Richard, "Keynesian Stimulus Fails In Theory -- And Reality," Investor's Business Daily, 7/9/12, [http://search.proquest.com.proxy.lib.umich.edu/docview/1023825333)](http://search.proquest.com.proxy.lib.umich.edu/docview/1023825333)//MK) // MK

Political leaders continue to peddle the snake oil that we can spend our way back to prosperity. The Obama administration has pushed government's share of GDP past 40%, the highest ever without a major war. Europeans are grousing about austerity, seeing crippling debt not as a comeuppance but as an obstacle to the spending needed to revive a moribund economy. In the 1930s, with the world in the Great Depression's death grip, British economist John Maynard Keynes argued that massive government spending would boost demand and put the unemployed back to work. Over the next eight decades, Keynesian stimulus became the standard remedy for weak economies -- even though it has never worked. To test the efficacy of Keynesian policies, we looked at the annual changes in U.S. government spending as a share of gross domestic product from 1901 to 2011, measured relative to the growth trend of 1.76%. Then we determined whether the higher spending had lowered unemployment rates (see chart above). Many Americans believe President Franklin D. Roosevelt's Keynesian conversion beat back the Great Depression. It's pure myth. In the 1930s, the United States doubled government outlays relative to GDP. The unemployment rate didn't fall; instead, it jumped from 3.2% in 1929 to 25.2% in 1933 -- an outcome contrary to Keynes' doctrine. Yet the policy's failure hasn't fazed Keynes' acolytes. They argue that U.S. policy was too timid and even more government spending was needed to cure the Depression. They point to World War II, where government spending rose to 50% from 20% of GDP and unemployment fell to 1.2%. Only two periods of rising government spending have been associated with falling unemployment -- 1917-19 and 1941-45. They're both times of major world wars, where millions of adults were plucked from the civilian labor force to serve in the military. The share of the adult population on active duty rose from 0.3% in 1916 to 4.5% in 1918 and from 0.5% in 1940 to 12.3% in 1945. In short, unemployment fell not because of government spending but because of government conscription -- hardly a good way to cure joblessness or evidence of a Keynesian miracle. At all other times during this 110-year sweep of U.S. history, government spending and unemployment rates have moved in the same direction. In the 1920s, both trended downward. The Depression decade saw them rise in tandem. From the 1950s through the 1970s, spending and unemployment moved up and down together.In the 1980s-90s, they had another nicely choreographed decline. Keynesian proponents could claim the positive correlation stems from increases in government spending to create jobs as unemployment rises. However, the pattern persists even with a lag, meaning that government spending programs have made unemployment worse. So now we come to our current Keynesian episode. An $825 billion stimulus package, passed in February 2009, authorized spending for infrastructure, health care, education, energy efficiency, scientific research and dozens of other projects. Rebates and tax cuts sought to rouse skittish consumers. At the time, proponents projected that the stimulus would keep the jobless rate below 8%. While government went on its pending spree, unemployment kept rising, peaking at 10% in October 2009. After three years of the stimulus, funded with borrowed money, unemployment hadn't yet gone down to 8%. Yet another Keynesian policy failure hasn't led to a reappraisal of the belief that spending can solve the economy's problems. To some, the slow recovery means that the stimulus wasn't strong enough, or the economy was in worse shape than anyone thought. Neither argument faces the glaring truth -- Keynesian stimulus doesn't work the way its adherents say it does. Keynesian-style demand stimulus assumes businesses receiving new orders will quickly go out and add workers. Why might firms not do that? First, they may regard the new demand as temporary and choose to squeeze more productivity out of the existing workforce rather than incur the cost of hiring and training new employees. Output per employed worker rises during recessions, providing strong support for this notion. Second, unemployed workers may lack the skills and training to perform the tasks newly demanded in business. This is particularly true when massive technological change makes the job skills of yesterday obsolete. Government programs that subsidize the unemployed only make the problem worse by enabling people to stay outside the workforce longer, where their skills atrophy or fall further behind the needs of the new workplace. Third, more government spending ultimately means higher taxes. Many households will prepare to meet their future obligations by saving more and consuming less. So government spending crowds out private spending, negating policymakers' attempts to increase overall demand. Fourth, and perhaps most important, demand stimulus doesn't create jobs. Firms are in business to make a profit, not to increase employment. They'll add workers only if it's the profitable thing to do. If salary plus benefits are too costly, the company will not hire. Too often, taxes and government-mandated benefits saddle firms with substantial hiring costs, blocking the incentive to hire people to meet any demand, permanent or transitory. In short, demand doesn't create jobs; incentives do. Nothing in massive government spending addresses incentives to hire. Stimulus is doomed to fail.

### **Inflation More Important Than Jobs**

#### Inflation more important than employment- high inflation destroys jobs

European Commission of financial affairs 7/13 - (“The consequences of inflation,” European Commission, 7/13/12, <http://ec.europa.eu/economy_finance/focuson/inflation/consequences_en.htm> )//AK

**High and volatile inflation brings uncertainty and increases risks, thus hampering economic growth**. Inflation leads to a loss of people's purchasing power; it can make people poorer. High inflation or high inflation expectations can make companies more risk averse and less inclined to make long-term investments. In Germany in 1923, prices doubled every two days and workers were paid twice a day so they could buy food and goods before prices rose again. This is one of history's most spectacular examples of the negative consequences of inflation. High and volatile inflation is harmful for the economy, consumers and businesses. Keeping inflation at a low level is a goal of economic policy-makers around the world. To thrive and grow businesses generally need benign economic conditions, including low and stable inflation. This is because businesses plan their activities and investments, such as in new machinery and manufacturing plants, for some years ahead. Indeed, for large companies, investment planning can cover decades into the future. It brings huge uncertainties into business planning if inflation is high or expected to be so, as the changing value of money means that companies cannot be sure of their future costs or revenues. In response, they become much more cautious. **High inflation or high inflation expectations can cause business costs to rise faster than productivity gains and lead entrepreneurs to become risk-averse, less willing to invest in the future – thereby reducing competitiveness. This has a negative impact on economic growth and employment**.

#### Inflation more important – key to federal reserve reactions that drive the economy

Thoma 2011 - economist, Fiscal Times Writer (Mark, “Inflation vs. Jobs: Fed’s Move Can Seal Its Fate,” Fiscal Times, March 29th 2011,<http://www.thefiscaltimes.com/Columns/2011/03/29/Inflation-vs-Jobs-Feds-Move-Can-Seal-Its-Fate.aspx#page1>) //AK

Why is **the Fed more concerned with inflation than employment**? First, the **uptick in core inflation observed in recent data is causing the inflation hawks in Congress and elsewhere to wring their hands with worry. With its damaged credibility, and with Rep. Ron Paul, R-Tex., and other critics waiting to pounce, an outbreak of inflation carries threats to the Fed’s credibility and independence that are not present if employment recovers at a slower than desirable pace.** Unfortunately for the unemployed, the main threats to the Fed come from the inflation hawks – largely because of concern about long-term growth. **Second, the modern macroeconomic models that the Fed uses for guidance have a property known as the Taylor principle. According to this principle, the Fed should respond far more aggressively to inflation than to unemployment. Third, if employment is slow to recover, the Fed can blame it on other things – such as structural problems in the economy,** the difficulties of recovering from balance sheet recessions, problems in Japan or the Middle East, international competition, technology, and so on. But while short-run bursts of inflation can be blamed on factors such as oil and food prices, it is not as easy to find scapegoats for high and persistent inflation. **Thus, while the Fed can potentially deflect criticism over a slow recovery of employment, it will take the blame for persistent inflation problems. Fourth, the Fed is determined that it will not monetize the debt and risk inflation even if this means allowing interest rates to rise before employment has fully recovered. Thus, if the Fed has to make a choice – as it may need to do** – it will choose to battle inflation first and foremost. Employment problems will once again take a back seat to worries about inflation.

### Inflation Key to Jobs

#### Inflation is the prime factor to jobs- empirics prove

Pento 5/1 - Macroeconomist and Monetary Expert (Michael, “Why Higher Inflation Destroys,” Forbes, 5/1/12, <http://www.forbes.com/sites/michaelpento/2012/05/01/why-higher-inflation-destroys-jobs/>**)** //AK

**However, the unemployment rate increased from 6.1% at the end of 1971 to 7.2% in 1974. And since the unemployment rate is a lagging indicator, that figure increased even further to 8.2% in December of 1975. In 1977 the CPI was 6.5% and it shot all the way up to 13.5% in 1980. Just as it did in the early part of the decade, the unemployment rate increased yet again to 7.2% in 1980 and hit 10.8% by the end of 1982! Finally, the other salient increase in the rate of inflation occurred between 1986 and 1990. The annual percentage change of inflation in ’86 was 1.9;, that shot up to 5.4% in 1990. The unemployment rate started that period at 6.6% and climbed to 7.3% at the end of 1991.** Therefore, I have to ask our dear Fed Chairman and Nobel Prize winner where the evidence is that inflation causes people to find work. In reality, it’s the exact opposite that occurs. Inflation robs the middle class of their purchasing power and sends them onto the government dole. Inflation also destroys investment in an economy because savers have no idea what interest rate is necessary to charge in order to profitably lend out their money over an extended period of time. And inflation causes tremendous economic imbalances, as capital is diverted into ephemeral asset bubbles instead of being allocated in a more viable manner. If Krugman and Bernanke were correct in believing inflation has a positive influence on the workforce, Zimbabwe and Argentina would both be paragons of how to achieve full employment. **The truth is that a high unemployment rate is the simply the result of a weak economy. And an economy can suffer through a recession while experiencing either inflation or deflation. But when an economy experiences a significant increase in the rate of inflation**, it nearly always ends up with an unemployment rate that goes along for the ride. We can only hope that central bankers in the developed world assent to that principle very soon. Unfortunately, the ECB, BOJ and Fed continue to believe a positive rate of inflation must be maintained at all costs. That is one of the reasons why a high rate of unemployment has now become a structural condition in most of the developed world.

#### Inflation controls jobs- outsourcing proves

Stock Markets 8 - expert financial advisors and economists (“Emergency Protection against the Gathering Inflation Storm,” StockMarkets, 3/6/08,<http://www.stockmarkets.com/blog/emergency-protection-against-the-gathering-inflation-storm/>**)** //AK

**Inflation affects jobs. Outsourcing will hurt even more as employment wells dry up at home. That is why inflation affects poor and middle-class people most. You have to scrounge to keep food on the table.** There is nothing left for vacations and electronic toys. Action, not worrying, will protect you from getting hurt by inflation. We have done some thinking on the subject. Here is a list of things you can do to ride out the inflation storm: Switch to alternative energy for your car and home. Sell stocks of companies that make luxury goods. Stop using goods made in Euros. Use your time, home, knowledge, and savings to build new revenue lines. Change to health insurance with lower or no co-payments. Use barter deals with your customers and friends, in preference to cash payments. Improve your credit rating. Negotiate long credits for payments, but collect in cash on the barrel head. Invest in futures of the Basic Materials Sector. Build inventories of your essential consumables. Start formal budgeting of personal and house-hold expenses, with strict and progressive expense cuts every month. Become a deal and value maniac when you shop. Move to a lower cost neighborhood. Shun social networking with the wealthy. Disregard rumors. Do not panic.

#### Focusing on employment leads to high inflation- empirics prove

CNN 11 (CNN, “Fed should focus on inflation, not jobs,” CNNMoney, 4/25/11,<http://finance.fortune.cnn.com/2011/04/05/fed-should-focus-on-inflation-not-jobs/>//AK

Some central banks, like the European Central Bank, have just one mandate: Keep prices stable. But the Fed has two primary responsibilities: to keep prices stable, and to make sure the nation runs at maximum employment. Our plan sounds better, in theory. After all, who doesn't want to live in a society where everyone has a job and where the prices you pay for things like food, gas, and medicine never go up? But the actions required to meet those two mandates can be contradictory, and some observers worry we are nearing one of those inflection points today. **Their big concern is that by choosing to focus on the still unacceptably high unemployment level in America, the Fed will lose sight of the mandate to fight inflation -- with disastrous results. "The whole thing can backfire," says John Taylor, an economics professor at Stanford University and an expert on monetary policy. "Inflation starts to run up, you have to stomp on the brakes, then unemployment rises." The worst-case scenario? Think back to the 1970s and early 1980s, when inflation skyrocketed, unemployment followed, and the Fed under chairman Paul Volcker had to boost the Federal funds rate as high as 20% to get the situation back under control.** Imagine trying to borrow money to buy a house, send a child to college, or start a business with interest rates sitting at 20% or higher, and you begin to get the picture. What the Fed took away from those difficult years is the fundamental knowledge that -- dual mandate or not -- the goal of low unemployment had to take a backseat to the goal of fighting inflation. Price stability was understood to be the most important job of the central bank, with the belief that all other aspects of a strong economy would flow from that. And that's how the Fed operated, not only through Volcker's time but also through the 18-plus years that Alan Greenspan served as chairman of the Federal Reserve. It's a prioritization that Greenspan believes in to this day. "A necessary condition for long-term unemployment is low inflation," Greenspan said recently on Squawk Box.

## Impacts

### Econ Collapse Timeframe

#### Econ collapse will happen before hegemony stops it – Vietnam, Afghanistan, and Korean war spending prove

Roberts 7/9 (Paul, American Economist and Journalist, Foreign Policy Journal, July 9th 2012,[**http://www.google.com/search?q=Paul+Roberts+ economist&client =safari&rls=en&oe=UTF-8&oq=Paul+Roberts+economist&gs\_**](http://www.google.com/search?q=Paul+Roberts+%20economist&client%20=safari&rls=en&oe=UTF-8&oq=Paul+Roberts+economist&gs_)//AK

In a recent column, “[Can the World Survive Washington’s Hubris](http://www.foreignpolicyjournal.com/2012/06/30/can-the-world-survive-washingtons-hubris/),” I promised to examine whether **the US economy will collapse before Washington in its pursuit of world hegemony brings us into military confrontation with Russia and China.** This is likely to be an ongoing subject [on my website](http://www.paulcraigroberts.org/), so this column will not be the final word. **Washington has been at war since October 2001, when President George W. Bush concocted an excuse to order the US invasion of Afghanistan. This war took a back seat when Bush concocted another excuse to order the invasion of Iraq in 2003, a war that went on without significant success for 8 years and has left Iraq in chaos with dozens more killed and wounded every day, a new strong man in place of the illegally executed former strongman, and the likelihood of the ongoing violence becoming civil war.** Upon his election, President Obama foolishly **sent more troops to Afghanistan and renewed the intensity of that war, now in its eleventh year, to no successful effect.** These two wars have been expensive. According to estimates by Joseph Stiglitz and Linda Bilmes, when all costs are counted, **the Iraq invasion cost US taxpayers $3 trillion dollars**. Ditto for the Afghan war. In other words, the two gratuitous wars doubled the US public debt. This is the reason there is no money for Social Security, Medicare, Medicaid, food stamps, the environment, and the social safety net. Americans got nothing out of the wars, but as the war debt will never be paid off, US citizens and their descendants will have to pay interest on $6,000 billion of war debt in perpetuity. **Not content with these wars, the Bush/Obama regime is conducting military operations in violation of international law in Pakistan, Yemen, and Africa, organized the overthrow by armed conflict of the government in Libya, is currently working to overthrow the Syrian government, and continues to marshal military forces against Iran.** Finding the Muslim adversaries Washington created insufficient for its energies and budget, Washington has encircled Russia with military bases and has begun the encirclement of China. Washington has announced that the bulk of its naval forces will be shifted to the Pacific over the next few years, and Washington is working to re-establish its naval base in the Philippines, construct a new one on a South Korean island, acquire a naval base in Vietnam, and air and troop bases elsewhere in Asia. **In Thailand, Washington is attempting to purchase with the usual bribes an air base used in the Vietnam war. There is opposition, as the country does not wish to be drawn into Washington’s orchestrated conflict with China.** Downplaying the real reason for the airbase, Washington, according to Thai newspapers, told the Thai government that the base was needed for “humanitarian missions.” This didn’t fly, so Washington had NASA ask for the air base in order to conduct “weather experiments.” Whether this ruse is sufficient cover remains to be seen. US Marines have been sent to Australia and elsewhere in Asia. **To corral China and Russia (and Iran) is a massive undertaking for a country that is financially busted. With wars and bankster bailouts, Bush and Obama have doubled the US national debt while failing to address the disintegration of the US economy and rising hardships of US citizens.**

### Econ Collapse Turns Case

#### Econ collapse turns case – destroys infrastructure, econ and increases poverty

Barron 2008 - Patrick Barron is a Social Development Specialist at the World Bank, Indonesia. Since 2005, he has managed the Bank’s programme of support to the Aceh peace process (Patrick, “Managing the resources for peace: Reconstruction and peacebuilding in Aceh”, 2008, Accord 20: Managing Resources for Peace pgs. 58-61) // SKRG

The reconstruction of damaged infrastructure and the rehabilitation of the economy in areas previously affected by civil war are vital from both a developmental and security perspective. Conflict destroys infrastructure, increases poverty (although it may enrich some) and affects the delivery of basic services. Capital flight is compounded by the suspension of new inward investment. Breakdowns in social cohesion and trust make it even more difficult for development to occur. Poverty and lack of economic opportunities, and accompanying mistrust of government, can in turn fuel a return to conflict. The difficulties of re-starting economies after conflicts end, and of providing a real peace dividend that demonstrates progress on the ground, is one reason why, according to the World Bank, 44 percent of countries reaching the end of civil war return to conflict within five years. Getting the economy going, creating jobs (especially for former combatants) and rebuilding damaged or destroyed private and public infrastructure are thus key conflict prevention activities in the aftermath of civil wars.

### Bioweapons

#### Economic collapse leads to bioterror

Lewis 12 – Grant, Stanford University (“ The Spread of Biological Agents Bioterrorism & Black Markets”, Stanford University, [https://docs.google.com/viewer?a=v&q=cache:Em-VMI-t30sJ:www.stanford.edu/class/e297a/The%2520Spread%2520of%2520Biological%2520Agents%2520Bioterrorism%2520%26%2520Black%2520Markets.doc+&hl=en&gl=us&pid=bl&srcid=ADGEESgLUiHYEPrDPodja3bmhX\_\_E4hyAPaux1rZDAusJbdKJ4VqFfEbjZrndwcl-ukD0e6624ykeSjvu1dYmXDnCdKqEQVv4WIOo1BA0LcmrVVp7b649Dx-xpQWrEv8K59o3UVDf\_BA&sig=AHIEtbQ8Vzc9nW5PLiS2HGXkvaXw3jqqoA)/JY not ML](https://docs.google.com/viewer?a=v&q=cache:Em-VMI-t30sJ:www.stanford.edu/class/e297a/The%2520Spread%2520of%2520Biological%2520Agents%2520Bioterrorism%2520%26%2520Black%2520Markets.doc+&hl=en&gl=us&pid=bl&srcid=ADGEESgLUiHYEPrDPodja3bmhX__E4hyAPaux1rZDAusJbdKJ4VqFfEbjZrndwcl-ukD0e6624ykeSjvu1dYmXDnCdKqEQVv4WIOo1BA0LcmrVVp7b649Dx-xpQWrEv8K59o3UVDf_BA&sig=AHIEtbQ8Vzc9nW5PLiS2HGXkvaXw3jqqoA)/JY%20not%20ML)

The Spread of Biological Agents Bioterrorism and Black Markets Recent events have made the risk of a bioterrorist attack more tangible. The perception of this risk was magnified in the public by the mail anthrax outbreak in the fall of 2001. The intent of this paper is to define the existing threat as well as to provide critical insight as to what framework for managing the threat of biological agents is most beneficial. Emergence of the Bioweapons Threat Bioweapons programs began to warrant national attention during World War II. Although the infamous Japanese program ceased with the end of the war, biological weapons programs in the United Sates, Canada, the Soviet Union and the United Kingdom expanded progressively until 1972. This expansionary period was ended by the signing of the Biological and Toxin Weapons Convention, which was supported by 140 countries including the Soviet Union and Iraq. The Biological and Toxin Weapons Convention sought to both curve the development of bioweapons by terminating research on all offensive bioweapons and to decrease the existing threat through the destruction of stocks of biological agents. Despite the lack of a mechanism to verify appropriate actions were being taken, western countries complied. In the United States, during the 1970’s and the1980’s, funding for the defense of biological attacks was substantially decreased and government funded research programs were dismantled.[i] Recent incidents of biological weapon attacks indicate that the Biological and Toxin Weapons Convention failed to safe guard the international community from the bio-weapons threat. Investigations during and after the 1990 Gulf War provided new concerns. Iraq’s biological capabilities and their propensity to use such weapons were demonstrated in the Iran-Iraq war. Furthermore, Iraq was known to be developing nuclear capabilities and there were signs that it had engaged in efforts to develop anthrax as a weapon. Information about Iraq’s anthrax program was received too late and only a small proportion of allied troops were vaccinated. In 1995, the defection of the President’s son-in-law, Hussein Karnel Hassan, led to the confiscation of Iraqi documents that revealed an operation of unknown scope and sophistication. The documents included evidence of production including 20,000 liters of botulinum toxin and 8,000 liters of anthrax spore suspension. In addition, Iraq had obtained SCUD missile capabilities with a range of 300 to 600 km, outfitted 400-lb bombs with botulinum toxin and anthrax warheads, as well as engineered drone aircraft equipped with aerosol dispersals systems.[ii] The looming perception of a biological threat was further substantiated in 1995, when the Japanese religious cult Aum Shinrikyo carried out a sarin gas attack on Tokyo. This cult with the intention of gaining control first of Japan and then the world executed a plan to kill hundreds of thousands in an effort to incapacitate the Japanese government and induce widespread panic. The extent of Aum Shinrikyo’s activities were not known until 1998 when it was learned that the cult had sought to aerosolize anthrax and botulinum toxin through out Tokyo on eight occasions between 1990 and 1995. Despite the imprisonment of its leadership, the cult remains in operation and legally operates electronic, computer, and other stores with a net revenue of $30 million annually. Its membership is thought to have reached 5,000 and to have spread to parts of Russia, Ukraine, Belarus and Kazakhstan.[iii] Current Threat Today, one of the international community’s greatest concerns is the status of Russia’s bio-weapons facilities. During the 1990’s several senior official’s involved in the production of biological weapons capabilities defected making available alarming information regarding the scope and the operation of the Soviet program. Whereas the Biological and Toxin Weapons Convention was meant to decrease bio-weapon research, development and production, the Soviet Union instead took advantage of this opportunity by attempting to gain an advantage over its cold war adversaries. The global effort to eradicate smallpox and the cessation of vaccination in 1980 was also taken as an opportunity to be exploited. As a result, a program to produce mass quantities of smallpox and to obtain military capabilities was initiated. This goal was achieved in 1989 and production reached tons of smallpox viruses annually. Ken Alibek, a former first deputy chief of research and production for the Russian biological weapons program, has reported that the smallpox virus program had achieved intercontinental ballistic missile and bomb capabilities.[iv] Two different entities: one located in the Ministry of Medical and Microbiological Industry and the second in the Ministry of Defense funded and managed the biological weapons research and development programs in the former Soviet Union. A proportion of the multi-laboratory complex that extends across at least eight different cities and once employed 60,000 workers is still in operable conditions. Of greatest concern, one of these laboratories located in Koltsovo, the Russia State Research Center of Virology and Bio-technology, houses one of the two World Health Organization sanctioned repositories of the smallpox virus. The laboratory is equipped with biosafety level 4 containment facilities giving it the ability to work with the most virulent pathogens. Recombinant research studies have taken place on smallpox, Marburg, and hemorrhagic fever viruses. Russia’s economic decline has led to the departure of several scientists and a severe compromise of security. The disappearance and unknown location of the departed scientist is particularly alarming due to the intensified recruiting by Iran, Libya, Syria, and North Korea.[v] As a result, the existing threat is substantiated by the existence of rogue states with intentions to develop biological weapons capabilities, well-financed religious cults, and a supply of unemployed scientists with weapons capability know-how. These forces have forged a volatile situation with potentially devastating consequences. The Challenge of Biological Agents The proliferation of weapons with mass destruction capabilities (nuclear, chemical and biological) is of increasing international concern. Of this class of weapons, the biological ones are perhaps of greatest concern due to their accessibility. As a result of the complexities of safeguarding against a biological or chemical attack, most strategic planning has been directed toward crisis management after an attack has been executed. Strategic planning in the US resembles protocols for hazardous materials, explosions, fires, and other civil emergencies. In the event of a biological or chemical release; fire, police, and emergency rescue workers would be dispatched to the scene with the FBI assuming lead responsibility in stabilizing the situation and limiting casualties. Although chemical and biological responses have been categorized in the same class of responses, the expected scenario after the release of a biological agent is drastically different than that of a chemical. The essential problem in containing a biological attack and thereby limiting casualties is that the release would be silent and most likely undetected. The expanded window of exposure would allow the odorless, tasteless gas to infect a larger portion of the population. Victims would not be aware of their infections for days or weeks increasing the likelihood of secondary outbreaks. Furthermore, patients would begin appearing in hospitals with symptoms physicians are unlikely to have seen and are ill equipped to treat. Additional facilities would be needed to identify the pathogen, mass produce vaccines or antibiotics, and to possibly quarantine patients. A team of epidemiologist would be needed to try and identify where and when infection occurred in order to asses how to contain the spread. The different crippling effects of a biological attack can not be handled by a single ‘chembio’ strategy.(Table I)[vi] One important difference to note is that the category of first responders is drastically different depending on whether the attack is by a chemical or by a biological agent. This implies that training an emergency response team for a chemical attack will not translate into the ability to respond to a biological attack. The Hopkins Center addressed this problem by forming the national Working Group on Civillian Biodefense, which is composed of government and non-government experts. The principal goal of this group has been to identify which biological agents require priority attention and what should be the most appropriate response to each. What Biological Agents Pose a Threat There is a wide variety of potential bioterrorism agents. Any one of thousands of biological agents that are capable of causing human infection could be considered a possible threat. However, only a few pose a serious problem. The NATO handbook of potential biological warfare agents lists 31 infectious agents.[vii] Of these 31 agents only a small number can be cultivated and dispersed effectively as to infect a portion of the population large enough to incapacitate a community. A Russian panel of bioweapons experts also reviewed the microbial agents and concluded that there were 11 that were very likely to be used. The top four were smallpox, plague, anthrax, and botulism.[viii] Lower on this list were tularemia, glanders, typhus, Q fever, Venezuelan equine encephalitis, Marburg, and influenza viruses. The top-rated agents have a high case of fatality rates when dispersed as an aerosol. These rates range upward from 30% for smallpox to more than 80% for anthrax. Smallpox and Anthrax have other advantages in that they can be grown reasonably easily in large quantities and are resistant to destruction. Thus, they are well-suited for aerosol dissemination to reach large areas and numbers of people. On the basis of several characteristics, including morality, infectivity, potential for secondary (person-to-person) transmission, and dread, the US Centers for Disease Control has developed a prioritized list of bioterrorist agents, which is displayed in (Table II)[ix]. The agents of highest concern are in category A. This category includes viruses (variola, filoviruses), bacteria (bacillus anthracis, Francisella tularensis), protozoa (Cryptosporidium parvum, and toxins (Ricin). With the exception of the toxins, all the agents are infectious microorganisms that are capable of multiplication in a susceptible human host. Table II Critical Biological Agent Categories for Public Health Preparedness . . Biological Agent Disease . . Category A Variola major Smallpox Bcillus Anthracis Anthrax Yersinia pestis Plague Clostridium botulinum (botulinum toxins) Botulism Francisella tularensis Tularemia Filoviruses and Arenaviruses (e.g., Ebola Viral hemorrhagic Virus, Lassa virus) Fevers Category B Coxiella burnetii Q fever Brucella spp. Brucellosis Burkholderia mallei Glanders Burkholderia pseudomallei Melioidosis Alphaviruses\* Encephalitis Rickettsia Prowazekii Typhus fever Toxins (e.g., Ricin, Staphylococcal spp., Toxic syndromes Escherichia Coli O157:H7) Chlamydia psittaci Psittacosis Water-safety threats (e.g., Vibrio Cholerae, Cryptosporidium parvum) Category C Emerging Threat agents (e.g. Nipah virus, Hantavirus) Who Are The Probable Perpetrators Some arguments suggest that almost any individual with intent would be capable to produce and dispense a biological weapon. Fortunately, only a few have the potential to be successful at obtaining any of the category A, top-rated agents, in a form suitable to be dispensed in an aerosol form. Naturally occurring cases of plague, anthrax, and botulism provide a potential source for strains. However, the variation in the virulence of different strains requires knowledge of the agent in order to choose the most pathogenic strain. This knowledge is generally restricted to individuals with high expertise. Furthermore, producing the agent in large quantity and at the size needed for aerosolization requires laboratory sophistication beyond the average facility. These requirements reduce the likelihood of an attack but do not eliminate the threat all together. It is likely that a number of countries possess laboratories with the sophistication and capacity to produce most of the pathogenic organisms because the costs of equipping and staffing such laboratories are much lower than a nuclear weapon program. As a consequence, they are a likely substitute for budget constrained countries. Furthermore, because only small quantities are needed to inflict casualties over a wide area transportation of the agents is relatively easy. Thus, in countries where government institutions have been eroded or corrupted due to economic decline there is a substantial risk of bio-weapon capabilities being exchange on a black market. Current measures of screening to intercept these agents from transport across state or national borders are insufficient. Main Threats: Smallpox and Anthrax Smallpox, if released, poses an unusually serious threat due to the portion of the population susceptible to the sickness. Vaccination programs for smallpox have not been in progress worldwide for more than 20 years as a result of the eradication of the disease. Thus immunity to the disease would be contingent on natural ability, leaving 80% of the population at risk. In addition, fatality rates after infection with smallpox are 30%. No treatment for the virus exists, and smallpox in aerosolized form can survive for 24 hours and is highly infectious even at low doses.[x] An outbreak infecting 100 people would quickly tax the resources of a community. Hospital capacity would be decreased by both actual cases and uninfected individuals with such common symptoms as fevers and rashes. The first wave of cases would necessitate the treatment of about 200 individuals. The majority of the patients would be extremely ill and require hospitalization to treat their severe aching pains and high fevers. Hospital patient facilities would have to be transformed to negative pressure rooms with filters in order to decrease the risk of widespread transmission. However hospitals have limited supply of such facilities, for example, there are less than 100 in the Washington, D.C., metropolitan area.[xi] In order to limit the number of cases, a vaccination program would have to be initiated rapidly. If the smallpox vaccination is given within 3 to 4 days after exposure it is successful at preventing fatalities and in a substantial amount of cases preventing the disease all together. As a result, in order for a vaccination program to be successful it must be rapidly implemented. The general increase in the human immunodeficiency virus epidemic and the general issue of vaccine complications among immuno-suppressed populations introduce added complexities in a time-constrained response. [xii] A second wave of cases would reach a larger portion of the population than the first. Estimates obtained from the importation of smallpox into Europe over the past 40 years suggest that there would be at least 10 secondary cases for each initial case appearing 14 days after the first case. With mounting numbers of cases, contacts, and involved areas, mass vaccination would be the only practical approach. Framing The Bioterrorism Discourse: Members of the public health industry as well as officials from the U.S. government have undergone several discussions to detail the necessary precautionary measures. One first step was the National Symposium on Medical and Public Health Responses to Bio-terrorism convened by the HHS, the Hopkins Center, and 12 other sponsoring organizations held on the 16th and 17th February, 1998. In May, Assistant Secretary Margaret Hamburg was assigned and led the nation’s counter-terrorist planning effort from the perspective of public health and medical consequences management. At the request of the president with bi-partisan support from Congress, $133 million was allocated to HHS for fiscal year 1999, $51 million to increase the nations stock of antibiotics and vaccines. The biggest allotment of funds has gone to the Center for Disease Control in order to strengthen a surveillance network to enhance the capabilities of federal and state laboratories. This initial provision of funds is consistent with the idea that the most effective step is to strengthen the public health and infectious disease infrastructure.[xiii] Moving forward from the initial allocation of funding and discussions on how to frame the question of bio-defense, bioterrorism ‘response scenarios’ have emerged as the primary mechanism to analyze the biological threat. Bioterrorism response scenarios are representational forms intended to simulate the release of a biological agent and its consequences. Although these scenarios are meant to illustrate a realistic threat, in simulating future horrors, scenario authors cultivate expectations within their audience. Deliberately approaching their work as storytelling, some writers see the bioterrorism scenario as a powerful means for generating new patterns of thought that are aligned with the self-interests of the organizations they represent. One such scenario that heightened the immediacy of a perceived threat and initiated action by its audience is the June 2001 Dark Winter table top exercise. Sam Nunn, former US Senator and member of Senate Armed Services Committee, played the President in this scenario while R. James Woolsey, former Central Intelligence Agency head, played the Director of Central Intelligence. The storyline was that smallpox was released in Oklahoma City, Philadelphia and Atlanta causing over 16,000 confirmed smallpox cases in 25 states with 10 other countries facing secondary outbreaks. The impact of this scenario was that participants testified at a hearing of House Committee on Government Reform, July 23, 2001, and a hearing of Senate Foreign Relations Committee, September 5, 2002 as well as 38 additional hearings referencing the exercise. Eventually leading to the development of a smallpox vaccination programmed initiated in December of 2002. As a result of response scenarios the U.S. government has increased spending on biodefense and now has sufficient supply of the smallpox vaccination for the entire U.S. population. The use of such scenarios in framing the biodefense discourse is problematic because table top exercises create immediacy to a perceived threat that is not substantiated by real probability of outbreak assessments. As a consequence, the U.S. government has inefficiently spent billions of dollars to decrease the risk of a biological attack.[xiv] (Table III)[xv] Table III: Federal Investments Supporting Scenario Use The Role of Risk Analysis: A more productive framework to evaluate the nation’s need for biodefense takes the form of risk analysis. There have been a number of actual or threatened bio-terrorist and bio-criminal incidents that illustrate potential vulnerabilities. Risk assessment offers a valuable approach to ascertain and prioritize to what extent funding should be spent to address these weak points. The first step of Risk Analysis is to identify what can go wrong. Defining the potential outcomes can be done at various scales, local, national or global. At the smallest scale an analysis would be conducted for an individual system or facility. In any case in order for a sufficiently rich set of scenarios to be elucidated, individuals with technical knowledge must be involved. Given the elucidation of a scenario, the probability of occurrence can be assessed by using tools and methods familiar to the risk assessment community. In order for a bio-terrorist act to be successful there is a series of necessary events that must occur. In addition to these precursor events there must be the appropriate motives as well as technical knowledge and ability to bring the spread of a biological agent to a successful realization. The fundamental objective, obtaining the appropriate biological agent requires access as well as knowledge. Restrictions in distribution of potential agents have reduced that accessibility. In addition, once the appropriate agent has been selected, the most appropriate strain must also be selected. It is speculated that one reason for the lack of success at disseminating anthrax by the cult Aum Shinrikio was the inadvertent selection of a nonpathogenic strain of Bacillus anthracis. The various barriers that must be overcome for a successful incident to occur can be defined in the form of a fault tree with quantitative assessments of likelihood of particular scenarios detailed. Using this framework a cost benefit analysis can be done to assess whether funding a particular government project is worthwhile.[xvi] Closing Remark: There were 11 cases of inhalation of anthrax as of December 2001. Placing this risk in terms of existing risks, expected deaths from the spread of biological agents should be contrasted to the approximately 5,000 deaths per year from food-borne infection and the 20,000 deaths from influenza. These statistics raise the question as to why the fall 2001 anthrax event received so much attention from both the media and political arenas. Apart from the contextual issues concerning the aftermath of the September 11 terrorist incidents, there are aspects of risk perception that explain the greater attention to anthrax exposure.[xvii] The perception of risk is magnified by two factors; dread risk and unknown risk. Dread risk includes the severity, equitability, and uncontrollability of consequences. Unknown risk is the addition of new risk to an individual’s portfolio of existing risks. Both of these aspects of risk increase an individual’s willingness to decrease that risk. As a consequence, it remains important to explore how communication could positively address the amplification of perceived risk from a bioterrorist incident. Current risks from normal exposure to microorganisms exceed those from bioterrorism. There are no intrinsic differences that prevent existing risk analysis techniques from being employed to cope with the threat of biterrorism.

### Competitiveness

#### US econ decline hurts competitiveness

Schneider 10, - Washington Post Staff Writer (Howard, “Debt, financial Crisis hurt U.S. competitiveness”, Washington Post, 9/9/10, <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/08/AR2010090807266.html> , Washington Post Company) //LA

Large deficits and a weakened financial system have made the United States less competitive in the global economy, the World Economic Forum said in [its annual review](http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm) of the competitiveness of countries.¶ The United States slipped from second to fourth in the survey, behind Switzerland, Sweden and Singapore. It had fallen from first place the year before.¶ The study includes statistical measures as well as a survey of business owners to compare countries. In the United States, the entrepreneurs cited access to credit and government regulation among their chief concerns.¶ But it was government debt and the country's overall economic outlook that pushed the United States down in the rankings, said Irene Mia, senior economist at the forum, a Geneva-based think tank that sponsors the annual gathering of world leaders in Davos, Switzerland.¶ "The U.S. has very important strengths, but macroeconomic stability was a problem beforehand and the crisis exacerbated it," Mia said.¶ Government debt affects a country's competitiveness by limiting its ability to respond to crises or make infrastructure and other investments that could boost future productivity. It may also lead to higher interest rates.¶ Along with broad statistics about each of the 139 countries included, the survey examined areas such as the strength of institutions and laws, the quality of infrastructure, public health and education, and levels of technology and innovation.¶ The United States, for example, scored high on items related to the efficiency of labor markets, innovation and higher education. But it received mediocre scores on how some of its institutions function, ranking 55th in the strength of corporate reporting requirements, 84th in the cost to business of crime and violence, and 125th in the business costs of terrorism.¶ The impact of the recent financial crisis and recession had a deep influence on this year's edition of the study, with countries hit by recent shocks, such as Greece, Ireland and Spain, all tumbling in the competitiveness rankings because of high debt and uncertainty about future growth.¶ Government debt and deficits have emerged as a chief concern among developed world economies, as a decline in tax receipts during the recession and an increase in spending on stimulus programs combined to require record levels of government borrowing. Crafting an "exit strategy" - cutting annual deficits without undermining economic growth by doing so too quickly - has become a main focus of policymakers in Europe and the United States.¶ By contrast, several emerging market economies jumped quickly in their competitiveness ratings, as governments kept debt down and invested in infrastructure and institutional reform.¶ Indonesia vaulted from 54th to 44th place in the survey, and the World Economic Forum cited steady improvement in the country's schools as a prime reason. Vietnam went from 75th to 59th in the rankings; the forum cited it for having one of the most efficient labor forces in the world and investing comparatively large amounts in research and development.¶ China, at 27th, was among the most competitive of the developing economies, benefitting particularly from a high savings rate, rising research investment and improvements in school enrollment.¶ Chad is rated the least competitive of the countries surveyed, while Nigeria and Pakistan experienced the largest declines in competitiveness. The forum noted security problems in both countries and cited the fact that Nigeria was now running an annual budget deficit despite its oil wealth.¶ Because the study is partly based on surveys of business owners, Mia said that the general outlook or mood of a country can influence the results - turning up in times of greater confidence or down in periods of doubt.¶ There's a cultural and political hew as well. China, run by a communist party known for doling out or denying favors to business owners, has the world's 22nd most trustworthy government, according to the forum's survey. The United States, a democracy with a built-in skepticism of officialdom, ranks 54th.

### Disease

#### Econ key to health

Smith 1999- Senior economist, RAND, Distinguished Chair in Labor Markets and Demographic Studies (James, “Healthy Bodies and Thick Wallets: The Dual Relation Between Health and Economic Status,” Journal of Economic Perspectives, JSTOR, <http://www.jstor.org/discover/10.2307/2647123?uid=3739728&uid=2&uid=4&uid=3739256&sid=21100869562021>) // SKRG

There is abundant evidence of a quantitatively large association between many measures of economic status, including income and wealth, and a variety of health outcomes, such as mortality or morbidity. However, considerable and often heated debate remains- especially across disciplines-about the direction of causation and about why the association arises. Although medical scientists are often convinced that the dominant if not exclusive pathway is that variation in socioeconomic status produces health disparities, they are increasingly debating among themselves about why low economic status leads to poor health. At least for industrial countries, the old standby arguments-the less well-to-do have access to less or lower quality medical care or a stronger pattern of deleterious personal behaviors-have been rejected as insufficient.' Instead, some intriguing competing theories have arisen that emphasize long-term impacts of early childhood or even intra-uterine environmental factors, the cumulative effects of prolonged exposures to individual stressful events, or reactions to macro-societal factors such as rising levels of income inequality. A common link is that each theory attempts to document the physiological processes by which low economic status leads to poorer health. While these scientific questions are extremely important, this research has had little input from economists.

#### Econ collapse creates mass death and disease

Suhrke et al 2011 – Mark, Norwich School of Medicine (June 10, 2011. “The Impact of Economic Crises on Communicable Disease Transmission and Control: A Systematic Review ofthe Evidence.” Plos One. <http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0020724>) // SKRG

Although past economic crises, downturns and situations of major political turmoil (such as the collapse of the Soviet Union) are instructive, each event has its own unique characteristics and generalisations need to be made with caution. There is no a priori unit for analysis; a broad range of sweeping conjectures and observations can be made about economic circumstances, which might be seen as confusing, potentially contradictory, and without clear impetus for further research or clear intervention.

Moreover, the risks are dynamic and complex, with potential non-linear effects as new infections can spark exponential rises in secondary cases; brief high-risk exposures in a susceptible sub-population could generate a subsequent wave of infections more generally; or singular cases may die out rather than provoking local epidemics, generating public disdain for “false alarms”. These effects are also social in nature, and often deemed too difficult to attribute causality. Additionally, there are feedback loops arising from policies (such as whether to cut public health budgets), which are themselves dependent on institutional and economic circumstances as well as on the depth of the crisis at hand. The effects are likely to be disease-specific, as the agent-host-environment framework differs between, say, tick-borne encephalitis and tuberculosis. Finally, there are likely to be variable lag effects; in some cases the health consequences of a crisis will be apparent almost at once but in others the crisis may lead to changes in behaviour or material conditions that contribute to increased infections some years later. Clearly, the latter are much more difficult to identify and attribute to an economic event.

#### Disease risks extinction

**Chen, 2005,** Hsinchun Chen, McClelland Professor of Management Information and Director, Artificial Intelligence Lab, (“Infectious Disease Informatics and Outbreak Detection” Medical Informatics, Accessed online at [Error! Hyperlink reference not valid.](http://ai.arizona.edu /mis596a/book_chapters/medinfo/Chapter_13.pdf) Accessed on 3/29/12) //LA

**Infectious or communicable diseases have been a risk for human society since the onset of the human race**. The large-scale **spread of infectious diseases often has a major impact on the society and individuals alike and sometimes determines the course of history** (McNeill, 1976). Infectious diseases are still a fact of modern life. Outbreaks of new diseases such as AIDS are causing major problems across the world and known, treatable diseases in developing countries still pose serious threats to human life and exact heavy tolls from nations’ economies (Pinner et al., 2003). For instance, the estimated economic cost of Tuberculosis (TB) is 3 billion US dollars per year in India (http://www.healthinitiative.org).

### Environment/Climate Change

#### Economic recession diverts attention from global warming

Barbu 2010- Spiru Haret University (Cristina, “How the Economic Crisis Affects the Environment?” Journal of Environmental Management and Tourism, Winter 2010, <http://asers.eu/asers_files/jemt/JEMT_Volume_I_Issue_2%282%29_Winter_2010.pdf#page=4)> ) //LA

The global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. A part of the world‘s scientists think that the crisis will move people to use less energy and help limit carbon emissions. They saw the crisis as a short-term and long-term opportunity for Europe. The global slowdown means people will have less money to buy. This translates into fewer products and goods being manufactured which means fewer natural resources used. In the short-term, as well as a reduction in consumption of resources and technologies that emit or discharge pollution can provide immediate relief to the environment. Also, the drop in exports provides an opportunity to use new energy technologies domestically rather than send them overseas. That way, local environmental conditions can be improved.¶ In the long-term, mass-producing, energy-consuming industries have taken their roll on the nation‘s water supply and air quality. The regime can use the recent factory closings and enterprise to develop a cleaner, high- technology industrial sector.¶ Both in the short and long-term, the government can use the increasing need and demand for clean technology to become a global leader in green technology and renewable energy investment.¶ Other part of the world‘s scientists argues that with the financial crisis, there will be less economic activity around the globe within the next few years. This could mean people putting the economy ahead of the environment, although until very recently, the environment got center stage in world attention.¶ The negative impact of the crisis on the environment is more obvious: the scientists fear that the momentum in the global environmental movement has been diverted amid the economic crisis. As attention is elsewhere, government policies will prioritize quick economic development and employment fixes. Also, there is the fear that approved policies will be shelved because of cost. Although the effect of the regime‘s stimulus investment in major industries has yet to be measured, the scientists predict that heavy pollution, heavy energy consumption and weak regulatory oversight will likely occur. This would be disastrous and a step back for Europe‘s environmental progress. Last, the strengthening of government intervention and the weakening of the market will give rise to further administrative problems with individual or factional interests trumping national ones. This includes local promotion of environmentally damaging enterprises that harm locals and national environmental goals.¶ This paper tries to find out if the economic crisis is good or bad for Romania‘s environment.

#### Global Warming causes extinction

**Cappiello, 08,** Dina Cappiello, Environment/Energy Reporter at the Associated Press, Award Winning environmental Journalist, (“Global Warming Risks to Humans Detailed” Seattle Pi, 7/14/08, Accessed online at [http://www.seattlepi.com/ national/article /Global-warming-risks-to-humans-detailed-1279297.php](http://www.seattlepi.com/%20national/article%20/Global-warming-risks-to-humans-detailed-1279297.php) )//LA

WASHINGTON -- Government scientists detailed a rising death toll from heat waves, wildfires, disease and smog caused by global warming in an analysis the White House buried so it could avoid regulating greenhouse gases. In a 149-page document released Monday, the experts laid out for the first time the scientific case for the grave risks that global warming poses to people, and to the food, energy and water on which society depends. "Risk (to human health, society and the environment) increases with increases in both the rate and magnitude of climate change," scientists at the Environmental Protection Agency said. Global warming, they wrote, is "unequivocal" and humans are to blame. The document suggests that extreme weather events and diseases carried by ticks and other organisms could kill more people as temperatures rise. Allergies could worsen because climate change could produce more pollen. Smog, a leading cause of respiratory illness and lung disease, could become more severe in many parts of the country. At the same time, global warming could mean fewer illnesses and deaths due to cold. "This document inescapably, unmistakably shows that global warming pollution not only threatens human health and welfare, but it is adversely impacting human health and welfare today," said [Vickie Patton](http://www.seattlepi.com/?controllerName=search&action=search&channel=national&search=1&inlineLink=1&query=%22Vickie+Patton%22), deputy general counsel for the [Environmental Defense Fund](http://www.seattlepi.com/?controllerName=search&action=search&channel=national&search=1&inlineLink=1&query=%22Environmental+Defense+Fund%22). "What this document demonstrates is that the imperative for action

### Global Economic Collapse

#### U.S. econ collapse means collapse of major countries – forces Japan and China in to depression.

Mead, 04 – Senior Fellow on Council of Foreign Relations (Walter, “America’s Sticky Power”, FP Magazine, 3/1/04, <http://www.foreignpolicy.com/articles/2004/03/01/americas_sticky_power?page=full>) // ML

Similarly, in the last 60 years, as foreigners have acquired a greater value in the United States -- government and private bonds, direct and portfolio private investments -- more and more of them have acquired an interest in maintaining the strength of the U.S.-led system. A collapse of the U.S. economy and the ruin of the dollar would do more than dent the prosperity of the United States. Without their best customer, countries including China and Japan would fall into depressions. The financial strength of every country would be severely shaken should the United States collapse. Under those circumstances, debt becomes a strength, not a weakness, and other countries fear to break with the United States because they need its market and own its securities. Of course, pressed too far, a large national debt can turn from a source of strength to a crippling liability, and the United States must continue to justify other countries' faith by maintaining its long-term record of meeting its financial obligations. But, like Samson in the temple of the Philistines, a collapsing U.S. economy would inflict enormous, unacceptable damage on the rest of the world. That is sticky power with a vengeance. THE SUM OF ALL POWERS? The United States' global economic might is therefore not simply, to use Nye's formulations, hard power that compels others or soft power that attracts the rest of the world. Certainly, the U.S. economic system provides the United States with the prosperity needed to underwrite its security strategy, but it also encourages other countries to accept U.S. leadership. U.S. economic might is sticky power. How will sticky power help the United States address today's challenges? One pressing need is to ensure that Iraq's economic reconstruction integrates the nation more firmly in the global economy. Countries with open economies develop powerful trade-oriented businesses; the leaders of these businesses can promote economic policies that respect property rights, democracy, and the rule of law. Such leaders also lobby governments to avoid the isolation that characterized Iraq and Libya under economic sanctions. And looking beyond Iraq, the allure of access to Western capital and global markets is one of the few forces protecting the rule of law from even further erosion in Russia. China's rise to global prominence will offer a key test case for sticky power. As China develops economically, it should gain wealth that could support a military rivaling that of the United States; China is also gaining political influence in the world. Some analysts in both China and the United States believe that the laws of history mean that Chinese power will someday clash with the reigning U.S. power. Sticky power offers a way out. China benefits from participating in the U.S. economic system and integrating itself into the global economy. Between 1970 and 2003, China's gross domestic product grew from an estimated $106 billion to more than $1.3 trillion. By 2003, an estimated $450 billion of foreign money had flowed into the Chinese economy. Moreover, China is becoming increasingly dependent on both imports and exports to keep its economy (and its military machine) going. Hostilities between the United States and China would cripple China's industry, and cut off supplies of oil and other key commodities. Sticky power works both ways, though. If China cannot afford war with the United States, the United States will have an increasingly hard time breaking off commercial relations with China. In an era of weapons of mass destruction, this mutual dependence is probably good for both sides. Sticky power did not prevent World War I, but economic interdependence runs deeper now; as a result, the "inevitable" U.S.-Chinese conflict is less likely to occur. Sticky power, then, is important to U.S. hegemony for two reasons: It helps prevent war, and, if war comes, it helps the United States win. But to exercise power in the real world, the pieces must go back together. Sharp, sticky, and soft power work together to sustain U.S. hegemony. Today, even as the United States' sharp and sticky power reach unprecedented levels, the rise of anti-Americanism reflects a crisis in U.S. soft power that challenges fundamental assumptions and relationships in the U.S. system. Resolving the tension so that the different forms of power reinforce one another is one of the principal challenges facing U.S. foreign policy in 2004 and beyond.

#### US econ collapse escalates to global collapse

Martin 2008 **–** Professional Journalist (Al, “Protocols For Economic Collapse In America”, rense.com, 2-23-8, <http://www.rense.com/general80/protc.htm>) // SKRG

"Everybody knows that the dice are loaded. Everybody rolls with their fingers crossed. Everybody knows the war is over. Everybody knows the good guys lost. Everybody knows the fight was fixed. The poor stay poor, the rich get rich. That's how it goes, Everybody knows" - Leonard Cohen

And this is how the U.S. Treasury would handle an economic collapse. It's called the 6900 series of protocols. It would start with declaring a force majeure, which would immediately be interpreted by the marketplaces as a de facto repudiation of debt. Then the SEC and the various regulatory exchanges would anticipate the market's decline, hour by hour -- when Japan's markets opened the next day, what would happen when the European markets, and all the inter- linkages of the global markets. On the second day, US Special Forces would be dropped in by parachute in the cities where the twelve Federal Reserve district banks are located. The day of reckoning is now coming. What has happened in the interim, from 2001 to present, is dynamic, global economic deterioration. The economic deterioration visited upon the United States by Bushonomics is not a localized event. It is, in fact, global. We have a planet now that is sinking into a sea of red ink.

#### US economic decline destroys the global economy - US in unique position

Schuman, 8/1/11 **-** author of *The Miracle: The Epic Story of Asia's Quest for Wealth*. Before joining TIME, was a correspondent for the *Wall Street Journal* and a staff writer for *Forbes*, has a B.A. in Asian history and political science from the University of Pennsylvania and a master of international affairs from Columbia. (Michael, **“What the U.S. debt deal means for the global economy”, TIMES, August 1, 2001)**

[http://business.time.com/2011/08/01/what-the-u-s-debt-deal-means-for-the-global-economy //](http://business.time.com/2011/08/01/what-the-u-s-debt-deal-means-for-the-global-economy%20//) ML

When U.S. President Barack Obama announced Sunday night that he and Congressional leaders had finally reached [an agreement to raise the government debt ceiling](http://swampland.time.com/2011/08/01/with-debt-deal-reached-can-congress-swallow-its-own-bitter-medicine/) , the world breathed a collective sigh of relief. Stock markets in Asia jumped on the news. Yes, the pact still has to pass through the Senate and unruly House of Representatives (a vote will take place today) before becoming official. But in all likelihood the scary game of brinksmanship between the country’s two political parties has come to an end (for now), and as a result, the U.S. will likely not default on Tuesday. If the world’s most important economy had actually been unable to pay its bills, the consequences for the global economy could have been biblical. The fact that we (barely) averted such a disaster is a bit of good news, something investors haven’t had much of recently. But just as a default by the U.S. would have had an outsized impact on the global economy, due to the [unique position of America](http://curiouscapitalist.blogs.time.com/2011/04/19/what-america%E2%80%99s-debt-problem-means-for-the-global-economy/) in the world, a deal struck to alter the direction of fiscal policy will also have a tremendous effect. The decisions made (or in this case, not made) by Washington in the debt agreement will reverberate through the world economy for years to come. First of all, in the short term, we can all forget about U.S. fiscal policy being employed to stimulate the anemic recovery in the world’s largest economy. The debt deal, by capping annual appropriations and imposing $2.4 trillion in spending cuts over the next decade, takes any hope of further stimulus off the table. We can debate whether or not that’s a good idea, With [U.S. GDP growth](http://curiouscapitalist.blogs.time.com/2011/07/29/gdp-report-what-it-tells-us-about-the-debt/) at an annualized rate of a mere 1.3% in the second quarter, and unemployment still astronomical at 9.2%, some economists have been arguing the U.S. needs more spending, not cutting, to keep the recovery alive. But Washington has chosen fiscal repair over economic repair. That means a lot to Americans – especially those millions still looking for work – but it also means a lot to the rest of the world. Companies and workers from southern China to southern Africa depend on the giant U.S. economy, so a slow recovery in the U.S. eats into growth prospects everywhere else, even roaring emerging markets like China. (The HSBC purchasing managers’ index for China fell below 50 for the first time in a year in July, a sign that its manufacturing sector is slowing.) Secondly, the debt deal hasn’t fully determined the future course of U.S. fiscal policy, and that sad fact means haggling in Washington will continue to plague world markets. Though the parties agreed on the big-picture direction of future spending and cuts, it left nearly all of the details to be determined at a later point, mainly by Congressional committees. We have no clear idea which programs will get the axe, and by how much, nor what role taxes increases or reforms will play into the mix. So the battle between left and right over how to close the budget deficit is, in some ways, just getting underway, and is likely to continue over the coming months and even years. That means continued uncertainty in global financial markets for a long time to come. Third, budget cuts will have a ripple effect through the entire world, and the world is going to have to adjust to what gets cut. For example, the pact mandates hundreds of billions of dollars of defense cuts over the next 10 years. As I recently noted, such cutting could have a [profound effect on the state of global security](http://curiouscapitalist.blogs.time.com/2011/07/06/will-america%E2%80%99s-budget-deficit-bring-an-end-to-world-peace/) . The U.S. military presence around the world has provided a certain level of stability in global affairs, and no other nation (or organization) has the capability of taking over this unique American role. Some countries, such as Japan, depend on the U.S. for their own security. So if the U.S. can no longer afford such international commitments, the entire way the world handles security problems (terrorism, for example) will be forced to change. Everyone from the Saudi royal family to Taliban commanders will be watching closely to see how the U.S. restructures its military spending, to look for new weakness, and new opportunities. Who knows where this process will lead. Fourth, the debt deal – or, more specifically, the ugly process of getting the deal done – could well hasten the decline of American influence in the global economy. The irresponsible brinksmanship and childish squabbling made American political leaders look more like *The Real Housewives of New Jersey* than the leaders of the free world. If I were a policymaker in Tokyo or Beijing or New Delhi, I’d want to make myself less dependent on a country where the political process appears unreliable and heightens the risks to the global economy. That gives countries like China, for example, even more incentive to diversify away from holding U.S. assets, undermining American dominance of the global financial system. At a time when the world economy requires strong U.S. leadership, the world is getting just the opposite. That’s not positive for America’s future standing in the world. However, there might just be a glimmer of something positive here. If Washington can actually devise and stick to a real plan to shore up the country’s finances, the position of the U.S. in the global economy could actually strengthen. Look at how the dollar rallied just on the news of the deal. Imagine what could happen if the deal led to true reform. A credible fiscal repair plan could build confidence in the U.S. economy, the U.S. dollar and most of all, U.S. stewardship of the world economy. So there is a chance that we could be witnessing the start of a revival of American influence in the world economy. If…well, there a lot of ifs to get through before that can happen.

#### U.S econ collapse affects world econ

IMF, 12 – International Monetary Fund (“IMF managing Director Christine Lagarde Emphasizes U.S Role in Global Economy”, Press release, 4/3, <http://www.imf.org/external/np/sec/pr/2012/pr12118.htm>) // YL

Christine Lagarde, Managing Director of the International Monetary Fund, today said that the global economy needs a strong U.S. economy and strong U.S. economic leadership. Noting the deep ties linking the United States and the global economy, especially Europe, she said, “If the European economy falters, the American recovery and American jobs would be in jeopardy. So America has a large stake in how Europe fares—and how the world fares.” “These are trying times. The global economy is trying to emerge from the deepest and most painful economic crisis since the Great Depression. At the same time, the world is growing smaller and more interconnected by the day, meaning that economic disruption in one country can touch people all across the globe,” she said in a speech to the Associated Press Annual Meeting in Washington, D.C.

The global economy is looking better, but the recovery is still very fragile, she said and called on policymakers to “use the breathing space to finish the job”. In this context, boosting growth means using monetary policy to support activity, especially with no real signs of inflation among the advanced economies.

On fiscal policy, she warned that “a global undifferentiated rush to austerity will prove self defeating,” and that “countries like the United States with low costs of borrowing should not move too quickly.” But she also cautioned about complacency regarding U.S. public debt, and urged a stronger push to curb the growth of entitlement spending and raise more revenue. More action is also needed in the United States to ease the burden of household debt, which is holding back the recovery.

#### U.S. econ decline spills over – effects of trade dominance

Dees and Guilhem 09 – Principal Economist for European Central Bank & writer for European Central Bank (Stephane; Arthur, “The Role of the United States in the Global Economy and its Evolution Over Time”, European Central Bank, March 2009[http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1034.pdf) //](http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1034.pdf)%20//) ML

, Global VAR(GVAR).JEL Classification: E32, E37, F41. Page 6 5 ECB Working Paper Series No 1034 March 2009 NON TECHNICAL SUMMARY

The U.S. economy is very often seen as “the engine” of the world economy.As a result, any sign of slowdown in the United States raises concerns about harmful spillovers to the other economies. The current economic recession in theUnited States has questioned the ability of the global economy “decouple” from U.S. cyclical developments. While there were some signs of decoupling inthe first quarters following the U.S. downturn, they disappeared rapidly towardsthe end of 2008, when the crisis became more global and the economic cyclesturned out to be more synchronous across the world.While the increasing economic integration at the world level and the resultingemergence of large economic players, like China, is likely to have weakened therole of the U.S. economy as a driver of global growth, the influence of the UnitedStates on other economies remains however larger than direct trade ties wouldsuggest. Third market effects together with increased financial integration tendsto foster the international transmission of cyclical developments.Based on a Global VAR modelling approach, this paper attempts to providesome answers by analysing how a change in U.S. GDP is transmitted to the restof the world and to what extent such a transmission has changed during theperiod 1979 2006. An important caveat of this approach concerns the identifica tion of a U.S. shock. It is clearly difficult to identify a purely U.S. specific shock,whose nature is entirely idiosyncratic. Moreover, the nature of the shock mightalso alter the way the shock is transmitted to the rest of the world. While theselimits would call for a more complex modeling of the international linkages, ourapproach has remained on purpose very agnostic, while keeping as comprehen sive as possible the representation of international linkages. By including a largenumber of countries in the modeling of the world economy, the GVAR approachallows us to account for the complexity of global interdependencies in a trans Page 7 6 ECB Working Paper Series No 1034 March 2009 parent and coherent framework and to give some idea about the dynamics ofthe propagation of shocks. A more detailed modeling in terms of the nature ofthe shocks and their transmission channels would definitely be at the expenseof both the rich geographical coverage and the time varying dimension.The empirical analysis shows various results. First, the economies differ asregards their sensitivity to U.S. developments. The U.S. economy is for mosteconomies their first trading partner and has remained so during the last 25years. Even for countries that do not trade so much with the U.S., they are influenced by its dominance through other partners trade. Of course, the economies that trade a lot with the U.S. are most likely affected by U.S. economic shocks.At the regional level, however, such effects tend to be diluted and the transmis sion of U.S. cyclical developments seem to be somewhat dampened by regionalintegration. Moreover, while no clear trend seems to emerge, it seems that therole of the U.S. in the global economy has changed over time. Although, weare not able to identify any structural break in the sample, we can see that atime varying estimation shows some noticeable differences in the transmissionof U.S. shocks over time. Overall, it seems that for most countries, a changein U.S. GDP has weaker impacts during most recent periods than for earlierperiods. However, the persistence of such shocks seem to have increased in themost recent periods. The increase in persistence of the U.S. shocks togetherwith the increase in the impact elasticities of non U.S. foreign activity for someregions (emerging in particular) emphasises the role of second round and thirdpartnersR effects, making U.S. cyclical developments more global. Page 8 7 ECB Working Paper Series No 1034 March 2009 1 Introduction The U.S. economy is very often seen as Vthe engineV of the world economy.As a result, any sign of slowdown in the United States raises concerns aboutharmful spillovers to the other economies. As pointed out by IMF (2007), theconcerns of investors and policymakers are justified against the history of pastU.S. recessions usually coinciding with significant reductions in global growth.Figure 1 shows the relatively strong correlation of U.S. real GDP growth and acommon component derived from non U.S. economiesR growth rates. In additionto a large correlation (42%), it seems that in some periods, the U.S. cycle tendsto lead the rest of the world one. Indeed, the correlation between the U.S.growth rates and the common component lagged one period increases to 50%.[FIGURE 1 HERE]While this topic has been widely studied in the literature1, it has receivedrenewed attention recently. The increasing economic integration at the worldlevel and the resulting emergence of large economic players, like China, is likelyto have weakened the role of the U.S. economy as a driver of global growth. Forinstance, Dees and Vansteenkiste (2007) note that while the U.S. business cyclestill leads the worldRs, Asia, where ChinaRs rise is helping the region to establishbusiness cycles largely independent of its main trading partners, is a notableexception2. Hence, the current economic recession in the United States hasquestioned the ability of the global economy to VdecoupleV from U.S. cyclicaldevelopments. While there were some signs of decoupling in the first quartersfollowing the U.S. downturn, they disappeared rapidly towards the end of 2008,when the crisis became more global and the economic cycles turned out to 1 See for instance Canova and Marriman (1998), Doyle and Faust (2002), Duarte and Holden (2003), Kim et al. (2003), Kose et al. (2003), Lumsdaine and Prasad (2003), Osborn et al.(2005), Osborn et al. (2006), Stock and Watson (2003) and Yamagata (1998). 2 The latter results is also confirmed by ADB (2007). Page 9 8 ECB Working Paper Series No 1034 March 2009 be more synchronous across the world. Overall, the U.S.Rs influence on othercountriesR economies remains larger than direct trade ties would suggest, owingto third market effects together with increased financial integration that tendsto foster the international transmission of cyclical developments.Estimating the source and the size of spillovers across industrialised coun tries, Bayoumi and Swiston (2007) show that the U.S. shocks generate significantspillovers, while those from the euro area and Japan are small. They also showthat financial effects tend to dominate the international spillovers. Analyzingthe results for two subperiods (1970S1987 and 1988S2006), they finally show theimportance of the great moderation in U.S. output fluctuations and associatedfinancial stability in lowering output volatility elsewhere.As the study over two subperiods might hide recent changes, this paperaims at showing the evolution over time of the role of the United States inthe global economy. Based on a Global VAR modelling approach, this papershows first that the transmission of U.S. cyclical developments to the rest of theworld tends to fluctuate over time but remains large overall. Second, althoughthe size of the spillovers might have decreased in the most recent periods, theeffects of changes in U.S. economic activity seem to have become more persistent.Actually, the increasing economic integration at the world level is likely to havefostered second round and third market effects. Finally, the slightly decreasingrole of the U.S. has been accompanied by an increasing importance of thirdplayers. Regional integration might have played a significant role by giving moreweights to non U.S. trade partners in the sensitivity of the various economiesto their international environment.Section 2 presents the modelling strategy chosen to study the internationaltransmission of changes in U.S. economic activity. Section 3 shows the empiricalresults by distinguishing an analysis over the sample 1979 2006 and a time

### Hegemony

#### U.S. economic decline means decline in overall U.S. heg – study by Institute for American studies prove

Peng, 11/04/2009 – Director of CICIR’s Institute for American Studies (Yuan, “Financial Crisis and US Economic Hegemony, CICIR, November 4) <http://www.cicir.ac.cn/english/newsView.aspx?nid=110> // ML

When studying US economic hegemony it is important to not only understand the current US economic situation, but also to grasp fully the US comprehensive strength and the future trend of its hegemony. If we divide the US hegemony into hegemony of military, hegemony of politics, hegemony of economy, hegemony of science and culture, the economic hegemony should be the most changeable and also the most decisive element to the future of the US. The military hegemony will stay unchallenged; the basis for its scientific hegemony is solid to a large extent; and the political hegemony, though facing great challenges, is still far from fully declination. Therefore among the four kinds of hegemony, the future of economic hegemony is the most dimmed one. If the economic hegemony is at risk, it will weaken the military hegemony and science and technological hegemony, which, combined with a declining political hegemony, will cause a decline in the comprehensive hegemony of the US; if it successfully keeps its solid economic hegemony, with the support of its strong military capacity and scientific and cultural hegemony, the US will continue to dominate the world, even if the political hegemony is challenged. All in all, how the US economic hegemony goes will greatly impact the other countries in the world.[1]

#### **US economic collapse triggers global economic meltdown, turns hegemony¶**

Inside the Army News, 10 (“ARMY OFFICIALS THINK THROUGH THE WHAT-IF’S OF A ‘GLOBAL ECONOMIC COLLAPSE’”, Inside the Army News, 11/8/2010, [**http://www.lexisnexis.com.proxy.lib.umich.edu/hottopics/lnacademic/**](http://www.lexisnexis.com.proxy.lib.umich.edu/hottopics/lnacademic/))**¶**VS

Army officials met outside Washington last week for a thought experiment about the implications of a large-scale economic breakdown that would force the Army to absorb significant funding cuts and prepare the service for an increased role in keeping domestic order amid civil unrest.¶ The three-day session was part of the Army's Unified Quest 2011 wargame, an annual series of seminars aimed at putting service assumptions to the test and trying to gauge how the Army must change to remain relevant in future conflicts.¶ Officials picked the scenario of a worldwide economic collapse because it was deemed a plausible course of events given the current global security environment. In such a future, the United States would be broke, causing a domino effect that would push economies across the globe into chaos.¶ The Army would have to significantly alter its investment portfolio, focusing on light and inexpensive forces, according to Lt. Col. Mark Elfendahl, who led a group of experts examining the economic-collapse scenario. An increased focus on domestic activities might be a way of justifying whatever Army force structure the country can still afford, he said in a Nov. 4 briefing about his group's conclusions at Booze Allen Hamilton's conference facility in McLean, VA.¶ To make due with defense funding, officials likely would have to further consolidate common functions, like logistics, training, medical services and information systems, officials said. Readiness standards for Army soldiers may have to be lowered to cut cost.¶ A key outcome of a significantly lowered U.S. defense budget would be cuts of international relations efforts no longer deemed necessary. This would come amid a fragmentation of global power into blocs, into which Washington would have little insight.¶ The only silver lining: The Army would have an influx of qualified recruits as the result of an unemployment rate between 25 percent and 30 percent.

### Power Abuse

#### **Econ collapse causes adventurist conflict**

Oxford University Press 2000 – (“War, Hunger, and Displacement,” Oxford University Press, Google Books, <http://books.google.com/books?hl=en&lr=&id=NZ7-IlL6l_gC&oi=fnd&pg=PR12&dq=economic+decline+causes+water+wars&ots=rDOpC_MVlL&sig=HGOApsZj32bdsZ2bZQ3OIgSk6y0#v=onepage&q=economic%20decline%20causes%20water%20wars&f=false) //> SKRG

The analysis of Volume 1 showed multiple causes of the human suffering in emergencies. Economic, political, and cultural sources are intertwined; economic stagnation or collapse, especially when coupled with large disparities among groups (horizontal inequality) and individuals (vertical inequality), spur political discontent, which leader use to mobilize people to support struggles for power, thus deepening and exploiting perceived cultural differences. Group differences, based on differences in ethnicity, race, religion, caste or class, are reinforced, and sometimes created, by the conflict. While these differences are not the primary cause, they acquire an independent force that makes peace-making difficult. Moreover, in war, collective action is the consequence of individual decisions. Individuals’ political and economic aims may be served by war. Such motivation fuels and may even cause conflict.

#### Econ collapse causes rights and drug abuse – Russian power abuse proves

Janetto, 09 (Alexandra, “The ‘Stans’: Human rights abuses and the rise of Islam in a little-known region”, The Casual Truth, 9/7/09, <http://thecasualtruth.com/node/91>) // SKRG

When the Soviet Union dissolved in 1991, the Soviets left a painful legacy of social and economic collapse. Poverty, high unemployment rates, and human rights abuses by authoritarian governments plague the region, making it a fertile environment for human trafficking, drug smuggling and the rise of popular Islam.

Current reports on the human rights situation in the Stans reveal that human rights violations at the hand of government authorities are widespread throughout the region.

In Tajikistan, Soviet-style rule continues with authorities commonly seizing private property without advanced notice. In its World Report 2009, Human Rights Watch reports that “Tajikistan’s human rights problems are numerous and chronic.”

In Uzbekistan, the government recruits slaves, including children, to harvest cotton crops, while children in Kazakhstan are forced to work in the cotton and tobacco sectors.

HIV/AIDS is widespread due to intravenous drug use. Parents become involved in the drug trade to support their children. The drug trade, and money associated with it, is also a primary factor behind growing corruption.

### Power Grids

**Econ collapse triggers other impacts – food shortage, power grid collapse, mass suicide and more**

Michael 2012 - Michael is an attorney, a blogger, a Christian, a writer, a speaker and an activist. He is the author of The American Dream and The Economic Collapse blog (Michael, “10 Things That We Can Learn About Shortages And Preparation From The Economic Collapse In Greece”, theconomiccollapseblog.com, June 3rd 2012, <http://theeconomiccollapseblog.com/archives/10-things-that-we-can-learn-about-shortages-and-preparation-from-the-economic-collapse-in-greece>) // SKRG

#1 Food Shortages Can Actually Happen Most people assume that they will always be able to run out to their local supermarket or to Wal-Mart and get all of the supplies they need. Unfortunately, that is a false assumption. The truth is that our food distribution system is extremely vulnerable. In Greece, many people are starting to totally run out of food. Even some government institutions (such as prisons) are now reporting food shortages. The following was originally from a Greek news source.... The financing for many prisons has decreased to a minimum for some months now, resulting in hundreds of detainees being malnourished and surviving on the charity of local communities. The latest example is the prison in Corinth where after the supply stoppage from the nearby military camp, the prisoners are at the mercy of God because, as reported by prison staff, not even one grain of rice has been left in their warehouses. When a few days earlier the commander of the camp announced to the prison management the transportation stoppage, citing lack of food supplies even for the soldiers, he shut down the last source of supply for 84 prisoners. The response of some Corinth citizens was immediate as they took it upon themselves to support the prisoners, since all protests to the Justice ministry were fruitless. #3 When An Economy Collapses, So Might The Power Grid Try this some time - turn off all power to your home for 24 hours and try to live normally. Sadly, most people simply do not understand just how dependent we are on the power grid. Without power, all of our lives would change dramatically. In Greece, authorities are warning of an impending "collapse" of the power grid. If it goes down for an extended period of time in Greece, the consequences would be catastrophic.... Greece’s power regulator RAE told Reuters on Friday it was calling an emergency meeting next week to avert a collapse of the debt-stricken country’s electricity and natural gas system. “RAE is taking crisis initiatives throughout next week to avert the collapse of the natural gas and electricity system,” the regulator’s chief Nikos Vasilakos told Reuters. RAE took the decision after receiving a letter from Greece’s natural gas company DEPA, which threatened to cut supplies to electricity producers if they failed to settle their arrears with the company. #4 During An Economic Collapse You Cannot Even Take Water For Granted If the power grid goes down, you will soon no longer have clean water coming out of your faucets. That is one of the reasons why it is absolutely imperative that the power grid stay operable in Greece. Sadly, most people don't understand just how vulnerable our water system is. In a previous article, I quoted from a report that discussed how rapidly our water supply would be in jeopardy in the event of a major transportation disruption.... #6 Crime, Rioting And Looting Become Commonplace During An Economic Collapse Big corporations are already making extensive plans for how to protect their stores in the event that Greece switches from the euro to the drachma. The following is from a recent Reuters article.... British electrical retailer Dixons has spent the last few weeks stockpiling security shutters to protect its nearly 100 stores across Greece in case of riot. The planning, says Dixons chief Sebastian James, may look alarmist but it's good to be prepared. Company bosses around Europe agree. As the financial crisis in Greece worsens, companies are getting ready for everything from social unrest to a complete meltdown of the financial system. #8 Suicides Spike During An Economic Collapse When you think of the Great Depression of the 1930s, what do you think of? Many people think of images of people jumping out of buildings. Well, something similar has been happening in Greece. Suicide statistics in Greece have been absolutely soaring during the last couple of years. Once prosperity disappears, many people feel as though life is not worth living anymore. #9 Your Currency May Rapidly Lose Value During An Economic Crisis Just remember what happened in Germany during the Weimar Republic and what has happened recently in places like Zimbabwe. The truth is that it can happen anywhere. Right now, Greeks are pulling their money out of the banks because they are worried that their euros will be turned into drachmas which would rapidly lose value. If I was living in Greece I would definitely be concerned about that. The return of the drachma seems to get closer with each passing day. Just check out these screenshots. #10 When Things Hit The Fan The Government Will Not Save You Has the government of Greece come to the rescue of all of those that are deeply suffering right now? Of course not. The truth is that the Greek government can barely take care of itself at the moment. History has shown us that governments simply cannot be counted on when things hit the fan. Just remember what happened during the aftermath of Hurricane Katrina. In the end, the only one that can be counted on to take care of you and your family is you. So you better start preparing. Unfortunately, as I wrote about the other day, time is rapidly running out for the global financial system. Even some of the top economic officials in the world are warning that another major crisis could be on the way. Just check out what World Bank President Robert Zoellick said the other day.... "Events in Greece could trigger financial fright in Spain, Italy and across the eurozone. The summer of 2012 offers an eerie echo of 2008." He also compared a potential exit of Greece from the eurozone to the collapse of Lehman Brothers back during the last financial crisis.... "If Greece leaves the eurozone, the contagion is impossible to predict, just as Lehman had unexpected consequences."

#### Power Grids are key to humanity

**Adams, 7/1**- Health Ranger and Editor of NaturalNews.com (Mike “10 Sobering realizations the Eastern U.S. power grid failure is teaching us about real collapse”, Natural News Network, 7/1/12, <http://www.naturalnews.com/036355_natural_disaster_power_grid_preparedness.html>) //LA

The recent storms that caused this "grid down" situation for millions of Americans was a local event, and its repair and restoration has been aided by workers arriving from outside the affected regions. In a national grid down scenario, however, there will be no excess human capital to lend to the situation. Every worker will be busy trying to restore the power grid in their own home regions.¶ This means repairs will take significantly longer, and according to some experts like David Chalk and James Wesley Rawles, a national grid down scenario has the potential of being unable to be repaired at all, resulting in years of no power grid which would obviously unleash mass death across the U.S. population.¶ Across all fifty U.S. states, only Texas has its own independent power grid, and even that grid has been strained by recent high temperatures.¶ #9) Many emergencies arrive unannounced¶ The Eastern seaboard of the USA was shocked by this recent "derecho" wind storm. Unlike a hurricane which approaches over a period of several days, this derecho event arrived without notice and struck without warning.¶ This is yet another reminder to **be prepared at ALL times** because many events arrive with no notice whatsoever. The power grid can be taken down by an **EMP weapon**). These and other events would strike with virtually no warning. If you don't already have gas in the tank, a "go bag" ready to rock, and your self defense skills fine tuned, you may be caught unprepared.¶ #10) Mother Nature will humble humanity¶ Any time human beings get too arrogant and too big-headed about all their amazing cell phone technology, hi-rise cities and nuclear power plants, Mother Nature just shrugs and sends forth a tsunami of water or wind as a subtle reminder to stay humble. All of humanity's greatest constructs are but fragile toys to the truly awesome power of Mother Nature and the resilience of planet Earth.¶ If the power grid goes down across planet Earth for just one year, 90% of human civilization will perish, and along with it all the DVDs, Nike shoes and designer bling as well. Even the entire fictional construct of society's laws and banking system will cease to exist. That's because they were all fictional to begin with.¶ Mother Nature is real. Consciousness is real. Seeds are real. But much of what humanity has so far created is paper-thin and temporary. It can all cease to exist in the blink of a cosmic eye. **There is nothing humanity has yet done that contributes anything notable to the universe.** We are but specks of irrelevant dust against a backdrop of a beautifully woven tapestry of life, energy and consciousness. If the universe is keeping score of lasting achievement, human civilization has still not risen above zero.¶ We are fragile beings exploring a sea of such greatness and scale that our own lives seem silly by comparison. What humans think of as a natural "disaster" is but a tiny expression of natural patterns to Mother Nature. If we truly hope to survive as a species, we would be wise to remember how insignificant we really are in the greater scope of things... and why we must learn to respect nature and the universe rather than arrogantly thinking we have conquered it with GMOs, nuclear power and a supercollider.¶ Humanity has much to learn and much to demonstrate before we count for anything. Only through humility do we even stand a chance of seeking to gain that understanding rather than destroying ourselves from runaway "scientific" arrogance.

### Resource Shortage/War

#### **Global economic decline means food insecurities in less developed countries – past IMF World Economic Outlook Update proves**

Rosen and Shapouri 09 - Writers at Amber Waves (Stacey and Shahla, "Global Economic Crisis Threatens Food Security in Lower Income Countries", Amber Waves, December 2009, [http://www.ers.usda.gov/AmberWaves/December09/Features/GlobalEconomic.htm) // ML](http://www.ers.usda.gov/AmberWaves/December09/Features/GlobalEconomic.htm)%20//%20ML)

The global economic downturn threatens to shrink import capacity among many lower income countries, with potential food security implications for many of these countries. The economic crisis has led to reduced export earnings as global demand shrank, foreign capital inflows declined, and remittances from relatives working abroad dropped, all of which may constrain the countries’ ability to import needed food. According to the July 2009 issue of the International Monetary Fund’s (IMF) World Economic Outlook Update, the global recession was not over and economic performance varied widely among regions. Real world gross domestic product (GDP) is expected to contract 1.4 percent in 2009. The IMF stated that declining world food demand and shrinking aid from developed countries, along with continuing fluctuations in commodity prices, will hinder economic recovery in many developing countries. The difficult financial environment worldwide threatens food security because commercial imports account for a growing share of food supplies in many developing countries. Income growth, trade liberalization policies, improvements in the global transportation system, and, in some cases, an inability to increase domestic production spurred the growth in food imports, including imports of such staples as grains and vegetable oils, which are an important component of diets in most developing countries. From 1970 to 2003, import dependence grew the most among the least developed countries (LDCs), those with per capita incomes below $750 per year. In 2003, imports accounted for 17 percent of grain consumption in LDCs (compared with 8 percent in 1970), 45 percent of sugar and sweeteners (compared with 18 percent in 1970), and 55 percent of vegetable oils (compared with 9 percent in 1970).

#### Lack of resources such as food leads to open conflict – Senegal and Mauritania prove

Le Billon ‘2 - MBA Paris, PhD Oxford, Associate Professor with University of British Columbia Department of Geography and Liu Institute for Global Research (Phillippe, “The Political Economy of Resource Wars”) [http://www.iss.org.za/pubs/Books/Angola/3LeBillon.pdf //](http://www.iss.org.za/pubs/Books/Angola/3LeBillon.pdf%20//) ML

The first argument is that ‘scarce resources equals more conflicts’, meaning that people will fight each other for the resources they need to survive. To put it in a more sophisticated way, resource poor societies are confronted by the capture of resource rents by the elite and are unable to adapt to the scarcity of resources. According to this neo-Malthusian argument, voiced at a time when environmental concerns were high on the international agenda, the degradation and depletion of renewable resources in the context of population growth motivates the capture of resources by powerful groups. Cases include the appropriation of irrigated lands on the Senegal/Mauritania border, scarce forest and agricultural lands in the Philippines or Mexico, grazing areas in Sudan associated with a displacement of local populations to marginal lands. These distributional conflicts take place when societies in environments with scarce or depleted resources are unable to innovate and mobilise sufficient capital in order to generate sufficient wealth. Grievances by the powerless against resource allocation and the inability of the government to address such problems can undermine the legitimacy of authorities and social structures, resulting in open conflict.

#### **Resource wars causes of abuse of economic resources**

Le Billon ‘2 - (MBA Paris, PhD Oxford, Associate Professor with University of British Columbia Department of Geography and Liu Institute for Global Research, http://www.iss.org.za/pubs/Books/Angola/3LeBillon.pdf, “The Political Economy of Resource Wars”//TWR)

The exploitation of resources to finance conflicts has been conspicuous in the history of wars. From cattle raiding, merchant capital and imperialist wars to contemporary conflicts, natural resources have financed the violent activities of many different types of belligerents. 10 With the end of the Cold War and the resulting sharp drop in foreign assistance to many governments and rebel groups, belligerents have become more dependent upon mobilizing tradable commodities, such as minerals, timber or drugs, to sustain their military and political activities. 11 As local resources gain in importance for belligerents, so the focus of the political economy of resource wars military activities becomes centred on areas of economic significance. This has a critical effect on the location of conflicts, prompting rebel groups in particular to establish permanent strongholds wherever resources and transport routes are located, moving away from their traditional strategy of high mobility and location along international borders. War economies, including commercial activities, tend to shift from an economy of proximity, to an economy of networks. These diffuse and extensive networks involve mostly private groups (including international organized crime groups, transnational corporations, and diasporas), as well as the leadership of foreign countries (especially regional or former colonial powers), and – mostly unintended – consumers in importing countries. Abundant resources provide armed groups with a source of cash, or collateral for credit lines, to purchase military equipment and support from the private sector. Beyond financing a conflict, the exploitation and commercialization of natural resources can also help armed groups to develop an extensive and diversified support network, which integrates all people having an economic stake in the exploitation of resources. Such networks include private companies and middlemen involved in resource exploitation and trade, but also foreign political leaders. For example, UNITA’s diamonds not only allowed the rebel movement to buy arms, but also to gain diplomatic and logistical support from regional political leaders whose ‘friendship’ for Savimbi partly rested on business interests (e.g. Compaoré in Burkina Faso, Eyadema in Togo). 12 Networks can also extend to national authorities in exporting and importing countries. In the case of Cambodia, the network of support of the Khmer Rouge rebels included the leadership of the Cambodian government, its adversary in the war, but the authoriser for its timber exports to Thailand. 13 Similarly, lax controls on export licensing allowed UNITA to sell diamonds through government controlled channels, with handsome profits for officials and middlemen facilitating this laundering. In this type of relation, opposing parties may have an interest in prolonging a profitable military stalemate in order to preserve economic interests that could be threatened by a total victory and subsequent peace.

#### Econ collapse leads to food shortage

The Daily Sheeple, 6/3 (“Destitution and Hunger In Greek Prisons: ‘Not Even One Grain of Rice Left In Warehouses’”, The Daily Sheeple, 6/3/12, <http://www.thedailysheeple.com/destitution-and-hunger-in-greek-prisons-not-even-one-grain-of-rice-left-in-warehouses_062012>) // SKRG

All indications suggest that basic services in Greece have begun to break down, with reports from several Greek prisons and military installations indicating that prisoners are malnourished and starving. Food shortages caused by austerity related spending cuts and truck stoppages are also reportedly reducing daily rations for soldiers stationed in the area of Corinth, Greece.

We may very well be seeing the cracks in a society on the verge of complete meltdown.

At a time when the entire country is being tested by the economic crisis, some people are quite literally on the verge of destitution and hunger. At a time when the empty state coffers can not support any concept of a welfare state, with “frozen” financing towards education and health, the prison system could not be an exception.

The financing for many prisons has decreased to a minimum for some months now, resulting in hundreds of detainees being malnourished and surviving on the charity of local communities.

The latest example is the prison in Corinth where after the supply stoppage from the nearby military camp, the prisoners are at the mercy of God because, as reported by prison staff, not even one grain of rice has been left in their warehouses. When a few days earlier the commander of the camp announced to the prison management the transportation stoppage, citing lack of food supplies even for the soldiers, he shut down the last source of supply for 84 prisoners. The response of some Corinth citizens was immediate as they took it upon themselves to support the prisoners, since all protests to the Justice ministry were fruitless.

#### Food Shortage effects on humanity

Wynn, 93- British [civil servant](http://en.wikipedia.org/wiki/Civil_servant), [social researcher](http://en.wikipedia.org/wiki/Social_research), and recruiter of Soviet spies (Arthur “The effects of food shortages on human reproduction”, Journal of Nutrition and Health, 1993, <http://www.ncbi.nlm.nih.gov/pubmed/8414274> )//LA

The first dramatic effect of food shortage is upon fertility. The authors attribute the marked decline in fertility in Dresden following the second world war to a sudden reduction in food supplies from the formerly occupied territories following the fall of the German armies. There were also epidemics of low birth weight, miscarriage, and congenital malformations. The epidemic of low birth weight in Leipzig immediately after the war is illustrated, with note made of the existence of similar epidemics in all European cities affected by food shortages. Epidemics of miscarriage contributed to the decline of fertility wherever there was a food shortage. The effects of food shortage upon hormone status, how food shortage increases the risk of neural tube defects and other congenital malformations, and the long-term consequences of poor maternal nutrition are considered.

#### Econ collapse escalates to major impacts – food scarcity, starvation, riots, rebellions

Klare 09 - Michael T. Klare is a professor of peace and world security studies at Hampshire College in Amherst, Mass., and the author of Blood and Oil: The Dangers and Consequences of America's Growing Petroleum Dependency (Michael, “Will Our Economic Collapse Cause the Death of Millions Abroad?”, AlterNet, March 20, 2009, <http://www.alternet.org/economy/132523/will_our_economic_collapse_cause_the_death_of_millions_abroad/?page=entire>) // SKRG

While the economic contraction is apparently slowing in the advanced industrial countries and may reach bottom in the not-too-distant future, it's only beginning to gain momentum in the developing world, which was spared the earliest effects of the global meltdown. Because the crisis was largely precipitated by a collapse of the housing market in the United States and the resulting disintegration of financial products derived from the "securitization" of questionable mortgages, most developing nations were unaffected by the early stages of the meltdown, for the simple reason that they possessed few such assets.

Until now, concern over the human impact of the global crisis has largely been focused -- understandably so -- on unemployment and economic hardship in the United States, Europe, and former Soviet Union. Many stories have appeared on the devastating impact of plant closings, bankruptcies, and home foreclosures on families and communities in these parts of the world. Much less coverage has been devoted to the meltdown's impact on people in the developing world. As the crisis spreads to the poorer countries, however, it's likely that people in these areas will experience hardships every bit as severe as those in the wealthier countries -- and, in many cases, far worse. The greatest worry is that most of the gains achieved in eradicating poverty over the last decade or so will be wiped out, forcing tens or hundreds of millions of people from the working class and the lower rungs of the middle class back into the penury from which they escaped. Equally worrisome is the risk of food scarcity in these areas, resulting in widespread malnutrition, hunger, and starvation. All this is sure to produce vast human misery, sickness, and death, but could also result in social and political unrest of various sorts, including riot, rebellion, and ethnic strife.

### Terrorism

#### Economic collapse leads to terrorism

Benmelech et al 09 - Department of Economics at Harvard University (Efraim, "Economic conditions and the Quality of Suicide Terrorism", January 2009, [http://www.economics.harvard.edu/faculty/benmelech/files/QOT\_January\_16\_2009.pdf)//JY](http://www.economics.harvard.edu/faculty/benmelech/files/QOT_January_16_2009.pdf)//SP)

This article provided a systematic analysis of the link between economic conditions, the quality of suicide terrorists, the characteristics of their targets, and the outcomes of their attacks. We uncovered a strong correlation between economic conditions and the characteristics of suicide terrorists and targets they attack. In particular, we demonstrated that high unemployment and poor economic conditions allow terror organizations to recruit more educated, mature, and experienced suicide terrorists who, in turn, attack more important targets. We also show that poor economic conditions do not drive the quality of terror equally among different organizations, instead affecting groups that provide excludable public goods by increasing their ability to commit terror attacks during difﬁcult economic times. Our article focused on suicide terrorism and the Israeli-Palestinian conﬂict for a variety of reasons. Notably, by focusing on a particular case study, we were able to build an exceptionally rich longitudinal data set that allowed us to identify the causal connection between economic conditions and the quality of terrorism. We controlled for Israeli counterterrorism measures and regional ﬁxed effects and observed the effect of past economic, demographic, and security conditions on the current quality of suicide terrorism. In addition, by focusing on suicide terrorists we were able to observe the demographic characteristics of the universe of terrorists. 27 All these features are crucial to overcome concerns about selection bias and reverse causality, whereby successful terror attacks prompt Israeli retaliation and the ensuing worsening of economic conditions. We are aware that our focus on a particular conﬂict and form of terrorism raises concerns regarding the external validity of the results, and we hope that future research focusing on other conﬂicts and types of terrorism will shed more light on the connection between economic conditions and the quality of terrorism. The particularities of this conﬂict notwithstanding, we believe that the connection between economic conditions and the quality of suicide terrorism applies more generally to other conﬂicts and forms of terrorism. 28 Hence, the policy implications mentioned in the introduction should be taken into consideration in other conﬂicts as well.

### War

#### Economic collapse causes panic in the global markets causing instability, riots and war-investors bail out.

SHTF.com, 11-News site detailing economic and political upheavals( “Economic Apocalypse Goes Mainstream: Meltdown In Two To Three Weeks; It Will Spread Everywhere; Most Serious Financial Crisis Ever; Worse Than Great Depression”, SHTF Plan.com, http://www.shtfplan.com/headline-news/economic-apocalypse-goes-mainstream-meltdown-in-two-to-three-weeks-it-will-spread-everywhere-most-serious-financial-crisis-ever-worse-than-great-depression\_10072011, October 7, 2011)//TWR

We must also assume at this point that there is absolutely no credible plan to deal with the inevitable default of the Greek state, the subsequent collapse of European banks, the freezing of credit markets as was the case in 2008, or the substantial negative impact these events will have on the U.S. economy. What’s coming next will be complete and utter panic in European debt markets, the result of which will likely be a shift of capital from Europe to areas of the globe deemed “safer,” leaving, ironically, US Treasury instruments as one of the few bastions of safety as investors look to save themselves from financial annihilation. This means that money will flow back into the U.S. dollar, and we would not be at all surprised to see a strong move up against other currencies. On the flip side, this means we could potentially see a massive crash in stocks on Western exchanges. The panic may lead to unprecedented selling of stocks, commodities and even precious metals as individual investors rush for the exits. But all of that is just the first phase of the next leg down. After Europe goes, we in the U.S. will likely be next, with events perhaps playing out over several months or years, eventually leading to similar circumstances – collapse of our financial institutions, destruction of our currency, a complete wiping out of the U.S. middle class, political instability, riots, and the historically traditional outcome in such cases of collapsing nations – war.

#### Economic Collapse causes domestic upheaval and world war

SHTF.com, 11-News site detailing economic and political upheavals ( "It Won’t Be An Accident: The Build Up to World War III”, SHTF Plan.com, http://www.infowars.com/it-won%E2%80%99t-be-an-accident-the-build-up-to-world-war-iii/, October 10, 2011)//TWR

In Economic Apocalypse Goes Mainstream we opined that the financial, economic and political collapses occurring around the globe will eventually lead the industrialized nations of the world to war. The signs should already be apparent, especially in areas like the middle east, where the U.S. is vying for resource domination, monetary superiority and political control. As economies around the world implode, and citizens become more frustrated with their governments, things can quickly begin to spiral out of control domestically – regardless of whether you’re in the United States, China, Russia or Europe. As a result, politicians will do what they’ve done historically in such instances, which is to deflect responsibility (either out of fear or by design) from themselves onto others. Usually, this means leaders and citizens oceans away will get blamed for the malaise. Aaron Hawkins of Storm Clouds Gathering provides some key insights into the many variables that will ultimately lead the world into perhaps the greatest war in history. When playing chess the outcome of the game is usually determined in the early stages by the positions that are built up by each player even before the first pawn falls. These moves may seem innocuous to the untrained eye, but an experienced player can read the threats which grow and develop at each stage. They can see the traps which are being laid. Right now, the nations of the world are organizing and positioning themselves – financially, diplomatically, and militarily – for a struggle which will alter the global power structure irrevocably. It would be impossible to understand the economic collapse which is slowly unfolding, and the great war which wall almost certainly follow, without taking into account the stakes of this global chess game.

#### Economic tension causes political protectionist tendencies and nationalistic economic policies.

Auslin & Lachman 9-Michael Auslin is a resident scholar and Desmond Lachman is a resident fellow at AEI (“The Global Economy Unravels,” March 6, Forbes, [http://aei.org/publications/pubID.29502,filter.all/pub\_detail.asp]//TWR](http://aei.org/publications/pubID.29502,filter.all/pub_detail.asp%5d//TWR)

The world's policymakers are finally waking up to how synchronized and how severe the global economic crisis is turning out to be. Just this week, newspapers reported that the British army is being put on standby to deal with possible civil disorder. World leaders are beginning to grasp the all too likely political fallout from a sustained period of falling output, rapidly rising unemployment and declining equity and home prices. However, their uncoordinated global policy response to this crisis underscores the political failure to embrace policies most likely to restore growth and not simply bust national budgets. Conversely, global policymakers do not seem to have grasped the downside risks to the global economy posed by a deteriorating domestic and international political environment. If the past is any guide, the souring of the political environment must be expected to fan the corrosive protectionist tendencies and nationalistic economic policy responses that are already all too much in evidence. After spending much of 2008 cheerleading the global economy, the International Monetary Fund now concedes that output in the world's advanced economies is expected to contract by as much as 2% in 2009. This would be the first time in the post-war period that output contracted in all of the world's major economies. The IMF is also now expecting only a very gradual global economic recovery in 2010, which will keep global unemployment at a high level. Sadly, the erstwhile rapidly growing emerging-market economies will not be spared by the ravages of the global recession. Output is already declining precipitously across Eastern and Central Europe as well as in a number of key Asian economies, like South Korea and Thailand. A number of important emerging-market countries like Ukraine seem to be headed for debt default, while a highly oil-dependent Russia seems to be on the cusp of a full-blown currency crisis. Perhaps of even greater concern is the virtual grinding to a halt of economic growth in China. The IMF now expects that China's growth rate will approximately halve to 6% in 2009. Such a growth rate would fall far short of what is needed to absorb the 20 million Chinese workers who migrate each year from the countryside to the towns in search of a better life. As a barometer of the political and social tensions that this grim world economic outlook portends, one needs look no further than the recent employment forecast of the International Labor Organization. The ILO believes that the global financial crisis will wipe out 30 million jobs worldwide in 2009, while in a worst case scenario as many as 50 million jobs could be lost.

Economic Collapse causes nuclear war, terrorism, and proliferation

Harris and Burrows 09-(Mathew, PhD European History at Cambridge, counselor in the National Intelligence Council (NIC) and Jennifer, member of the NIC’s Long Range Analysis Unit “Revisiting the Future: Geopolitical Effects of the Financial Crisis” <http://www.ciaonet.org/journals/twq/v32i2/f_0016178_13952.pdf)//TWR>

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

#### Econ collapse leads to increased miscalc, national conflict, and terrorism

Royal 10 – Jedediah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, (Economic Integration, Economic Signaling and the Problem of Economic Crises, Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215) // SKRG

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modelski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Feaver, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland's (1996, 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write: The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other. (Blomberg & Hess, 2002. p. 89) Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. “Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. In summary, recent economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels.

#### **U.S. econ decline brings nuclear war – power vacuum and vulnerability**

Friedberg and Schoenfeld 08 – Freidberg: Professor of International Relations at Princeton’s Woodrow Wilson School, Schoenfeld: Visiting scholar of Witherspoon Institute (Aaron; Gabriel, “Dangers of a Diminished America”, Wall Street Journal, 10/21/08) [http://online.wsj.com/article/SB122455074012352571.html //](http://online.wsj.com/article/SB122455074012352571.html%20//) ML

With the global financial system in serious trouble, is America's geostrategic dominance likely to diminish? If so, what would that mean? One immediate implication of the crisis that began on Wall Street and spread across the world is that the primary instruments of U.S. foreign policy will be crimped. The next president will face an entirely new and adverse fiscal position. Estimates of this year's federal budget deficit already show that it has jumped $237 billion from last year, to $407 billion. With families and businesses hurting, there will be calls for various and expensive domestic relief programs. David Gothard In the face of this onrushing river of red ink, both Barack Obama and John McCain have been reluctant to lay out what portions of their programmatic wish list they might defer or delete. Only Joe Biden has suggested a possible reduction -- foreign aid. This would be one of the few popular cuts, but in budgetary terms it is a mere grain of sand. Still, Sen. Biden's comment hints at where we may be headed: toward a major reduction in America's world role, and perhaps even a new era of financially-induced isolationism. Pressures to cut defense spending, and to dodge the cost of waging two wars, already intense before this crisis, are likely to mount. Despite the success of the surge, the war in Iraq remains deeply unpopular. Precipitous withdrawal -- attractive to a sizable swath of the electorate before the financial implosion -- might well become even more popular with annual war bills running in the hundreds of billions. Protectionist sentiments are sure to grow stronger as jobs disappear in the coming slowdown. Even before our current woes, calls to save jobs by restricting imports had begun to gather support among many Democrats and some Republicans. In a prolonged recession, gale-force winds of protectionism will blow. Then there are the dolorous consequences of a potential collapse of the world's financial architecture. For decades now, Americans have enjoyed the advantages of being at the center of that system. The worldwide use of the dollar, and the stability of our economy, among other things, made it easier for us to run huge budget deficits, as we counted on foreigners to pick up the tab by buying dollar-denominated assets as a safe haven. Will this be possible in the future? Meanwhile, traditional foreign-policy challenges are multiplying. The threat from al Qaeda and Islamic terrorist affiliates has not been extinguished. Iran and North Korea are continuing on their bellicose paths, while Pakistan and Afghanistan are progressing smartly down the road to chaos. Russia's new militancy and China's seemingly relentless rise also give cause for concern. If America now tries to pull back from the world stage, it will leave a dangerous power vacuum. The stabilizing effects of our presence in Asia, our continuing commitment to Europe, and our position as defender of last resort for Middle East energy sources and supply lines could all be placed at risk. In such a scenario there are shades of the 1930s, when global trade and finance ground nearly to a halt, the peaceful democracies failed to cooperate, and aggressive powers led by the remorseless fanatics who rose up on the crest of economic disaster exploited their divisions. Today we run the risk that rogue states may choose to become ever more reckless with their nuclear toys, just at our moment of maximum vulnerability. The aftershocks of the financial crisis will almost certainly rock our principal strategic competitors even harder than they will rock us. The dramatic free fall of the Russian stock market has demonstrated the fragility of a state whose economic performance hinges on high oil prices, now driven down by the global slowdown. China is perhaps even more fragile, its economic growth depending heavily on foreign investment and access to foreign markets. Both will now be constricted, inflicting economic pain and perhaps even sparking unrest in a country where political legitimacy rests on progress in the long march to prosperity. None of this is good news if the authoritarian leaders of these countries seek to divert attention from internal travails with external adventures. As for our democratic friends, the present crisis comes when many European nations are struggling to deal with decades of anemic growth, sclerotic governance and an impending demographic crisis. Despite its past dynamism, Japan faces similar challenges. India is still in the early stages of its emergence as a world economic and geopolitical power. What does this all mean? There is no substitute for America on the world stage. The choice we have before us is between the potentially disastrous effects of disengagement and the stiff price tag of continued American leadership. Are we up for the task? The American economy has historically demonstrated remarkable resilience. Our market-oriented ideology, entrepreneurial culture, flexible institutions and favorable demographic profile should serve us well in whatever trials lie ahead. The American people, too, have shown reserves of resolve when properly led. But experience after the Cold War era -- poorly articulated and executed policies, divisive domestic debates and rising anti-Americanism in at least some parts of the world -- appear to have left these reserves diminished. A recent survey by the Chicago Council on World Affairs found that 36% of respondents agreed that the U.S. should "stay out of world affairs," the highest number recorded since this question was first asked in 1947. The economic crisis could be the straw that breaks the camel's back. In the past, the American political process has managed to yield up remarkable leaders when they were most needed. As voters go to the polls in the shadow of an impending world crisis, they need to ask themselves which candidate -- based upon intellect, courage, past experience and personal testing -- is most likely to rise to an occasion as grave as the one we now face.

### Inequality

#### Econ collapse leads to social differences escalating

Baldacci et al, 02 – Emanuele, Economists at the International Monetary Fund (“Financial Crises, Poverty, and Income Distribution”, The International Monetary Fund, 06/01/02, <http://people.ucsc.edu/~hutch/Lund/Financial%20Crises%20and%20Poverty%20FD%20June%202002.pdf)//> SKRG

This issue is important because we know that developing and transition economies are especially prone to financial crises. Crises are expected to deepen poverty and worsen income inequality in a number of ways: Weaker economic activity. A financial crisis can cause workers' earnings to fall as jobs are lost in the formal sector, demand for services provided by the informal sector declines, and working hours and real wages are cut. When formal sector workers who have lost their jobs enter the informal sector, they put additional pressure on informal labor markets. Relative price changes. A financial crisis typically involves a large currency depreciation, which changes relative prices. For example, the price of tradables rises relative to nontradables, causing earnings of those employed in the nontraded goods sector to fall. At the same time, increased export demand boosts employment and earnings in the sectors producing the exports. The currency depreciation may also affect consumer prices, and the higher cost of imported food hurts poor individuals and households that spend much of their income on food. Fiscal retrenchment. Governments often respond to crises by tightening the monetary and fiscal stances, often leading to cuts in public outlays on social programs, transfers to households, and wages and salaries.