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\*\*Uniqueness Updates

Dollar Up 1/2

We’re still better than Europe, despite statistics

Merk 6-21 (Axel, Manager of the Merk Hard Currency Fund, da: 6-21-2011, dw: 6-21-2011, http://news.goldseek.com/MerkInvestments/1308674756.php, lido)

Let’s talk euro risk now. Just as when investors hold U.S. dollars, investors have choices when they hold euros. While the U.S. has a national Treasury market, each European country has its own short-term financing instruments. Even Greece continues to periodically issue short-term debt. The benchmark for European Treasuries are German issued Treasuries. By all means, there are plenty of opportunities to expose either U.S. dollar or euro denominated cash equivalents to all kinds of risk. It may be prudent for U.S. investors to re-evaluate their U.S. money market holdings should they be concerned about “Greek contagion.” But just as investors may flock to U.S. Treasuries in times of crisis, euro denominated investors may flock to German Treasuries in times of turmoil. The point here is: investors have a choice and should be conscious about the risks they are taking on. In practice, many investors embrace U.S. money market funds, but may shy away from the euro. Notably, of course, there is currency risk in choosing the euro. In our analysis, the Federal Reserve may be actively working to weaken the U.S. dollar in order to spur economic growth; in our analysis, Fed Chairman Ben Bernanke has done so in both word and action. But for those investors considering the euro, the choice is still one of providing a loan to a bank through a deposit, or other avenues such as lending money to the Greek or German government, amongst many other choices.

Dollar Up 2/2

Metals prove the dollar will be good in the future

Coleman 6-20 (Murray, da: 6-21-2011, dw: 6-20-2011, http://blogs.barrons.com/focusonfunds/2011/06/20/gold-etfs-seen-as-rangebound-as-europe-u-s-deal-with-debt/, lido)

Analysts are predicting today that precious metals, particularly gold, are set to move within a tight trading range as European leaders grapple over a bailout for Greece and U.S. leaders haggle over federal debt ceiling issues. It’s all bullish for gold investors, notes James Cordier, a portfolio manager at Optionsellers.com who was interviewed by Claudia Assis at MarketWatch. “At the same time, it (gold) is completely losing its hedge against inflation,” referring to the fact that oil and other commodities have been falling of late. The SPDR Gold Trust (GLD) closed up 0.06% and the iShares Silver ETF (SLV) gained 0.4%. Both are up slightly in after-hours trading. Miners also finished positive. The Market Vectors Gold Miners ETF (GDX) rose 0.5% while the Global X Silver Miners ETF (SIL) finished up 0.9%. Gold for August delivery gained 0.2% to settle at $1,542 an ounce on the Comex. Silver for July delivery improved by 0.9% to $36.07 an ounce. European finance ministers, meeting in Luxembourg, delayed further financial aid to Greece. They’re opting to pressure the country’s political leaders to hammer out deep budget cuts and unload state assets to payoff debts. A new aid package isn’t expected to be outlined until July. The International Monetary Fund wasn’t holding back about the challenges facing Greek leaders: “Failure to undertake decisive action could rapidly spread the tensions to the core of the euro area and result in large global spillovers.” But the length of Europe’s latest financial crisis has convinced some analysts that those investors interested in jumping into gold and silver due to the situation — which would seem primed for days such as these — largely have done so. “A lot of people have already established a position in response to Greece. If they haven’t, they should’ve done it a year ago,” Stephen Platt, analyst with Archer Financial Services, told Dow Jones Newswires. The other limit that gold and silver might be facing is the boost the U.S. dollar is getting as a “safe-haven” option. While many see the greenback as less appealing with the U.S. government’s rising debt levels, it faces less competition against the likes of the euro. The CurrencyShares Euro ETF (FXE) fell again today, compounding last week’s 0.4% loss. Meanwhile, the PowerShares U.S. Dollar ETF (UUP) was flat Monday. It gained 0.3% last week. “The major risk for commodities is the unwinding of a crowded net-long” position by hedge funds and large futures managed funds, Merrill analysts wrote today. Last week, data from the U.S. Commodity Futures Trading Commission showed that money managers had cut their bullish bets in gold futures and options. That came after three weeks of steady buying. In its note today, Merrill emphasized that “the potential is for continued deleveraging in the commodity complexes.” The result could b increased volatility in gold and silver markets. And, observed the Merrill strategists, “from a contrarian point of view, this position (of selling commodities) has increased the risk for a pullback.” Higher volatility, though, doesn’t mean big gains or losses. Rather, managers and analysts seem to be bracing for a lot of smaller moves within a relatively tight pricing band. Analyst Robin Bhar of Credit Agricole told Bloomberg “you’re not going to get too much (price) movement either way until we get more clarification as to what happens in Greece.”

Dollar Down 1/2

We have mismanaged our currency, and the dollar is in decline now.

Maduska 11 (Byron, *Leavenworth Times*, http://www.leavenworthtimes.com/opinions/x536829384/Letter-At-this-rate-our-dollar-headed-toward-collapse, 6-21-2011)AH

Our American dollar is a fiat currency. There's no promise of any commodity being exchanged for it on demand. It's simply a paper medium of exchange. Its value can change rapidly depending on events and policies. Fiat currencies have a long history of devaluation and economic collapses. When the currency value collapses so does the economy it supported. That history dates back clear to the ancient Romans whose Denarious colapsed. Such collapses have happened in France, Germany, China, Argentina, Mexico, Thailand, Zimbabwe and many others including the Continental dollar of our early colonies. Each collapse brought about horrific living conditions as hyperinfaltion destroyed the currencies and the peoples ability to sustain themselves. Hyperinflation of fiat currencies is exacerbated by the tendency of governments to print ever-larger amounts of it until it becomes so-called "toilet paper money." Over the long term, all fiat currencies have eventually collapsed and caused economic disasters. Fiat currencies demand excellent management to endure. Ours has had just the opposite. We have poured trillions over welfare recipients who produce no products. We've expanded governmental payrolls and expenses to cosmic levels, all inflationary spending that produces no tangible product. We have showered other countries with foreign aid money. We have spent huge sums on armed conflicts, more inflationary spending. In answer to the present long-lived recession we've printed money at astronomical rates and spread it around with no thought of any products produced to justify its existence, or that it was basically all debt money. Our treasury has printed huge sums of debt instruments that our own Federal Reserve has then bought with newly printed toilet paper money, monetizing our own debt, a horribly risky and insane practice that prceded currency collapses of the past. In short, we have totally mismanaged our currency, which was the reserve currency of the world, and is now being cast aside as its value is unstable and rapidly decreasing. We're currently increasing the dollar supply at a rate of 13 percent per annum while our production of good is in the toilet, just where we're sending our currency. The Chinese have already accused us of defaulting on our gigantic debt by intentionally paying them and other creditors with terribly deflated money. And they're right, we are. But we're sending our currency into a terrible place. Since our initial issuance of fiat money in 1913 it's lost more than 92 percent of its value. After revaluation in 1934 it dropped 41 percent. Overissuance of our currency, far above the production of goods, has our dollar headed for an imminent collapse. We must avoid that at all costs, and the incredibly awful consequences it would bring. But how do we get our government to stop? That's the relevent question now as it seems impossible to do. Our U.S. Congress is dooming us to misery as fast as they can accomplish it. They have brought no solvency to anything and we're in dire circumstances our government seems willing to completely ignore.

Dollar Down 2/2

The dollar’s buying power has hit a record low--- a 95% decrease since 1913.

Wogan, 2011 (Jack, *Gold and Silver Investing Today*, http://goldandsilverinvestingtoday.com/2011/06/20/inflation-has-hit-us/, 6-21-11)AH

The Federal Reserve printed at first an amazing amount of 1.75 trillion dollars, which, nevertheless, didn’t seem to be sufficient. So, over the last two years, other 1 trillion dollars have been made out of thin air, each of them decreasing the value of the existing ones. Facts are stunning: since 1913 when the Federal Reserve appeared on the scene, the dollar has lost 95% of its buying power! No wonder then the dollar has undergone an incredible decline against other major currencies, hitting record lows in the last 10 years. So, it seems that the printing press wasn’t quite the right answer to financing the twin deficits. Besides, if currency depreciation rates are higher, therefore inflation is apparent, devaluation cannot be far, and creditors are sure to keep this in mind when collecting their interest. They can even resort to selling the dollars they have, in exchange for the US foreign reserves, which, of course, puts pressure on the government to proceed to devaluation. Trade deficits, on the other hand, can also oblige the government to decrease or renounce their fixed rate policy, which again means sure devaluation. Besides, inflation has made the dollar decrease not only by comparison with foreign currencies, but also with hard assets, such as precious metals. Thus, the Federal Reserve printing lots of dollars to deal with the budget deficit has had as an outcome a depreciation of the national currency. Fortunately, while this obviously affects any other investment in dollars, it doesn’t the investment in gold.

Interest Rates Up

Interest rates up – housing

Hana 6/22 (Kris, Writer for BusinessNews Express, http://businessnewsexpress.com/higher-real-estate-sales-starting-mid-2011/8776225/)JFS

Let’s get back to the housing market. If the $600 Fed bond purchasing program is terminated on schedule, long term interest rates will likely increase. This would seem to be an understatement, since they are going up already even though the government is doing all it can to keep them as low as possible. Long term interest rates include home mortgages, so potential home buyers might be faced with seeing the lowest interest rates in a generation disappear. If rates go up a per cent or two, potential buyers might jump in to avoid missing out on this historic opportunity. Stay tuned.

Interest rates predicted to rise

Washington Post 6/19 (http://www.washingtonpost.com/opinions/first-rule-of-economics-do-no-harm/2011/06/15/AGtmF4bH\_story.html)JFS

He spelled out the potential consequences: “In particular, even a short suspension of payments on principal or interest on the Treasury’s debt obligations could cause severe disruptions in financial markets and the payments system, induce ratings downgrades of U.S. government debt, create fundamental doubts about the creditworthiness of the United States, and damage the special role of the dollar and Treasury securities in global markets in the longer term. Interest rates would likely rise, slowing the recovery and, perversely, worsening the deficit problem by increasing required interest payments on the debt for what might well be a protracted period.”

Interest Rates Down

**Interest rates down – FRB**

**Stoddard 6/21** (Scott, Writer for Inverstor’s Business Daily, http://www.investors.com/NewsAndAnalysis/Article/576058/201106211837/Helicopter-Bernanke-Grounded-For-Now.htm)JFS

The Federal Reserve has slashed interest rates to near zero and spent more than $2 trillion on mortgage securities and other debt in a herculean effort to boost economic growth. But with the expansion flagging and inflation edging up, analysts say the Fed can do little now except wait and see whether the soft patch proves to be more than a blip caused by spiking oil prices and Japan's earthquake. Policymakers wrapping a two-day meeting on Wednesday will likely reiterate their intention to keep rates at 0%-0.25% for an "extended period" and let their $600 billion Treasury buying pro gram expire June 30. The Fed is expected to keep reinvesting maturing securities, maintaining its $2.6 trillion balance sheet.

Jobs Up

Jobs can’t go up without a decrease in spending

**Hoover 6/1** (Kent, Washington Bureau Chief for Bizjournal, “Washington’s Long, Hot, Debt-Fueled Summer” http://www.portfolio.com/business-news/2011/06/01/obama-and-republicans-far-apart-on-debt-crisis accessed 6/22/11 JF)

Last night the House rejected legislation to raise the debt limit by $2.4 trillion by a whopping 318-97 margin. The lopsided vote was no surprise—Republicans brought up the measure not because they wanted it to pass, but because they wanted it to fail. The intent was to send the president a clear message that any legislation raising the debt ceiling will have to be accompanied by significant spending cuts and budget reforms in order to pass. Today Republicans delivered that message to Obama in person. They bolstered their argument by releasing a letter signed by 150 economists who contend that raising the debt limit without an agreement to cut spending “will harm job creation in America.”

The Job rate will rise—predicitive ev

Prokop 6/22 (Heidi, the Mainstreet Journal, “Local Business Benefit from Low Financing Costs” Mainstreet Business Journal Vol. 14.16 http://mainstreetbusinessjournal.com/articleview.php?articlesid=5751&volume=14&issue=14 accessed 6/22/11 JF)

Goods producing employment rose by an anemic 3,000 jobs in May, with a small loss in manufacturing employment largely offsetting small gains in construction and mining & logging. Private sector service providing employment rose by 80,000 jobs in May, led by gains in professional & business services and education & health services. Overall government employment fell by 29,000 jobs during the month, tied to weakness at the state and local level.

The American economy added 940,000 net new jobs during 2010, or 78,000 per month. We estimate a net gain of 2.2 million jobs during 2011. Roughly 130,000 net new jobs need to be added monthly just to meet the needs of a rising population, and just to keep the unemployment rate stable. The U.S. unemployment rate rose to 9.1% in May, versus April’s 9.0% rate. A 272,000 person rise in the estimated labor force accounted for most of the rate increase. The current 9.1% jobless rate compares to the 9.6% rate of one year ago, the 9.4% rate of May 2009, and the 5.4% rate during May 2008.

Jobs Down

Unemployment is up and likely to rise

AAP 6/23 (Australian Associated Press, “Fed Slashes US economic outlook” ” http://news.ninemsn.com.au/article.aspx?id=8264473 accessed: 6/22/11 JF)

"The economic recovery is continuing at a moderate pace, though somewhat more slowly than the committee expected," the FOMC said, citing factors such as higher energy prices as likely temporary. The US economy grew at only a 1.8 per cent annual rate in the first quarter, and economists forecast a similar pace for the second quarter. The Fed said it saw unemployment in the year rising at a rate between 8.6 per cent and 8.9 per cent, compared with an 8.4-8.7 per cent projection in April. After several months of decline, the unemployment rate ticked up to 9.1 per cent in May as the weak economic conditions left employers reluctant to hire.

**Job creation is down since May**

Cohan 6/22 (Peter, adjunct lecturer of management @ Babson College, “Was $600 Billion QE2 A Waste of Money?” http://blogs.forbes.com/petercohan/2011/06/22/was-600-billion-qe2-a-waste-of-money/ accessed: 6/22/11 JF)

So how should we think about QE2? One way is to look at what the Fed intended. According to its statement last November, the purpose was to boost job creation and inflation — “In light of persistently weak job creation and declining inflation, the Federal Open Market Committee’s recent actions reflect those mandates.” By that measure, QE2 has failed. Its impact on inflation is unclear — although overall inflation has risen — and job creation remains weak. Nevertheless, the unemployment and job creation statistics were better in May 2011 – when the unemployment rate was 9.1% and U.S. employers added 54,000 jobs than they were last November when the unemployment rate was 9.8% and U.S. employers added 39,000 jobs.

New bills will create jobs

Mattingly 6/22 (Phil, Bloomberg, “U.S. House Panel Approves Measure to Boost Covered Bond Market” http://www.bloomberg.com/news/2011-06-22/u-s-house-panel-approves-measure-to-boost-covered-bond-market.html accessed 6/23/11 JF)

The House panel also approved two bills that would make changes to the Dodd-Frank financial overhaul enacted last year. Representative Spencer Bachus, an Alabama Republican who heads the committee, said the measures were designed to free up capital that has largely been sitting on the sidelines in the wake of the worst recession since World War II. “These bills will remove government barriers to private- sector job growth and help our economy to create badly needed jobs,” Bachus said.

Unemployment is up—recovery will be slow

Willis 6/9 (Bob, Bloomberg, “U.S. Jobless Claims Unexpectedly Climb” http://www.bloomberg.com/news/2011-06-09/initial-jobless-claims-in-u-s-unexpectedly-rose-last-week-2-.html accessed 6/23/11 JF)

U.S. initial jobless claims unexpectedly rose last week, a sign that the labor market is struggling to gain traction. Jobless claims increased by 1,000 to 427,000 in the week ended June 4, Labor Department figures showed today in Washington. Economists surveyed by Bloomberg News projected a drop in claims to 419,000, according to the median forecast. The number of people on unemployment benefit rolls and those receiving extended payments decreased. “Claims continue to disappoint and suggest there won’t be a quick rebound in employment,” said Sean Incremona, a senior economist at 4Cast Inc. in New York, who correctly forecast the gain. “We are still in a soft patch and progress will be tediously slow.”

Deficit Up

Deficit High

Taylor 6/22 (Andrew, Associated Press, “Budget Office Warns of U.S. Debt Crisis” http://durangoherald.com/article/20110623/NEWS03/706239967/-1/s accessed 6/22/11 JF)

WASHINGTON – The rapidly growing national debt could soon spark a European-style crisis unless Congress moves forcefully, the Congressional Budget Office warned Wednesday in a study that underscored the stakes for Vice President Joe Biden and negotiators working on a sweeping plan to reduce red ink. The report said the national debt, now $14.3 trillion, is on pace to equal the annual size of the economy within a decade. It warned of a possible “sudden fiscal crisis” if it is left unchecked, with investors losing faith in the U.S. government’s ability to manage its fiscal affairs. CBO, the nonpartisan agency that calculates the cost and economic impact of legislation and government policy, says the nation’s rapidly growing debt burden increases the probability of a fiscal crisis in which investors lose faith in U.S. bonds and force policymakers to make drastic spending cuts or tax increases. “We absolutely need to reduce our deficit. We know that,” said Senate Majority Leader Harry Reid, D-Nev. “But economists tell us that reducing spending is only half the equation. The other half is measures to create jobs.” With the fiscal imbalance requiring the government to borrow more than 40 cents of every dollar it spends, CBO predicts that without a change of course the national debt will rocket from 69 percent of gross domestic product this year to 109 percent of GDP – the record set in World War II – by 2023.

Debt spirals out of control without cuts

Montgomery 6/22 (Lori, staff Washington Post, “Congressional Budget Office warns of debt explosion” http://www.washingtonpost.com/business/economy/congressional-budget-office-warns-of-debt-explosion/2011/06/22/AGNwb2fH\_story.html 6/23/11 JF)

The national debt will exceed the size of the entire U.S. economy by 2021 — and balloon to nearly 200 percent of GDP within 25 years — without dramatic cuts to federal health and retirement programs or steep tax increases, congressional budget analysts said Wednesday.“If policymakers are to put the nation on a sustainable budgetary path, they will need to let revenues increase substantially as a percentage of GDP, decrease spending significantly from projected levels, or adopt some combination of those two approaches,” the CBO report said.

Deficit Down

Deficit will fall

Scheher 6/22 (Ron, CS Monitor staff, “Federal Reserve chair: Congress shouldn't cut budget too much, too soon” http://www.csmonitor.com/USA/Politics/2011/0622/Federal-Reserve-chair-Congress-shouldn-t-cut-budget-too-much-too-soon accessed 6/23/11 JF)

The Fed chairman’s advice comes at the same time that the nonpartisan Congressional Budget Office (CBO) issued a report on the long-term budget outlook. Over the next few years, the CBO said, the budget deficit will probably decline “markedly” as the economy continues to recover and the stimulus money is phased out. But for the coming decade and beyond, the CBO called the prospects “daunting.”

The government will reduce the deficit

Matuella 6/1 (Tyler, freelance business writer, “Future Inflation May be lower than expected: think velocity” http://www.benzinga.com/economics/11/06/1128426/future-inflation-may-be-lower-than-expected-think-velocity accessed 6/23/11 JF)

6) The government will make meaningful measures to reduce the deficit. It may sound crazy, but I think our elected leaders will get their act together to meaningfully tackle the large deficit. The market may have to wait until after the next election until there's some closure on a deal, but one thing is for sure: reducing the deficit is #1 on the agenda for both parties now that we're removed from the recession. The only difference is how each party prefers to fight the deficit, but I think that there has been solid indication that entitlement programs and defense spending—the largest areas of the federal budget—are finally on the table.Tackling the deficit doesn't directly impact money velocity or supply, since cutting spending or raising taxes just transfers money from one set of economic actors to another. However, the reduced GDP growth that comes from tackling the deficit can cause money velocity to decrease. Once investors see that a real budget deal is imminent, they'll understand a huge source of potential inflation has been diminished because of likely slower economic growth.

Spending Up

Government spending high now – new spending in budget, high taxes already

Rubio 6-21 (Marco, senator, da: 6-21-2011, dw: 6-20-2011, http://dailycaller.com/2011/06/20/weak-economy-high-debt-require-immediate-action/, lido)

Unfortunately, Washington’s leadership deficit extends straight to the White House. The president has done nothing to ease the burden of our 70,000-page tax code on families and businesses. Instead, he has signed into law over $670 billion of job-killing tax hikes, with another huge tax hike set to hit in just a year and a half. Instead of reducing the red tape that is strangling our economy, the Obama administration has proposed over 34,000 new pages of regulations this calendar year alone, meaning higher costs for job creators and consumers, and more obstacles to economic growth. Instead of approving job-creating trade agreements with Colombia, Panama and Korea, the Obama administration has stalled them. Approving these deals is vital to our economy, particularly to our businesses, farmers and workers whose livelihoods rely on exports to these countries. We need to open up these markets and level the playing field with the rest of the world. Instead of enacting true spending cuts, caps and supporting a balanced budget amendment that would force Congress to live within its means, the president’s budget proposed $46 trillion in new spending and trillions in new debt which would be borrowed from China. Senate Democrats haven’t bothered to pass a budget of their own in over two years.

Healthcare costs will force massive new spending in the future

Brownstein 6/23 (Ron, editorial director of National Journal Group, “The Fiscal Foothill” http://www.nationaljournal.com/columns/political-connections/debt-ceiling-deal-only-the-beginning-20110623 accessed 6/23/11 JF)

On entitlements, the problem is both political and intellectual. The greatest source of pressure on entitlement spending is health care costs, particularly for the elderly. Medicare’s trustees recently projected that the number of seniors in the program will grow from about 49 million now to 85 million in 2035, a 75 percent increase. The nonpartisan Congressional Budget Office this week forecast that the growing elderly population, combined with rising health care costs, will increase federal health spending (mostly for Medicare) as a share of the economy by two-thirds through 2035. Nothing else, CBO says, will contribute nearly as much to rising federal outlays.That suggests Washington can’t stabilize the budget unless it also “bends the curve” of increasing health care costs. Yet neither government leaders nor private insurers have shown they can lastingly do that. That intellectual vacuum looms over the political confrontation: Even if the parties could impose their respective agendas to control costs, neither can pledge that it would work. Orszag helped formulate that approach and, not surprisingly, argues that it offers a more promising path than Ryan’s. But Orszag, now a vice chairman at Citigroup, also strikingly concludes that the reforms included in Obama’s health law won’t sufficiently change incentives for physicians. “All of these measures,” he writes, “will never be enough to substantially constrain the growth of health care costs on their own.” Orszag wants to further spur doctors to streamline care by exempting from medical-malpractice suits physicians who treat patients with procedures identified as the most effective through rigorous research.

That might help, but it won’t be a silver bullet. In fact, none exists. The gargantuan task of slowing health care spending will require constant innovation and reform that realigns incentives for both patients and providers. That’s the mountain that still looms ahead, even if Washington this summer scales the rocky foothill of raising the debt ceiling and avoiding default.

New spending—defense contract resurgence

Reuters 6/23 (“Cobham CEO says U.S. contract awards on rise” http://www.reuters.com/article/2011/06/23/us-airshow-cobham-idUSTRE75M1WW20110623 acessed 6/23/11 JF)

(Reuters) - British aerospace group Cobham is seeing U.S. defense contracts being awarded again after a recent lull and is in talks about further air tanker deals in the United States and Brazil, its head said. The U.S. government had until recently suspended new contract awards and was funding the military at 2010 levels -- some $20 billion less than its defense department requested for 2011. "Things are starting to move again after the continuing resolution in the U.S. was released," Cobham Chief Executive Andy Stevens told Reuters at the Paris Air Show on Thursday. "It hasn't been like a tsunami with orders flowing in and us being swamped but they are coming through again now."

Spending Up

Dems will initiate new spending as part of debt deal

Ferrechio 6/23 (Susan, congressional correspondent Washington Examiner, “Republicans Quit Budget Talks, Obama To Step In” http://washingtonexaminer.com/politics/2011/06/gop-quits-budget-talks-obama-step accessed 6/23/11 JF)

Schumer said any deal would have to include both spending cuts and new revenue that could come from the elimination of subsidies for ethanol producers and major oil companies. Democrats this week also proposed a new economic stimulus measure as part of the debt ceiling talks that would include new tax breaks and new spending on infrastructure and green energy initiatives.

**Spending up – CBO**

**Anderson 6/22** (Jeffrey, The Weekly Standard, http://www.weeklystandard.com/blogs/cbo-federal-spending-will-soon-exceed-spending-during-parts-world-war-ii\_575426.html)JFS

The CBO’s newly released 2011 Long-Term Budget Outlook forecasts that federal spending will soon exceed spending during parts of World War II. In 1942, federal spending equaled 24.3 percent of the gross domestic product (GDP) (Table 1.3). Less than 25 years from now (in 2035), according to the CBO, federal spending would equal 27.4 percent of GDP under current law, and 33.9 percent of GDP under changes to current law “that are widely expected to occur.” In comparison, between the end of World War II and the year that President Obama was inaugurated, federal spending averaged 19.6 percent of GDP.  Such unprecedented spending would be driven almost entirely by entitlement programs. The CBO writes, “In the…longterm projections of spending, growth in noninterest spending as a share of gross domestic product (GDP) is attributable entirely to increases in spending on several large mandatory programs”—Social Security, Medicare, Medicaid, and Obamacare (which, in addition to spawning taxpayer financed “exchanges,” would add more than 20 million people to the Medicaid rolls).   The CBO adds that, under the scenario in which “widely expected” changes to current law would occur, health care costs would rise from 5.6 percent of GDP this year to 10.4 percent of GDP in 2035. The CBO writes, “Such rates of growth cannot continue indefinitely, however, because if they did, total spending on health care would eventually account for all of the country’s economic output — an implausible outcome.” The CBO has projected that President Obama’s budget would actually increase federal spending versus current law. In comparison, it has projected that the Paul Ryan-authored budget passed by the House of Representatives would reduce federal spending to 20.75 percent of GDP by 2030 and 18.75 percent by 2040 — or about 8 to 14 percent of GDP *less* than under the CBO’s projections for where we’re otherwise headed.

**Spending up - democrats**

**Kasperowicz 6/22** (Pete, The Hill, http://thehill.com/blogs/floor-action/house/167893-house-rejects-gop-bill-to-terminate-election-assistance-commission)JFS

Members of the House on Wednesday rejected a bill to end the Election Assistance Commission (EAC), which Republicans said would save $33 million over five years by eliminating a commission that's primary purpose has been achieved. Members voted 235-187 in favor of the bill, which was not enough to ensure passage under a suspension of House rules. Suspension votes require the support of two-thirds of all voting members. Every voting Republican supported it, and every voting Democrat opposed it. The House debated the bill, H.R. 672, Tuesday night. Republicans said the vote would test the willingness of Democrats to support cuts to federal spending, while Democrats argued that the EAC still serves a useful purpose in helping states establish voting standards and test voting equipment. Republicans had proposed moving those functions the EAC still performs to the Federal Election Commission, but said the EAC has mostly served its primary purpose in distributing grants to states to upgrade voting machines. Rep. Gregg Harper (R-Miss.) said the decision by Democrats to oppose the bill is an "insult" to struggling taxpayers. "Instead of cutting wasteful spending here in Washington, House Democrats have voted to sustain an obsolete agency that pays its employees an average of over $100,000 a year yet serves no purpose," he said. "This is exactly what’s wrong with Washington and exactly what we need to fix."

Spending Down

New spending is unrealistic—won’t make the debt ceiling deadline

McKinnon 6/23 (John, WSJ, http://blogs.wsj.com/washwire/2011/06/23/new-stimulus-spending-even-less-likely/?mod=google\_news\_blog accessed 6/23/11 JF)

Prospects dimmed for enacting new stimulus spending in the deficit-reduction talks, further highlighting the divide between Republicans and Democrats as the bipartisan budget talks headed by Vice President Joe Biden falter. At a press conference on Wednesday, Senate Democratic leaders insisted that they want the Biden deficit talks to include short-term jobs measures such as employer tax cuts or infrastructure spending. Majority Leader Harry Reid of Nevada added that he’s calling for stimulus ideas from his committee chairs to be delivered by Aug. 1 – a day before the Aug. 2 deadline Treasury has set for increasing the debt ceiling. That timetable suggests it could be difficult for Democrats to pull together a stimulus plan in time for the debt-ceiling vote, which is expected to include agreement on a long list of spending cuts. The fundamental problem for Democrats is that most Republicans are signaling clear opposition to new stimulus efforts in the context of deficit reduction. “This isn’t just mystifying, it’s farcical,” Minority Leader Mitch McConnell (R., Ky.) said on the Senate floor on Thursday. “I mean, most Americans had to wonder if they were dreaming this morning when they saw this headline: `Democrats call for new spending in US debt deal. “More spending? As a solution to a debt crisis? What planet are they on?”

**Spending down – republicans**

**Miller 6/22** (Emily, Washington Times, http://www.washingtontimes.com/news/2011/jun/22/conservatives-spending-pledge/)JFS

House and Senate conservatives rallied Wednesday around a pledge to vote against any debt-ceiling increase that fails to include enforceable reductions in the size of the federal government. The “Cut, Cap, Balance” pledge to put Uncle Sam on a diet includes cuts in outlays, caps on future spending authority and passage of a balanced-budget amendment that would limit taxing and spending. The first day’s effort has been encouraging. Sen. Jim DeMint, South Carolina Republican, has 10 colleagues on board. He’ll need another 30 to block a bad deal. “Let’s see Democrats and President Obama try and explain that they want to shut down government because they refuse to balance our budget,” Mr. DeMint told The Washington Times. “The American people won’t stand for it. Now is the time to fight.” The House conservatives’ Republican Study Committee (RSC) came up with Cut, Cap, Balance to restrict spending at 18 percent of gross domestic product. Rep. Jim Jordan, the RSC chairman, told The Washington Times that his group “put the ball on the field” and “with this pledge, conservatives in the House, Senate and all across the country have now picked it up and begun to run with it.” There are 42 grass-roots groups coordinating efforts to promote the issue around the country, including Club for Growth, FreedomWorks, Tea Party Express and Let Freedom Ring.

Any new spending won’t pass

Klein 6/23 (Ezra, Washington Post, “Preparing For Failure” http://www.washingtonpost.com/blogs/ezra-klein/post/preparing-for-failure/2011/05/19/AGtYzehH\_blog.html accessed 6/23/11 JF)

The best piece of advice I’ve gotten for assessing the state of the debt-ceiling negotiations is to watch for the players attacking one another publicly. In recent weeks, they’ve been holding their fire. If they go public, my source said, then they’ve concluded that the negotiations have failed and they’re attempting to position themselves amid that failure. With that in mind, read this joint statement from Sens. Mitch McConnell and Jon Kyl: “The White House and Democrats are insisting on job-killing tax hikes and new spending. That proposal won’t address our fiscal crisis, our jobs crisis, or protect and reform entitlements. And a bill with new spending and higher taxes would fail with bipartisan opposition — as it should. President Obama needs to decide between his goal of higher taxes, or a bipartisan plan to address our deficit. He can’t have both. But we need to hear from him.”

New spending won’t happen—the government pays old debts after the debt ceiling

Gordy 6/3 (Cynthia, The Root, “9 Things To Know About the Debt Ceiling” http://www.npr.org/2011/06/03/136916956/the-root-nine-tips-to-know-about-the-debt-ceiling accessed 6/23/11 JF)

Raising the debt ceiling does not authorize new federal spending. There's a fear that if the debt limit is increased, the government will go and spend money on still more programs. Yet only Congress can approve new spending — raising the limit just allows the government to pay its existing commitments. "It would allow the government to continue operating," says Fieldhouse. "It means that Social Security and Medicare benefits that were promised a long time ago will be paid."

Spending Down

Spending will be cut with the debt ceiling

Wausau Daily Herald 6-21 (da: 6-21-2011, dw: 6-21-2011, http://www.wausaudailyherald.com/article/20110621/WDH06/106210345/Column-Raise-debt-ceiling-cut-spending?odyssey=mod|newswell|text|FRONTPAGE|s, lido)

Why does raising the national debt ceiling matter? Why not just "cut up the credit cards" and suspend borrowing? Here is the Catch 22: We cannot stop borrowing until we stop spending. Now, 42 cents of every dollar the government spends is borrowed. Much of what we borrow will be used to pay the interest and principal on prior debt. If we do not raise the debt ceiling, we would be in danger of defaulting on payments due. And even raising the specter of default could have grave implications. Issuing new debt to pay old debt may sound crazy, but it is true. Treasury notes often are "refunded." Upon maturity, the government gives the lender a new note instead of cash. What would happen if the U.S. defaulted temporarily? No one knows for sure. However, it is certain that "backed by the full faith and credit of the United States" would never mean the same thing again.

Cutting spending now

Brookhouse 6-21 (Brent, da: 6-21-2011, dw: 6-21-2011, http://www.bloodyelbow.com/2011/6/21/2235005/ufc-sponsorship-national-guard-armed-forces, lido)

One of the biggest stories heading into last weekend's Strikeforce: Overeem vs.Werdum event was Zuffa implementing the "sponsorship tax" on companies wishing to sponsor a fighter. This led to some fans being very upset about money coming out of fighter pockets. Now it looks like there may be a move taking place at the political level which may see fighters impacted again. Via The Hill: Rep. Betty McCollum (D-Minn.) is readying her next move in a months-long effort to slash Pentagon spending for NASCAR and other sports sponsorships. McCollum questions whether the U.S. military should be spending hundreds of millions of dollars on sponsorship deals for sports including stock car racing, professional fishing and pro wrestling at a time when the nation is running large deficits. Military officials and congressional supporters say the sponsorships help with recruitment. The House recently "voted to eliminate funding for homeless veterans, slash community health centers serving low-income families and pass a fiscal year 2011 budget that would force 800,000 Americans to lose their jobs," McCollum said recently. "Yet taxpayer-funded sponsorship of NASCAR racing teams was protected. I find this absurd." McCollum has failed twice to advance proposals that would have changed the way the military awards contracts and doles out funds for those events, as well as for ultimate-fighting sponsorships. Emphasis mine. McCollum's actions would seem to make sense on the level that sponsorships should come after funding of programs for veterans. While the argument in favor of the sponsorships is the awareness and use as a recruiting tool, the article does describe that a $645k sponsorship of a NASCAR race led to 439 contact leads, only 6 of which were "qualified" and none that led to an enlistment. It appears that McCollum's new plan is the following amendment: That amendment would have required the military to submit for a 30-day congressional review period any contract larger than $250,000 to sponsor a motor sports racing team, driver or event; a fishing team or tournament; a professional wrestling event, or an ultimate-fighting event.

Inflation Up

Inflation the highest since July 2008

Market News 6-15 (da: 6-21-2011, dw: 6-15-2011, http://imarketnews.com/node/32284, lido)

\* The May U.S. CPI showed no signs of the expected deceleration as seen in the same month's PPI, with a "fairly broadbased" set of increases that took the core inflation rate up the most since July, 2008. The Bureau of Labor Statistics Wednesday morning reported the overall Consumer Price Index rose 0.2% instead of staying flat as forecasters anticipated, and the core rate rose 0.3% on the back of a variety of high readings. Without seasonal adjustment consumer prices actually rose a full half a percent in May. The annualized and adjusted CPI inflation rate this year is running at 5.1% compared to only 0.2% at the same point last year. The core rate is running at an annualized 2.4% so far this year, vs. only 0.3% last year at this time. [08:30 ET]

Inflation up – money, CPI

Gandel 6-15 (Stephen, writer @ Time, da: 6-21-2011, dw: 6-15-2011, http://curiouscapitalist.blogs.time.com/2011/06/15/inflation-picks-up-are-rising-consumer-prices-good-for-the-economy/)

The Federal Reserve's favorite measure of inflation showed that prices rose faster in May than they have in three years. Overall, the consumer price index indicated that U.S. households are spending 3.6% more to buy the same goods they did a year ago. That jump in prices was higher than forecasters expected. And that has caused some people to say that we are entering a period of stagflation - which is when both unemployment and inflation are high, a dangerous mix that is often worried about but rarely occurs. Nonetheless, after a string of bad economic news, which has led many to ponder the risks of heading into a double dip, the uptick in inflation is a good sign. Here's why: Inflation is a sign of economic activity. Just ask China. Inflation in that country is running in the double digits. Yet, China's growth economy seems to be what everyone wants right now, except, that is,China, which is raising interest rates to slow inflation, and eventually growth. The point is that you can't have one without the other, or the other way around. A few months ago, the expectation was that inflation was going to be running in the high fives or low sixes on an annual basis at this point in the recovery. And that had people nervous. But as the economy weaken this year, economists have cut back their estimates. They expected the CPI this morning to say that inflation in the past year was 3.3%. Instead, it turns our prices rose 3.6%. That's a sign that the economy is strong than expected, not weaker. If economist have 3.3% inflation worked into their model and it is rising faster than expected, you might expect overall growth to outperform as well. Now, one thing you should watch out for is people trying to have it both ways. For most of this year, the Federal Reserve and others who watch inflation have said that core inflation, which excludes food and energy, is a better measure of future price increases. And that appears to be correct, though I have some doubts as to whether that is always the case. Still, when general inflation was rising, mostly driven by gas prices, the Fed was able to point to the tame core inflation numbers to say that prices weren't going to rise for long. Now core inflation appears to be rising. Still, many are going to say this is nothing to be worried. The rise in gas prices in the first five months of the year are just working their way through the system, causing everything that has to be shipped or manufactured to rise in price. Now that gas prices are falling - CPI data said they were down 2% in May - those prices should fall as well. But that can't be the case. If you really believe core CPI is a good measure of future inflation, than today's rise in prices for everything other than food and energy should signal that prices are likely to continue to rise for some time. And in an economy badly in need of growth to create jobs, a sign that prices will continue to rise is a good thing, not bad. Smile.

Inflation Down

No risk of inflation – the money is used to extinguish debt, not to buy goods

Frum 6/21 (David, National Post, Yale Graduate, http://fullcomment.nationalpost.com/2011/06/21/david-frum-the-inflation-demon-that-doesnt-exist/)JFS

Something like this dead hand of inherited wisdom lies upon those of us who were young in the 1970s. We grew up haunted by inflation. I wrote a whole book about it. I still remember the five cent bag of potato chips dwindling away, to be replaced by the 10 cent bag, the 15 cent bag until … until there is no longer even a cent symbol on my computer keyboard! When we see the Federal Reserve creating massive quantities of new money, we have to believe that the money creation portends a price surge just as surely as it did in 1977. M . V = P. Q was our QED. We may see the “Velocity” in that equation drop away in a massive deleveraging. But we cannot believe it is happening even when we see it. And yet it is happening. The Fed keeps creating money, and yet no inflation appears. The lessons we need to learn are those our grandparents knew. Money does not create inflation if every new dollar is used to extinguish debt rather than buy goods and services. Those straining their eyes as they scan the horizon for signs of non-existent inflation should consider the economic applications of the wisdom of C.S. Lewis: We direct the fashionable outcry of each generation against those vices of which it is least in danger and fix its approval on the virtue nearest to that vice which we are trying to make endemic. The game is to have them running about with fire extinguishers whenever there is a flood, and all crowding to that side of the boat which is already nearly gunwale under.

Deflation Up 1/2

**Deflation up – NSO data**

Domingo 5-8 (Ronnel, Philipine daily inquire, da: 6-21-2011, dw: 5-8-2011, http://business.inquirer.net/1543/prices-of-manufactured-goods-down, lido)

NSO data showed that prices of manufactured items have been on a decline for 23 straight months, mainly due to the continuing double-digit decrease in prices of furniture and fixtures. Results from the NSO’s latest monthly survey of factory-gate prices—covering 20 selected groups of manufactured goods included in the producer price index (PPI)—showed that prices in seven other groups shrank, 10 others gained and one showed no price change. Showing single-digit drops were prices of electrical machinery, non-electrical machinery, beverages, miscellaneous manufactures, chemicals, paper and paper products, and footwear and wearing apparel. On the other hand, single-digit gains were observed in food manufacturing, rubber and plastic products, fabricated metal products, tobacco, textiles, transport equipment, wood and wood products, leather, non-metallic minerals and basic metals. There was no change in prices of publishing and printing for the second month in a row. On a month-on-month basis, the PPI was almost unchanged. Showing losses compared with February prices were non-electrical machinery, furniture and fixtures, miscellaneous manufactures, transport equipment, fabricated metals and textiles. In the fourth quarter of 2010, the industry sector—including manufacturing—was cited as the main driver of economic growth, which was recorded at 7.1 percent.

Deflation now – slow growth, industries bad

International Business Times 6-20 (da: 6-21-2011, dw: 6-20-2011, http://www.ibtimes.com/articles/165588/20110619/us-economy-to-be-downgraded-this-week.htm, lido)

On Friday night, the International Monetary Fund cut its forecast for US growth in 2011 for the second time in two months. In an update of its April World Economic Outlook, the Fund said it now saw the US economy growing by 2.5% this year, down from 2.8% projected in April. The IMF forecast for 2.7% growth in 2012 was lower than the previous estimate of 2.9% In a separate report, the IMF narrowed its deficit forecast for the US this year to 9.9% of gross domestic product, from an April estimate of 10.8%, thanks to faster growth in tax revenues and lower Federal spending. That's a small bit of good news. The Fed predicted an unemployment rate between 8.4% and 8.7% by the end of the year, compared to the 9.1% reported in the May jobs report earlier this month. If the Fed ups its estimate, that's bad news. The AMP's chief Economist Dr Shane Oliver said in his weekly note on Friday: "We expect no change in monetary policy settings. "More importantly the Fed is likely to revise down its growth expectations for this year, but it is unlikely to be enough to prompt the Fed to flag another round of quantitative easing (i.e. QE3). "This could cause a rocky ride for share markets to the extent some investors may be looking for comfort from additional quantitative easing." So when the Fed unveils its quarterly growth, inflation, and unemployment forecast on Wednesday, along with an interest rate decision, it's more than likely to be projecting a slower pace of activity. Chairman Ben Bernanke said in a speech two weeks ago, "U.S. economic growth so far this year looks to have been slower than expected". He also called the recovery "uneven" and "frustratingly slow". Part of the US growth slump reflects temporary effects: the Japanese-earthquake-induced supply chain disruption, and the bad weather in the South. And high oil prices, although they have fallen to well under $US95 a barrel, dragging down petrol prices in the US in time for the summer driving season.

Deflation Up 2/2

The US is experiencing deflation; the overall money supply is shrinking.

Brown 11 (Ellen, Business Insider, Attorney and President of the Public Banking Institute, http://www.businessinsider.com/inflation-or-deflation-follow-the-money-supply-guest-post-2011-6, 6-21-11)AH

The chart shows that the overall U.S. money supply is shrinking, despite the Fed’s determination to inflate it with quantitative easing. Like Japan, which has been doing quantitative easing (QE) for a decade, the U.S. is still fighting deflation. Here is another telling chart – the M1 Money Multiplier from the Federal Reserve Bank of St. Louis: Barry Ritholtz comments, “All that heavy breathing about the flood of liquidity that was going to pour into the system. Hyper-inflation! Except not so much, apparently.” He quotes David Rosenberg: “Fully 100% of both QEs by the Fed merely was new money printing that ended up sitting idly on commercial bank balance sheets. Money velocity and money multiplier are stagnant at best.” If QE1 and QE2 are sitting in bank reserve accounts, they’re not driving up the price of gold, silver, oil and food; and they’re not being multiplied into loans, which are still contracting. The part of M3 that collapsed in 2008 was the “shadow banking system,” including money market funds and repos. This is the non-bank system in which large institutional investors that have substantially more to deposit than $250,000 (the FDIC insurance limit) park their money overnight. Economist Gary Gorton explains: [T]he financial crisis . . . [was] due to a banking panic in which institutional investors and firms refused to renew sale and repurchase agreements (repo) – short term, collateralized, agreements that the Fed rightly used to count as money. Collateral for repo was, to a large extent, securitized bonds. Firms were forced to sell assets as a result of the banking panic, reducing bond prices and creating losses. There is nothing mysterious or irrational about the panic. There were genuine fears about the locations of subprime risk concentrations among counterparties. This banking system (the “shadow” or “parallel” banking system) repo based on securitization is a genuine banking system, as large as the traditional, regulated banking system. It is of critical importance to the economy because it is the funding basis for the traditional banking system. Without it, traditional banks will not lend, and credit, which is essential for job creation, will not be created."Before the banking crisis, the shadow banking system composed about half the money supply; and it still hasn’t been restored. Without the shadow banking system to fund bank loans, banks will not lend; and without credit, there is insufficient money to fund businesses, buy products, or pay salaries or taxes. Neither raising taxes nor slashing services will fix the problem. It needs to be addressed at its source, which means getting more credit (or debt) flowing in the local economy. When private debt falls off, public debt must increase to fill the void. Public debt is not the same as household debt, which debtors must pay off or face bankruptcy. The U.S. federal debt has not been paid off since 1835. Indeed, it has grown continuously since then, and the economy has grown and flourished along with it. As explained in an earlier article, the public debt is the people’s money. The government pays for goods and services by writing a check on the national bank account. Whether this payment is called a “bond” or a “dollar,” it is simply a debit against the credit of the nation. As Thomas Edison said in the 1920s: If our nation can issue a dollar bond, it can issue a dollar bill. The element that makes the bond good, makes the bill good, also. The difference between the bond and the bill is the bond lets money brokers collect twice the amount of the bond and an additional 20%, whereas the currency pays nobody but those who contribute directly in some useful way. . . . It is absurd to say our country can issue $30 million in bonds and not $30 million in currency. Both are promises to pay, but one promise fattens the usurers and the other helps the people. That is true, but Congress no longer seems to have the option of issuing dollars, a privilege it has delegated to the Federal Reserve. Congress can, however, issue debt, which as Edison says amounts to the same thing. A bond can be cashed in quickly at face value. A bond is money, just as a dollar is. An accumulating public debt owed to the IMF or to foreign banks is to be avoided, but compounding interest charges can be eliminated by financing state and federal deficits through state- and federally-owned banks. Since the government would own the bank, the debt would effectively be interest-free. More important, it would be free of the demands of private creditors, including austerity measures and privatization of public assets. Far from inflation being the problem, the money supply has shrunk and we are in a deflationary bind. The money supply needs to be pumped back up to generate jobs and productivity; and in the system we have today, that is done by issuing bonds, or debt.

Stocks Up

Stocks high – numbers and Greece

Russolillo 6-21 (Steven, writer, da: 6-21-2011, dw: 6-21-2011, http://www.marketwatch.com/story/us-stocks-rise-on-hopes-of-greek-debt-fix-2011-06-21, lido)

NEW YORK (MarketWatch) -- U.S. stocks rose as investors overlooked weak U.S. housing data and bet Greek Prime Minister George Papandreou will win a confidence vote later Tuesday, a major step toward averting a sovereign debt default. The Dow Jones Industrial Average DJIA +0.83% rose 70 points, or 0.6%, to 12,150.8. The Standard & Poor’s 500-stock index SPX +1.20% gained 11.65 points, or 0.9%, to 1,290, as material and energy stocks rose. Consumer staples was the only sector trading in negative territory. he technology-heavy Nasdaq Composite COMP +1.79% rose 36.13 points, or 1.4%, to 2,665.87. Stocks added to gains after the National Association of Realtors said sales of existing single-family homes and condos fell 3.8% in May to a seasonally adjusted annual rate of 4.81 million, in line with economists’ forecasts for a drop to 4.8 million. “Housing continues to be a prime problem in this country,” said Phil Dow, director of equity strategy at RBC Wealth Management. “The inventory is still high and foreclosures are high. We shouldn’t expect anything to change until we get a more stable employment situation.” The gains extend a modest rise for stocks on Monday, when European leaders expressed confidence that Greece will concede on economic reforms in order to receive another tranche of aid. Read more about Greek confidence vote.

Investors excited – everything’s up but the staple industry

Russolillo 6-21 (Steven, da: 6-21-2011, dw: 6-21-2011, http://online.wsj.com/article/BT-CO-20110621-708719.html, lido)

U.S. stocks rose as investors bet Greece will take the appropriate actions toward averting a sovereign debt default. The Dow Jones Industrial Average gained 117 points, or 1%, to 12197. The Standard & Poor's 500-stock index gained 18 points, or 1.4%, to 1296, as material and energy stocks rose. Consumer staples were the only sector trading in negative territory. The technology-heavy Nasdaq Composite rose 52 points, or 2%, to 2682. Greek Prime Minister George Papandreou faces a crucial vote of confidence in parliament late Tuesday. Investors are Investors are closely watching how the Greek government attempts to drum up support for its economic reforms aimed at tackling the country's financial problems. The confidence vote, which is expected at 5 p.m. ET, comes just days after a mass protest over new government cutbacks shook Greece's political establishment. The blue-chip Dow and S&P 500 have risen in three straight days and five of the previous six sessions heading into Tuesday's trading. The gains have come after the May and June swoon that pulled both indexes from their 2011 highs. "It's starting to become visible that we're still in a worldwide recovery even if it's in a different shape and size than previous cycles," said Fred Fraenkel, vice chairman at Beacon Trust Company. "The market sentiment quickly shifted, but investors are starting to realize the world won't come to an end after QE2."

Stocks Down 1/2

The stock market is in decline now.

Agno 11 (John, Corporate Executive, Entrepreneur and Management Consultant, http://www.coachingtip.com/2011/06/six-weeks-of-us-stock-market-decline-now-what.html, 6-21-11)AH

As of June 10, the Dow has suffered the "longest losing streak since the fall of 2002. The market's last seven-week stretch of losses began in May 2001, as the dot-com bubble deflated," reports The Associated Press. As for why stocks are falling, most observers agree: Blame "weaker hiring, industrial output, and a moribund housing market." The economic reports from the past two weeks made that clear. But wait a minute. The DJIA didn't top in the past two weeks -- it topped on April 29. At the time: U.S. unemployment benefit applications had been trending down/flattening. In fact, "The unemployment rate fell last month in more than 80% of the nation's largest metro areas," said an April 27 AP report. U.S. industrial output was up. In fact, "both the Philly and N.Y. Fed reports show[ed] improving manufacturing and business conditions." (Reuters, April 15) As for the U.S. housing market, it officially entered the "double-dip recession" zone only on May 31, a month after the Dow's April 29 peak. This is not to say that unemployment, manufacturing and real estate were peachy in April. But the worst of the reports from those areas of the economy only came after the stock market had already entered the decline. The most recent weak economic reports hardly explain why stocks topped when they did. If you're looking for a better explanation, consider an Elliott wave perspective: The economy doesn't lead the stock market -- it's the stock market that leads the economy. Skeptical? Then think back to 2007. "Goldilocks economy," strong corporate earnings, unemployment at 4.4% -- nothing but blue skies ahead. The Dow rallies to an all-time high above 14,000 in October 2007 -- and over the next 18 months goes on its biggest losing streak in 70+ years, falling 54% and ushering in "the Great Recession." Now fast forward to March 2009. The Dow has crashed below 6,500; unemployment has more than doubled; the desperate Fed has dropped interest rates to 0%; foreclosures; bailouts; consumer confidence at an all-time low; general state of near-panic. The Dow bottoms on March 6, 2009, and stages a powerful two-year rally above 12,000. By conventional logic, you'd have to agree that, paradoxically, "the good economy" of 2007 prompted the deflationary crash, while "the bad economy" of 2009 sent stocks flying. But here's an explanation that actually makes sense: Broad market trends are not created by the economic conditions -- social mood is what creates them. Social mood doesn't depend on what Ben Bernanke had for breakfast -- it changes for endogenous reasons, and those changes follow the Elliott wave model. Stocks lead the economy because they are quicker to register changes in social mood.

Stocks Down 2/2

U.S. stocks are heading towards a Greek-style decline.

Cheng 11 Jonathan, Writer for Wall Street Journal, http://online.wsj.com/article/BT-CO-20110615-711052.html)AH

U.S. stocks tumbled Wednesday afternoon as fears of contagion around a Greek default picked up, adding more pessimism to a foreboding mix of U.S. economic data. The Dow Jones Industrial Average sank 173 points, or 1.4%, to 11903, wiping out the week's gains. The Standard & Poor's 500-stock index fell 21 points, or 1.6%, to 1267 and the Nasdaq Composite shed 40 points, or 1.5%, to 2638. Fears intensified after euro-zone officials failed to make progress on discussions about Greek aid and protests against austerity measures turned violent in Athens. Greek bonds were pummeled, sending yields to their highest levels since the inception of the euro. In a reflection of the fears gripping investors, the CBOE Market Volatility Index, the "fear gauge" known as the VIX, surged as much as 16%. Prime Minister George Papandreou offered to step down from his post if that would facilitate the formation of a national unity government with Greece's opposition political parties, according to two Greek officials familiar with the matter. A unity government could help build a consensus for austerity measures and other economic reforms. Amid the concerns, the euro sank more than two cents, to $1.4179, from $1.4440 late Tuesday in New York, while the yield on the benchmark 10-year Treasury note fell to 2.9733%, from 3.097%. Yields fall when prices rise. "The stock market doesn't like rioting--it never does and it never will," said Jeffrey Friedman, senior market strategist at Lind-Waldock, a division of MF Global. "The guys with the cigars say, 'I don't like this. This is making me uncomfortable. It's time to get to the sidelines.'" Separately, Reuters reported that the Irish government would try to impose losses on senior bondholders in two of the country's troubled lenders. The stock declines were broad-based. All 30 of the Dow components and all 10 of the S&P 500 components were in the red. Just a handful of the S&P 500 companies were in positive territory, and all three of the major indexes are down for the week--putting the U.S. stock markets on pace for a seventh consecutive week of losses for the first time since 2001. Energy and bank stocks dropped the most. Bank of America fell 2.5% and J.P. Morgan Chase skidded 2.4%, while Chevron was off 2.4% and Exxon Mobil declined 2%. Alcoa shed 2.7% while Home Depot lost 2.2%. Also driving stocks lower were more gloomy snapshots on the domestic economy. A reading of the Federal Reserve Bank of New York's Empire State Manufacturing Survey fell below zero for the first time since last November, dropping 20 points from May to -7.79. The index dramatically disappointed economists' expectations of a reading of 12. Meanwhile, core inflation last month posted its biggest gain in nearly three years, with overall consumer prices rising 0.2%, following a 0.4% increase in April. So-called core inflation, which excludes volatile energy and food costs, rose by a monthly 0.3% in May, the biggest jump since July 2008. Economists had forecast an 0.1% rise in overall prices, and a 0.2% gain for core inflation. "Higher inflation and slower growth is not good for the markets," said Edward Crotty, chief investment officer and portfolio manager at Davidson Investment Advisors in Great Falls, Mont. Crotty said he couldn't be sure how much of the weakness is attributable to geopolitical anomalies, but said he didn't think the economy would fall into a double-dip recession, with companies continuing to report strong earnings. Other data showed that industrial production remained weak, with only a slight increase due to a continued fall in automobile manufacturing after the earthquake in Japan hit global supply chains. U.S. home builders' confidence also fell this month to the lowest since last September, indicating that builders expect the weakening economy to further pull down their battered industry. In Europe, the markets were broadly lower, with France's CAC 40 index falling 1.5% after Moody's Investors Service placed three large French banks under review for a possible downgrade, citing their exposure to Greece. Asian bourses were mixed, with Hong Kong and Shanghai shares falling while the Japanese market gained ground. Crude-oil futures plunged more than 4% to below $95 a barrel, while gold futures were flat. Among stocks, Pandora Media trimmed early sharp gains to trade up 18% after the Internet radio company began trading Wednesday on 14.7 million shares at $16 each. Owens-Illinois fell 11% to lead the S&P 500 decliners. The maker of glass containers said its second-quarter adjusted earnings will decline from a year earlier, due to higher-than-anticipated increases in manufacturing and delivery costs.

**Bonds Up**

Bonds up – FLOT

Lydon 6-21 (Tom, writer, da: 6-21-2011, dw: 6-21-2011, http://www.etftrends.com/2011/06/new-bond-etf-safeguards-against-rising-rates/, lido)

Floating rate notes are bonds that pay investors a variable rate coupon instead of the fixed rate coupon that most fixed-income assets provide. By issuing floating rate notes, issuers can capitalize on potentially lower borrowing costs compared to fixed rate bonds. “The value of floating rate bonds fluctuates much less in response to market interest rate movements than the value of fixed-rate bonds,” stated Russ Koesterich, iShares Chief Investment Strategist at BlackRock, in a press release. “They can be a key instrument to help fixed-income investors insulate their portfolio in a rising inflation environment. While we don’t see this as a near term threat, we still believe that interest rates are likely to rise, arguably substantially, in 2012 and beyond.” “FLOT can serve several roles in an investor’s portfolio,” commented Matt Tucker, iShares Head of Fixed Income Strategy at BlackRock. “It can provide investors with an opportunity to reduce exposure to interest rate risk in the portfolio. In addition, it can serve as a diversifier within traditional fixed income, as well as multi-asset class portfolios. Investors can also use FLOT to gain exposure to credit with less interest rate exposure or as a complement other short duration strategies.”

Bonds up – trading a lot

Archard 6-21 (Noel, da: 6-21-2011, dw: 6-21-2011, http://etfdailynews.com/2011/06/21/risk-off-baby-jnk-hyg/, lido)

Our Capital Markets team has seen a healthy degree of trading in (and some redemptions out of) riskier asset classes over the past week due to global concerns of a Greek default, a cooling Chinese economy and recent weak US economic numbers. High yield bonds in particular have been a favorite for income generation for most of the year, but have come under some strain recently due to the concerns mentioned above. For example, on Thursday June 16th our iShares iBoxx $ High Yield Corporate Bond ETF (NYSE:HYG) traded more than 7 million shares for the day, which is 5x more than the 30 day average daily volume (ADV) and an all time high. State Street’s SPDR Barclays Capital High Yield Bond ETF (NYSE:JNK) saw similar record volumes, trading 5x more than its 30 day ADV. Amidst all this volume, HYG closed with a 201 basis point discount to net asset value (NAV) that night versus a year-to-date average premium of 48 basis points. JNK traded in line with HYG, closing with a 195 basis point discount to NAV as of close. Is the temporary difference between market price and NAV a cause for alarm or celebration? If you’re a market efficiency geek like me, it is the latter (we’ll put aside emotions around watching your investment decline and take solace in the fact that high yield markets started to move north Friday). The difference is caused by the fact that the benchmark values (and most NAV calculations) are generally calculated based on the last known traded price of the underlying bonds. On a day like Thursday, the broad market in high yield bonds was largely inactive (outside of the most heavily traded names) because nobody was buying. Bond investors shied away from low credit names, and the ETFs became the primary liquid vehicle through which investors could manage their diversified long bond exposure. The ETFs become a representation of the perceived market value of the underlying securities until they begin trading again. And when the cash bonds do begin trading, guess what the bond dealers tend to use as a pricing marker? You guessed it – the ETFs.

Bonds Up

Bond sellers are settling down—flexibility

Davies 6/22 (Rob, risk.net financial risk management, “Unconstrained bond funds gain momentum as investors turn away from benchmarks” http://www.risk.net/credit/feature/2080876/unconstrained-bond-funds-gain-momentum-investors-away-benchmarks accessed 6/22/11 JF)

If the index does badly, it stands to reason that a strategy closely tied to it will too. And if that index is also skewed towards one particular sector – as many corporate bond funds have been to financials – then a lack of diversification is also likely to be a problem. With the bond markets settling into a period of more ‘normal’ returns, following the equity-type levels reported in 2009 and 2010 post the financial crisis, the task of the portfolio manager to outperform is becoming more difficult. This helps to explain the recent surge in so-called ‘unconstrained’ bond funds, which give managers the flexibility not only to move between different asset classes, but also to take short positions where necessary. Time will tell whether flexibility is truly a friend of investors, but for now at least, it is a much sought-after commodity.

Global bond markets have made gains

KBC Market Research Desk 6/17 (KBC Bank, “The Reason is the independence of the ECB” http://www.fxstreet.com/fundamental/analysis-reports/sunrise-market-commentary/2011/06/17/ accessed 6/22/11 JF)

On Thursday, the developments on the Greek crisis remained the main theme in the markets, but eco data are also closely watched. All in all though, while risk aversion remained the dominant theme, after the violent risk off trade on Wednesday, the price action was volatile with a positive bias for safe haven assets, but no sharp unidirectional move anymore. Previous moves were digested, not only on global core bond markets that ended with still modest gains, but also in the equity, commodity and currency markets. US yields fell by 2.2 and 4.2 bps, the 2-year being the exception and its yield very marginally higher. German bond yields fell by 5.9 to 0.5 bps, steepening the curve in a bull fashion, part of these declines was due to a catching of overnight developments. The Bund and the Treasury Note future both set new contract highs. The developments in the peripheral markets (see below). had an impact intraday on core markets. The eco data were mixed. Very weak UK retail sales had some temporary effect on global bonds, while the EMU inflation data were near expectations and thus of less interest. In the US, the housing starts and permits were stronger and the claims lower pushing bonds lower, but interestingly, a very weak Philly Fed only very briefly helped Treasuries higher. That may be an early sign that the weak eco data start to get discounted.

New bill helps U.S. bond issuers

Mattingly 6/22 (Phil, Bloomberg, “U.S. House Panel Approves Measure to Boost Covered Bond Market” http://www.bloomberg.com/news/2011-06-22/u-s-house-panel-approves-measure-to-boost-covered-bond-market.html accessed 6/23/11 JF)

A bill aimed at establishing a viable U.S. covered bond market was among six measures advanced by the House Financial Services Committee. The committee voted 44-7 today to approve the bill, which would provide a regulatory framework for covered bonds by giving the Treasury Department oversight of the market and creating a separate resolution process in order to bolster investor interest. The bill, if signed into law, could provide a boost to issuers including Bank of America Corp. (BAC) and JPMorgan Chase & Co. (JPM)

House and Senate lawmakers, led by Garrett, have been drafting legislation for much of the last two years to create a market in the U.S. for covered bonds. Supporters say that they can serve as an alternative funding mechanism for banks and a way to provide liquidity in the mortgage market without relying on the federal government to securitize or insure mortgages.

The bond market is in a sweet spot

Connor 6/13 (Michael, Reuters, “Muni bond market may be finding a sweet spot” http://www.reuters.com/article/2011/06/13/us-markets-municipals-idUSTRE75C54C20110613 accessed 6/23/11 JF)

America's municipal bond market appears to be settling into a sweet spot after a half year of anxieties about state governments' finances that had soured the $2.9 trillion market for many small investors."You want to hate the market, but you can't," one neutral survey-taker told MMD, a part of Thomson Reuters. "Treasuries are still in a bullish cycle here. Deals got bumped, and there aren't any balances I can see. Unless something happens, like a big drop in Treasuries or a jump in supply, I think we will chew around these levels for a while." "We view the current state of market affairs favorably, as the tone of the market is considerably stronger than just a few months ago ...," Dillon said. Most traders, including 89 percent of those surveyed last week, are neutral about week-ahead and one month-two month prospects for municipal bonds that finance much of U.S. infrastructure. "We continue to expect improving market sentiment into the late summer, after most of the budgetary theatrics have faded," Morgan Stanley Smith Barney's chief municipal strategist, John Dillon, said in a written commentary.

Bonds Down

Bond markets shaky—perception

Van Duyn, Mackenzie, and Wigglesworth 6/17 (Allie, Michael, and Robin, Financial Times, “Corporate bond risk premiums soar” http://www.ft.com/cms/s/0/2668d9f6-9862-11e0-94d7-00144feab49a.html#axzz1Q7F4a9cT accessed 6/22/11 JF)

Risk premiums on corporate bonds have risen to their highest level this year amid continued jitters about a Greek default and slowing economic growth. The sell-off in the credit markets has left investors wary of a re-run of last year’s market plunge when eurozone sovereign default fears resulted in soaring spreads and a virtual shut-down of the corporate bond markets. But increased nerves are evident in two closely watched US corporate bond market indexes. The European high-yield corporate bond market has been similarly rattled. “This is definitely the biggest bout of jitters we have seen for a long time,” said Richard Bartlett, head of European, Middle East and African debt capital markets at Royal Bank of Scotland. “We’re not seeing a huge amount of selling but there is quite a bit of nervousness and people are staying on the sidelines.”

International bond lenders nervous

Gilbert & McCormick 6/16 (Mark and Liz, Bloomberg, “Europe’s Lehman Moment Looms As Greek Debt Unravels Markets: Euro Credit” http://www.bloomberg.com/news/2011-06-16/europe-s-lehman-moment-looms-as-greek-debt-unravels-markets-euro-credit.html accessed 6/23/11 JF)

In the corporate bond market, the Markit iTraxx Europe Index of 125 companies with investment-grade ratings rose 2.25 basis points to 114, the highest since Jan. 10, according to JPMorgan Chase Co. The gauge has risen from the low this year of 94.3 on April 8. “Nervousness has intensified,” said Nick Stamenkovic, a fixed-income strategist at RIA Capital Markets Ltd. in Edinburgh. “The market is increasingly fretting that the components won’t be in place for a bailout package. You see signs of contagion spreading. Until we see a resolution with the situation in Greece, you’ll see a flight to quality.”

U.S. bond markets are uncertain

Anand 6/3 (Shefali, personal finance columnist WSJ, “ETFs? Not Right Now” http://online.wsj.com/article/SB10001424052748703864204576317051533017890.html accessed 6/23/11 JF)

BONDS: "We're on the cusp of a very different and unusual bond-market environment," she says, due in part to the unprecedented amount of money the Federal Reserve has pumped into the U.S. economy, and which it eventually has to take back. This and other factors could increase interest rates, which in turn would cause prices of long-term bonds to fall. So, she has moved away from traditional bond funds to look for managers who use niche investment strategies. Together, these bond investments account for 21% of the portfolio.

Bonds Down

**Bonds have declined and are sinking credit unions.**

**Rappaport and Simon, 2011** (Liz and Ruth, The Wall Street Journal, http://online.wsj.com/article/SB10001424052702304070104576397590007402016.html)AH

Federal regulators accused J.P. Morgan Chase & Co. and Royal Bank of Scotland Group PLC of duping five large credit unions into buying more than $3 billion in mortgage bonds that were "destined to perform poorly," and that quickly sank the credit unions. The two civil lawsuits filed Monday in U.S. District Court in Kansas City, Kan., by the National Credit Union Administration are the most aggressive move yet by U.S. regulators to recover losses from Wall Street firms for alleged wrongdoing before and during the financial crisis. Many of the nation's 7,000 credit unions, which play a critical role in community lending, have been damaged by the mortgage crisis. More than 40 have failed since the start of 2009, and the survivors are being forced to absorb some of the costs of the failures, forcing some to charge higher interest rates on loans and to pay less on customer deposits. The collapse of the five large institutions, called wholesale credit unions, "resulted in the worst crisis faced by the credit-union industry in its history," said NCUA Chairman Debbie Matz. "We believe numerous parties within the chain, primary underwriters and intermediaries as well, have responsibility." J.P. Morgan and RBS declined to comment. The credit-union failures have saddled the NCUA with roughly $50 billion in battered bonds that now are worth just a fraction of their original value. Some of those losses are being absorbed by other credit unions in the form of higher payments to the NCUA's insurance fund.

**More municipal bonds are being sold due to budget shortfalls**.

Riley 11 (Charles, CNN Money, http://money.cnn.com/2011/01/14/markets/bondcenter/municipal\_bonds/index.htm)AH

Municipal bonds continued to sell off this week, as worried investors fled the market, and the media continued to churn out stories about state and local governments struggling with severe budget shortfalls. It's easy enough to understand the concern. A growing number of states, including some of the biggest -- like California and Illinois -- face budget shortfalls of billions of dollars. And that's led to growing concern that those states, as well as smaller counties and cities, might default on their municipal bonds if politicians don't start making some hard choices about how to raise revenue. Add in prominent bank analyst Meredith Whitney's doomsday prediction of up to 100 sizable defaults in the muni bond market -- broadcast to the nation during a recent 60 Minutes interview -- and you have the makings of a full scale sell-off in the muni bond market. The speculation has helped send yields on 30-year AAA-rated muni bonds to near 5%, levels not seen since early 2009. It's a convincing narrative, but one that has left experts within the field scratching their heads at the public's reaction. "We have been inundated with phone calls from clients inquiring about this situation, said Burt Mulford, a municipal portfolio manager at Eagle Asset Management. "My belief is the attention-grabbing, doomsday headlines are overplaying the picture." Small-time retail investors play an outsized role in the market, accounting for roughly two-thirds of transactions. According to Mulford, that means trouble, because muni bonds are one of the least transparent markets to invest in.

\*\*Space Links

NASA Links

**NASA overspends on luxury for its employees**

**Attkisson 9** (Sharyl, Staff Writer, CBS News, http://www.cbsnews.com/stories/2007/11/09/eveningnews/main3481918.shtml)JFS

Everyone knows exploring space is dangerous, and the costs are astronomical. Which is why, just last month, NASA was able to squeeze $1 billion extra from the Senate. That very same day, NASA also posted an online notice few people saw - seeking four-star hotel bids for its December awards, CBS News correspondent Sharyl Attkisson reports. The awards are to honor workers who've contributed to flight safety. But it's not just a low-key dinner for a handful of the best and brightest. Try five days and four nights at a luxury Florida hotel for 300 honorees and their guest. Fancy receptions and front-row tickets to the most exciting show in the space business, the shuttle launch. All paid for by your tax dollars. "I think it's kind of ironic that they're gonna be extravagant at how they spend money and they're coming to us saying they want more money," Sen. Tom Coburn, R-Okla., said. Former astronaut Bill Nelson made the case for NASA. "Right now we're at a critical point because NASA has been starved of funds," Nelson, who is also a legislator, said. At least they won't go hungry at the awards. There's a reception to feed 750, with a "carving station with beef and turkey," coconut fried shrimp, spring rolls, shrimp wrapped with bacon, 5-6 desserts, antipasto plates to include assorted meats, cheeses, grilled vegetables and assorted marinated vegetables, breads. And in case anyone's still hungry, that's followed by a three-course sit-down dinner. And most of the honorees? They're not NASA employees. They're from Boeing and other billion-dollar contractors that aren't picking up the tab. Bryan O'Connor is a NASA spokesman. What does he say to the criticism that these events are frivolous or extravagant? "I think what I would do is ask the people who we have honored to give me an idea if they think this thing was reasonable, if they felt they were honored properly," he said. Attkisson said: "I wouldn't ask the honorees, I would ask the people who pay for it: taxpayers." "It's the cost of dinner and putting people up in a hotel for a couple of days," O'Connor said. What is the cost? Counting the reception ($64,000), dinner ($35,000), awards ($28,000), ground transportation (tour: $7,700; launch: $20,200), airfare ($105,000), hotel and food ($135,000 together), you're talking $400,000 to $500,000. If you think that's pricey, consider this: the NASA holds its big awards every time there's a shuttle launch. December's extravaganza will be the third one in 2007. Honoring all those people is costing you about $4 million a year. If they'd have half as much money to honor people, would they be able to do it?

NASA cost estimates are flawed – Hidden and administrative

GAO 4 (Federal budget agency, http://www.gao.gov/new.items/d04642.pdf)

Considerable change in NASA’s program cost estimates—both increases and decreases—indicates that NASA lacks a clear understanding of how much its programs will cost and how long they will take to achieve their objectives. For example, the development cost estimates for more than half of the 27 programs that GAO reviewed have increased and for some programs this increase was significant—as much as 94 percent. Cost estimates changed for each of 10 programs that GAO reviewed in detail. For 8 of the 10 programs, the estimates increased. Although NASA cited specific reasons for the changes, such as technical problems and funding shortages, the variability in the cost estimates indicates that the programs lacked the sufficient knowledge needed to establish priorities, quantify risks, and make informed investment decisions, and thus predict costs.

NASA Links

NASA is wasteful and overspends

Villacampa 6 (Alexander, BA in economics from U of Florida, fellow @ Mises Institute, http://www.lewrockwell.com/orig7/villacampa2.html)JFS

It is quickly becoming the natural state of affairs that citizens are no longer working for themselves but are instead laboring in order to fill the greedy coffers of the State. Most individuals in the United States have about half of their yearly income taken away by the government and this percentage is steadily growing. A majority of the citizenry may believe that these funds are being funneled into important social projects but in fact most of this wealth is simply wasted by opportunist politicians and bureaucrats. There are an endless number of government programs that would increase the wealth and productivity of the citizenry if they were only dismantled. The National Aeronautics and Space Administration (NASA), with a requested 2007 budget of almost $17 billion, is a government program that is nothing short of wasteful. Individuals claim that a majority of NASA's funding is spent on the exploration of new useful technologies. The citizenry views the government as an entity that can fund and perform research in order to uncover technologies that would be beneficial to the market. There is no reason to believe that corporations, with patent laws in place, would not be more than willing to research more efficient ways of creating products. Yet, even if it were the case that government research in technology was necessary or beneficial, NASA is funding scientific studies that are far from useful to the market. Much of NASA's funding is spent directly on extraterrestrial initiatives that study the solar system, space exploration, and methods of improving shuttle performance. It is also a myth that NASA created such technologies as Velcro, Tang and those famous memory-cell mattresses. In reality, the maker of Velcro was a private engineer with a bright idea, Tang was created by the General Foods Corporation, and the Tempur-Pedic company developed those memory-cell mattresses for use on NASA flights. These were all private initiatives and not outcomes of NASA’s technological research efforts. To their credit, NASA did develop freeze-dried ice cream but who likes those things anyway? NASA dedicates over two-thirds of its budget to space exploration and extraterrestrial research. The government agency has spent close to $150 billion dollars simply on the shuttle program, which calculates to about $1.3 billion per launch. This is a decent sum considering that the space shuttle program was sold to the taxpayers as only costing $5.5 million per launch. The question then arises, “should the United States citizens continue to pay for such a costly program?” In the end, it is always the citizenry who pays. Naïve individuals may believe that the Federal government has an endless spring of wealth from which it draws in order to fund its operations, but this is not the case. NASA has continuously let down the United States citizens and is nothing but a wastebasket into which the government throws our hard-earned wealth. The NASA shuttle tragedies are an outright shame, not only because of the precious lives lost, but also due to the immense cost of these shuttles. The costs of these space ventures are steep and the rewards reaped from these explorations are close to nil. The Mars Observer, that was lost in 1993, cost the taxpayers nearly $1 billion dollars. What the government can not understand is the profit and loss mechanism that is so ingrained into the market. Private entrepreneurs produce goods in a way that minimizes costs in order to obtain a high profit margin. Government programs, such as NASA, continuously spend without giving any benefit to the public. One may say that the simple existence of shuttle programs are a psychological benefit to society but this does not justify the coercive collection of taxes from citizens who may or may not be willing to donate to such a program. When government collects tax revenue, it does not allocate the funds to where citizens demand but instead the funds are spent where politicians desire. Not to mention the fact that much of this funding is lost in the shuffle between citizen and program and wind up in the golden pockets of pork-barrelers. NASA, like all government programs, becomes increasingly less efficient as time goes by and its purpose becomes less clear. The space shuttle programs may have once accomplished significant scientific discoveries but this is no longer evident. In addition, the social reward of these programs, regardless of what scientific feats they accomplished, are to be measured by a cost-profit analysis and not arbitrary merit. NASA's space exploration programs have continued to fail and this is only understandable to those aware of the lack of incentives present in the public sector. Government, unlike the capitalist market, has little incentive to strive for successful output and may often times overlook the many systematic failures present in the execution of these programs. The public sector inherently has less of an economic incentive to keep costs low and profits high. NASA knows that funding will continue, at least for the coming year, and pushes on promises rather than accomplishments in order to receive funding. On the other hand, the private sector functions on accomplishments, the achievement of its goals, and keeping costs at a minimum while maximizing profits. The failure of the NASA program is inevitably tied to the fact that it is not a private company; it has much less of an economic incentive than those companies that are furthest away from the government’s grasp.

**NASA Links**

**NASA severely overspends – an independent panel agrees**

**BBC 1** (British Broadcasting Corporation, Staff Writer, http://news.bbc.co.uk/2/hi/science/nature/1635865.stm)JFS

An independent panel has criticised America's space agency (Nasa) for overspending and described its running of the International Space Station as "not credible". The panel, including two Nobel laureates, spent three months looking into the agency's finances. It concluded that the agency could not move forward "without radical reform" and recommended cuts in the space station's workforce and shuttle missions. The report detailed the severe spending problems Nasa has faced since the ISS, a $95bn joint project with Russia and agencies from Europe, Japan and Canada, began construction. These included: A projected $4bn to $5bn in space station cost overruns over the next five years; An increase in the estimated cost of the ISS from $17.4bn in 1993 to roughly $30bn, due to launch delays and unreasonable budget caps set by Washington; The requirement of $8.3bn from Washington to finish the job over the next five years.

Accounting procedures drive costs up

GAO 4 (Federal budget agency, http://www.gao.gov/new.items/d04642.pdf)

NASA has limited ability to collect the program cost and schedule data needed to meet basic cost-estimating criteria. For example, as GAO has previously reported, NASA does not have a system to capture reliable financial and performance data—key to using effectively the cost-estimating tools that NASA officials state that programs employ. Further, without adequate financial and nonfinancial data, programs cannot easily track an acquisition’s progress and assess whether the program can meet its cost and schedule goals before it incurs significant cost and schedule overruns. NASA identified other barriers, including limited cost-estimating staff. According to NASA officials, several initiatives are under way to remove such obstacles and improve the agency’s cost-estimating practices.

Costs exceed estimates presented to Congress

GAO 4 (Federal budget agency, http://www.gao.gov/new.items/d04642.pdf)

Many of the NASA programs that we reviewed cost more and took longer than was proposed at the time of congressional approval.3 Several factors continue to put NASA projects at risk of increased cost and schedule delays. Most notably, NASA lacks the basic cost-estimating processes needed to establish priorities, quantify risks, and make informed investment decisions for its programs. Further, NASA has limited ability to collect, analyze, and use program cost and schedule data to identify and mitigate impediments to program success.

Generic Colonization

**Space colonization is financially destructive with current techonlogies**

**Loder 3** (Theodore C, STAIF Meeting Paper, prof @ U of New Hampshire, http://www.theorionproject.org/en/documents/STAIF03Loder.pdf)JFS

Human exploration and, ultimately, colonization of low earth orbit, the moon, asteroids, and other planets will never "get off the ground" with the present costs of technology. At present the United States' only public human lift capability is the nearly two-decade-old shuttle fleet, which is expensive to maintain and limited in turn-around flight capability. Recent projected estimates by NASA for more than the next decade plan for about eight flights per year at a cost of approximately $300 million per flight with lower costs for two more flights (NASA, 2002). With only five flights per year considered to be a "safe" number and ten flights per year considered the maximum number, it is obvious that almost any kind of human exploration and colonization is nearly out the question in the foreseeable future. Even the less expensive Russian launch costs are still prohibitive for significant advances in space exploration and colonization. In order to start to make space exploration and colonization a possible societal activity, the cost of low earth orbit flights must drop by at least three to four orders of magnitude. Even the most optimistic extrapolations of our present technologies will have trouble meeting that goal. Although, it will be worthwhile to continue to plan for such exploration using "present" technologies, I recommend that planning be concerned mainly with mission strategies and goals assuming both present technology and totally new energy breakthroughs. The three major areas of technology that must be developed include transportation needs, energy generation needs, and communication needs. Major technical and theoretical breakthroughs must occur in each of these areas. This paper deals with some potentially relevant outside-the-box technologies that if properly funded and researched will make human exploration and colonization of space a reality. The following sections are not meant to be exhaustive but give examples of where potential research may prove to be fruitful.

Unmanned Links

**Even unmanned exploration costs billions**

**Spillius 9** (Alex, Staff, The Telegraph, http://www.telegraph.co.uk/science/space/6163901/Nasas-manned-Moon-mission-too-expensive.html)JFS

The bleak assessment by the panel, which said the US spave programme appeared "on an unsustainable trajectory", left the project floundering and dented one of the legacy-defining wishes the former US president made five years ago. Presenting the White House with another dilemma over spending in a straitened economy, the Augustine Commission, assembled by President Barack Obama when he came into office, said that the space agency would need at least an additional $3 billion (£1.8 billion) a year for the foreseeable future to pay for projects aiming to return Americans to outer space. "Space operations become all the more difficult when means do not match aspirations," the committee wrote in a preliminary report. "The nation is facing important decisions on the future of human spaceflight. Will we leave the close proximity of low-Earth orbit, where astronauts have circled since 1972, and explore the solar system, charting a path for the eventual expansion of human civilization into space? If so, how will we ensure that our exploration delivers the greatest benefit to the nation?" After years of internal debate, Nasa now seems inclined to shift its emphasis from returning to the Moon in favor of a stepping-stone approach aimed at reaching Mars, including using commercial space companies. According to a leaked strategy proposal drawn up in expectation of the Augustine findings, Nasa's leadership now favours launching a project called "Generation Mars" that would abandon revisiting the moon. It would envision a 30-year blueprint for developing technologies, staging precursor missions to asteroids and other destinations, and building grassroots support for eventual human expeditions to Mars. In 2004, Mr Bush launched the Constellation project with the goal of returning to the moon by 2020 and then establishing a lunar launch pad for a first trip to Mars. However, the space community has always complained that Nasa's annual budget of $18 billion was inadequate for the purpose. At the 40th anniversary of the first moonwalk in July, space veterans complained that politicians had failed to match the ambitions of earlier generation. They said that the benefits of jobs created in technology and industry derived from space programmes more than outweighed the initial cost. The report urged Nasa to enlist other countries in space exploration as a possible way to fund its goals, and also to explore ventures with the private sector.

Manned Links

Robonauts are cheaper

WSJ 11 (Staff, “Yes to Mars but No To Human Astronauts”, 5/27/11, http://online.wsj.com/article/SB10001424052702304066504576345622925228798.html) JPG

Robert Zubrin uses quantitative arguments to explain how we might send people to Mars ("[How We Can Fly to Mars in This Decade—And on the Cheap](http://online.wsj.com/article/SB10001424052748703730804576317493923993056.html)," op-ed, May 14). But his numbers provide a strong case against a human expedition to the Red Planet. Astronauts require massive life-support equipment and many supplies that include food, water and oxygen for a two-way trip, as well as fuel for the return voyage. What will humans do once they reach Mars but collect some samples and perform experiments for a few days? Unmanned missions to distant places can provide as much, if not more, information than human explorers over long periods. By removing astronauts and their need for life-support hardware and software, we can send more and larger robots on lengthy one-way exploration trips.

Robonauts provide more bang for the buck

Christianson 3/11 (J Scott, writer @ Columbia Daily Tribune, “We can’t afford manned mission to Mars”, http://thefreerangetechnologist.com/2011/03/manned-mission-to-mars/) JPG

A manned mission to Mars will tie up most of NASA’s intellectual resources for a decade or more as they toil on an incredibly expensive project whose success and scientific value is uncertain. The American public should have a better chance of receiving a decent return on its investment in NASA. Perhaps the most compelling argument for not proceeding with a manned mission to Mars is NASA’s great success with unmanned missions to Mars and other planets. These “smaller, cheaper, faster” space probes have been extremely useful and cost-effective and have proved themselves capable of performing real science or, at the very least, capable of being the on-the-ground technicians for scientists safely located on Earth. A better use of NASA’s budget for exploration and planetary science would be to fund several smaller unmanned missions to explore Mars and other planets, thus spreading out both the risks and the rewards. While some of these are bound to fail, most of these little probes would be successful, and several would be successful beyond their original design. The Spirit and Opportunity probes continue to operate on Mars some five years past their original mission of 90 days. Even Voyager 1, launched in 1977, is still operating some 30 years later. Investing in several smaller missions with clear scientific goals offers much more reward for the risk.

Space Weaponization 1/2

**Any space weapon option will be hundreds of millions minimum.**

**Weiner 5 (**Tim, NYT Writer, “Air Force Seeks Bush’s Approval for Space Weapons Programs” May 18, 2005 accessed 6/20/11 http://www.thehazefilter.com/pdf/space\_weapons.pdf)

International objections aside, Randy Correll, an Air Force veteran and military consultant, told the council, **"the big problem now is it's too expensive."** The Air Force does not put a price tag on space superiority. **Published studies by leading weapons scientists, physicists and engineers say the cost of a space-based system that could defend the nation against an attack by a handful of missiles could be anywhere from $220 billion to $1 trillion.** Richard Garwin, widely regarded as a dean of American weapons science, and three colleagues wrote in the March issue of IEEE Spectrum, the professional journal of electric engineering, that "**a space-based laser would cost $100 million per target,** compared with $600,000 for a Tomahawk missile."

**Space lasers would be extremely expensive.**

**Deblois et al 4** (Bruce, Director of Systems Integration at BAE Systems, Richard Garwin, IBM Fellow Emeritus @ the Thomas J. Watson Research Center of IBM, Scott Kemp, Fulbright Fellow to the EU and research staff @ Program on Science and Global Security @ Princeton U, Jeremy Marwell, Furman Scholar at the New York University School of Law, “Space Weapons Crossing the U.S. Rubicon” International Security 29.2 Fall 2004 P. 73 date accessed 6/20/11)

**Space-based lasers would be enormously expensive. For a typical proposed laser system at an altitude of 3,000 kilometers, a target protected by 3 centimeters of cork could withstand about twenty minutes of laser burn time before its surface would be exposed to laser heat**.54 **With the orbiting laser consuming fuel at a rate of some 9 kilograms per second, a single twenty-minute “shot” would use 11 tons of fuel. The cost of putting this fuel in orbit would be some $240 million per target.**55 **At a lower orbit** for the lasers, say 1,000 kilometers, allowing a range of 1,500 kilometers, the necessary lasing time per target would drop to ªve minutes. **Fuel costs would fall to $60 million per target,** although a greater number of lasers would then be required to achieve the same terrestrial coverage. **By comparison, a single Tomahawk cruise missile costs some $600,000**, could attack heavily armored and nonºammable targets, would not be affected by clouds, and would be expended only when needed. Nearly the entire surface of the Earth, including North Korea, most of the Middle East, and more than half of China (including its principal industrialized regions), is reachable by Tomahawk Block III cruise missiles.56 Launched from outside the 12-nautical- mile territorial limit, cruise missiles would have a flight time of several hours.

Space Weaponization 2/2

**Orbital kinetic energy weapons cost 66 million to launch and 8 billion to use.**

**Deblois et al 4** (Bruce, Director of Systems Integration at BAE Systems, Richard Garwin, IBM Fellow Emeritus @ the Thomas J. Watson Research Center of IBM, Scott Kemp, Fulbright Fellow to the EU and research staff @ Program on Science and Global Security @ Princeton U, Jeremy Marwell, Furman Scholar at the New York University School of Law, “Space Weapons Crossing the U.S. Rubicon” International Security 29.2 Fall 2004 P. 70-71 date accessed 6/20/11)

Although (assuming equivalent intelligence and tasking cycles) the nearest orbiting rods could in theory reach ground targets ªfifteen to thirty minutes faster than the most distant ICBM (with a maximum ºight time of some forty-five minutes**), the cost of space weapons would be many times greater. Overall system cost would be dominated by the price of putting rods—and their fuel—in orbit and later canceling their orbital velocity so that they would drop back to Earth. For a single 100-kilogram rod and its required 3 tons of rocket fuel in a 450-kilometer low earth orbit, assuming typical launch costs of $22,000 per kilogram, the launch costs alone would total some $66 million. To guarantee that a single target** (located near the equator, to take the easiest case) **could be attacked at will and not only when a single orbiting rod happened to pass overhead, a distributed constellation of some forty rods would be necessary, with total system launch costs of some $8 billion**.50 By contrast, the United States already possesses hundreds of surplus ICBMs (flight time less than forty-five minutes), cruise missiles (response time of minutes to hours, depending on their range to target) at some $600,000 per unit, and JDAM precision-guided bombs (response time of minutes to hours, again depending on forward deployment and range) at some $15,000 per bomb. Of course, it is necessary also to factor in a share of the cost of the multipurpose aircraft deployment to carry these munitions. In addition, submarine-launched ballistic missiles could be ªtted with nonnuclear warheads, with attendant shorter flight times from the nearest submarine.

**DOD space programs include hidden costs.**

**Figiola 6** (Patricia, Telecom and Internet Policy Specialist , “U.S. Military Space Programs: An Overivew of Appropriations and Current Issues” August 7, 2006)

**Several DOD space programs have experienced significant cost overruns and schedule delays, raising concerns about DOD’s acquisition process for space systems.** The Defense Science Board (DSB) and Air Force Scientific Advisory Board (AFSAB) commissioned a task force chaired by retired Lockheed Martin executive Tom Young to review DOD space program acquisition because of significant cost increases in several programs; its May 2003 report was publicly released in September 2003.7 Four key findings of the report were that **cost has replaced mission success as the primary driver in managing acquisition processes, creating excessive technical and schedule risk; the space acquisition system is strongly biased to produce unrealistically low cost estimates; government capabilities to lead and manage the acquisition process have seriously eroded; and there are long term concerns about the space industrial base**. According to press reports, the task force produced an update in August 2004 that concluded that some of the space programs it criticized were making progress but still required close review, and that better coordination is needed between the military and intelligence agencies in setting requirements.

**Manned Mission to Mars 1/2**

**Mars mission has long-term costs and requires expensive new propulsion systems**

**Rapp 6** (Donald, April 17, The Space Review, former senior scientist at Jet Propulsion Lab, http://www.thespacereview.com/article/602/1)JFS

There are many challenges in devising human missions to Mars. One of the overriding factors that makes Mars missions fundamentally different from lunar missions is the fact that there is very little opportunity to abort the mission. This drives up the requirements and the cost of systems, and since Mars missions will tend to be over 2.5 years roundtrip, extensive (and expensive) life-testing will be required. As in most space missions, the greatest challenge for Mars missions is getting there and back. The huge masses of propellants needed for the legs of a space mission are significant limitations to feasibility of the mission. It takes about 20 metric tons (mT) on the Earth launch pad to put 1 mT of payload to Low Earth Orbit (LEO). For most space missions, even the 1 mT of “payload to LEO” is made up of mostly propellants to send a smaller payload to a distant destination. For example, in order to send a 1 mT payload (that includes an Earth entry system) to the Mars surface and return to Earth, it may require about 180 mT in LEO, and consequently 3600 mT on the Earth launch pad. It is very difficult to estimate the overall cost of a complex space mission, and so it is common to use the initial mass in LEO (IMLEO) as a surrogate. Therefore it is common for analysts to compare IMLEO for various alternative space mission architectures. For a given launch vehicle capability, the IMLEO determines the number of launches required, and this clearly has a significant impact on mission cost. However, many problems arise as the required number of launches increases. These include difficulty in scheduling repetitious launches at sufficient frequency, problems in assembly in orbit, and even more difficult problems in landing or orbiting behemoths at Mars. Chemical propulsion is likely to be the mainstay of foreseeable Mars missions. The lunar program will have developed launch vehicles capable of sending 125 mT into LEO, and Earth departure systems using hydrogen/oxygen propellants with a specific impulse of roughly 450 sec. There still remains considerable uncertainty as to which propulsion systems will be feasible for use beyond Earth departure. Whether it will be feasible to transport hydrogen to Mars and store it there (in orbit or on the surface) remains doubtful. Whether the complexities of cryogenic propulsion would negate the benefit of higher specific impulse of methane/oxygen propulsion (as compared to space storables) is also unclear. And, NASA has apparently decided not to develop the methane/oxygen rocket for the lunar program because of cost, schedule, and technology risks. Depending upon whether in situ resource utilization (ISRU) is used, and in what form, there will likely be advantages in utilizing chemical propulsion that can make use of propellants produced in situ. The development of space propulsion systems requires considerable funding, continuity over at least a decade (and probably more), and a determination to see it through to completion—characteristics that have been in short supply for NASA technology development for some considerable time. One of the largest propulsion requirements in a Mars mission is Earth departure (aka trans-Mars injection (TMI)). Using hydrogen/oxygen propulsion for TMI, only one-third of the mass in LEO is the payload sent on its way toward Mars. Evidently, the mass of the TMI propulsion system is an important factor in driving up the required IMLEO for Mars missions. A nuclear thermal rocket (NTR) with a specific impulse (Isp) of about 900 sec has the potential to significantly reduce the roughly two-thirds portion of LEO mass allocated to TMI propulsion. However, there are two major issues involved in using the NTR: estimating realistic performance benefits, and estimating the cost, duration, practicality, and political consequences of developing the NTR. In regard to performance estimates, there are two important factors that need to be taken into account. One is the required “dry mass” of the power and propulsion system. This dry mass is a dead weight that is accelerated along with the payload, and reduces the performance of the NTR. The second critical factor is the altitude at which the NTR is turned on. If the NTR is fired up from LEO (as assumed by previous design reference missions (DRMs)) then its performance will be maximized. If, on the other hand, safety and political factors require that the NTR be lifted by chemical propulsion to a higher Earth orbit prior to initiation of the NTR, its effectiveness will be reduced due to the extra mass of chemical propellants used to raise the NTR orbit. The dry mass of an NTR was estimated by several groups, but these were enthusiasts or advocates and therefore the estimates are likely to be on the optimistic side. In one analysis, the dry mass was parameterized as proportional to the propellant mass, with the proportionality factor treated as variable. If the NTR must be lifted to about 1,000 km altitude (or more), much of its benefit disappears compared to a chemical propulsion system that can be fired up in LEO at 200 km. It is noteworthy that the ESAS Report implies starting the NTP at 800–1,200 km altitude. The financial, infrastructure, safety and political requirements to develop, test, validate, and implement the NTR are difficult to imagine at this juncture, except for the simplistic notion that it would take a gigantic effort spread over at least a decade (and, more likely, two decades) at a cost of many billions of dollars. Past history indicates that NASA is unlikely to have the fortitude to carry through such a program to completion.

Manned Mission to Mars 2/2

Manned mission to Mars spends massively, gets cut, and trades off with solutions to global warming

Christianson 11 (J. Scott, March 11, The Free Range Technologist, Originally Published in Colombia Tribune, http://thefreerangetechnologist.com/2011/03/manned-mission-to-mars/)JFS

A manned mission to Mars will cost tens of billions of dollars. According to a recent report, NASA immediately needs an extra $3 billion per year to keep its plans on track. It is almost guaranteed the costs for this project will expand greatly. Costs cannot be correctly estimated for large projects so unique and untried. And a major risk associated with a manned Mars mission is that, after sinking billions into this project, Congress or a future administration will pull the plug because of cost overruns and delays. This is exactly what happened to the superconducting super collider project in Texas, which Congress canceled after its estimated costs at completion ballooned from $4 billion to $12 billion. Political and public support of such large science projects wanes quickly as time and costs increase. By pouring the majority of their efforts into this one mission, NASA is betting on the success — and continued funding — of a manned mission to Mars. The known risks for human space flight on this scale are huge and have to be mitigated with a variety of not-yet-invented technologies. And in any such complex project, all the risks can’t be known. The space shuttles have surely proved that — two of them were destroyed by an “O” ring and a piece of foam. Mars is not days away like the moon; it is months away, with lots of time for things to go horribly wrong. A manned mission to Mars will tie up most of NASA’s intellectual resources for a decade or more as they toil on an incredibly expensive project whose success and scientific value is uncertain. The American public should have a better chance of receiving a decent return on its investment in NASA. Perhaps the most compelling argument for not proceeding with a manned mission to Mars is NASA’s great success with unmanned missions to Mars and other planets. These “smaller, cheaper, faster” space probes have been extremely useful and cost-effective and have proved themselves capable of performing real science or, at the very least, capable of being the on-the-ground technicians for scientists safely located on Earth. A better use of NASA’s budget for exploration and planetary science would be to fund several smaller unmanned missions to explore Mars and other planets, thus spreading out both the risks and the rewards. While some of these are bound to fail, most of these little probes would be successful, and several would be successful beyond their original design. The Spirit and Opportunity probes continue to operate on Mars some five years past their original mission of 90 days. Even Voyager 1, launched in 1977, is still operating some 30 years later. Investing in several smaller missions with clear scientific goals offers much more reward for the risk. If NASA is to receive more appropriations, it should be for investigating problems here on Earth. Studying global warming is an unprecedented opportunity to learn about a sophisticated planetary processes happening right here, right now. Moreover, we need NASA to not just document the effects of global warming and other environmental problems but provide us with possible solutions and new technologies addressing these challenges. Solving the problem of global warming would be a greater step for mankind than any trip to space and is much more deserving of public investments. Landing humans on Mars and bringing them back safely would be a great technological feat and no doubt resplendent with numerous spinoff technologies, but it is not one of the major technical problems currently facing the human race. A manned mission to Mars will happen someday, but we should concentrate our scientific resources on figuring out how to leave future generations with a habitable Earth and leave it to them to discover how to make it to Mars.

SPS 1/2

The solar satellite program is extremely expensive.

Harron and Wadle 81 (Ronald J. and Richard C., NASA’s Scientific and Technical Information Branch, “Solar Power Satellite Cost Estimate” January 1981, pg. 1)AH

This document presents a cost estimate in 1977 dollars for the solar power satellite based on the silicon cell design concept for a 60-satellite program (300GW) installed over a 30-yearperiod. The estimate is broken down by program phase and by system component. There are five program phases: research, engineering verification, demonstration, investment, and production. The cost of the program through the first operational unit is estimated to be $102 billion and subsequent units are estimated to cost $11.5 billion each. The result is an average unit cost of $2,300/kW. A single 5-GW SPS unit was broken down by system component for costing purposes. The components are tabulated in accordance with a work break down structure. The major elements in the work break down structure are the satellite, space construction, the transportation system, the ground receiving station, and system maintenance. Cost estimates were prepared and assembled using a variety of cost-estimating techniques including parametric cost models, the mature industry technique, delphi techniques, and learning curves. Each subsystem cost estimate includes references to supporting documentation for more detailed design description and more discussion of the actual estimate. Wherever sufficient in formation was available, nonrecurring costs and theoretical first unit costs are identified with particular subsystems. The major cost elements of the solar power satellite system are the satellite($5 billion),space construction($1.1billion),the transportation system($2.8billion),the ground receiving station($2.2 billion),and program management($0.4billion),for a total unit cost of $11.5 billion.

The solar satellite program is so costly that people aren’t willing to invest.

Boswell 4 (David, Speaker at 1991 International Space Development Conference, http://www.thespacereview.com/article/214/1, 6-20-11, AH)

Another barrier is that launching anything into space costs a lot of money. A substantial investment would be needed to get a solar power satellite into orbit; then the launch costs would make the electricity that was produced more expensive than other alternatives. In the long term, launch costs will need to come down before generating solar power in space makes economic sense. But is the expense of launching enough to explain why so little progress has been made? There were over 60 launches in 2003, so last year there was enough money spent to put something into orbit about every week on average. Funding was found to launch science satellites to study gravity waves and to explore other planets. There are also dozens of GPS satellites in orbit that help people find out where they are on the ground. Is there enough money available for these purposes, but not enough to launch even one solar power satellite that would help the world develop a new source of energy? In the 2004 budget the Department of Energy has over $260 million allocated for fusion research. Obviously the government has some interest in funding renewable energy research and they realize that private companies would not be able to fund the development of a sustainable fusion industry on their own. From this perspective, the barrier holding back solar power satellites is not purely financial, but rather the problem is that **there is not enough political will to make the money available for further development**. There is a very interesting discussion on the economics of large space projects that makes the point that “the fundamental problem in opening any contemporary frontier, whether geographic or technological, **is** not lack of imagination or will, but lack of capital to finance initial construction which makes the subsequent and typically more profitable economic development possible. Solving this fundamental problem involves using one or more forms of direct or indirect government intervention in the capital market.”

SPS 2/2

There are many hidden costs associated with the solar satellite program which could detract attention away from other needed projects.

NASA and U.S. DoE 78 (NASA and U.S. Department of Energy, “Satellite Power System (SPS) Concept Development and Evaluation Program Plan June 1977-August 1980” February 1978, 41, AH)

These considerations lead to the subject of SPS economics. In addition to the satellite and rectenna there is also the question of the economics associated with the space transportation system and its potential alternate uses (and hence cost sharing). A whole new industry for "space construction" must be developed. Substantial operation and maintenance costs can be anticipated. Perhaps most crucial to the entire discussion of system economics is the large cost, and required financing, associated with design, development, test and evaluation (DDT&E) of the system before any power is generated. Securing the large financing required for the project could make difficult the capitalization of other needed projects.

**Many hidden costs to SBSP**

**Johnson et al 9** (Les, Deputy Manager for NASA's Advanced Concepts Office, Gregory Matloff, prof of astronomy and physics @ City of NY, Constance Bangs, Author on Space, Paradise Regained: The Regreening of Earth, p. 117)JFS

Space-based solar power is clearly not cost competitive - yet. Improvements in solar array efficiency seem to be occurring on a regular basis. As of this writing, inventors are claiming efficiencies greater than 35 percent. Previous studies of space solar power assumed much lower efficiency solar cells, therefore requiring many more cells to produce the same amount of power as higher-efficiency ones. With these cells, the amount of mass to be carried to space will decline, resulting in a decline in the launch cost. But it would have to decline dramatically to make a significant difference in the estimated multibillion-dollar cost.

**SBSP is currently 110 billion**

**Cyranoski 9** (David, Asia-Pacific Correspondent, *Nature*, Vol. 462, Iss. 7272, pg 398-99, ProQuest)JFS

The goal is to make satellites for under ¥1 trillion (US$11 billion) each; it currently costs 100 times that. "It's exciting, but there are many problems to overcome," says Naoki Shinohara of Kyoto University. For one thing, transmission efficiency must rise to 75%, he says; the airship experiment achieved just 40% efficiency, although the technology it uses differs from what a satellite would use. Rocket launches will also need to be cut to a hundredth of their current cost; options such as reusable rockets are being considered, according to Susumu Sasaki of the Japan Aerospace Exploration Agency (JAXA). At this month's meeting, Tokyo University's Kimiya Komurasaki discussed how a remote microwave source could power rockets. That would reduce the amount of propellant they need to carry and, in theory, mean that rockets used to build a solar-power satellite could carry more antennas and solar cells. Matsumoto estimates that it will take ¥2 billion to ¥3 billion to demonstrate solar-power satellite technology on the ground, and ¥10 billion to ¥50 billion to demonstrate it in orbit.

Astronomy Education 1/2

Obama is already cutting higher education in favor of Pell Grants. Astronomy education would further drain the budget.

Lauerman 11 (John Lauerman, *Bloomberg News*, http://www.bloomberg.com/news/2011-02-14/higher-education-funding-cut-by-89-billion-over-10-years-in-obama-budget.html, 6-20-11, AH)

President Barack Obama, who has called for the U.S. to lead the world in college graduates by 2020, proposed budget cuts that would reduce support for higher education by $89 billion over 10 years. Obama’s $77.4 billion spending proposal released today would cut a provision allowing some college students to get two Pell grants in a year and a program that lowers interest rates on loans for graduate students. The changes will reduce 2012 higher education outlays by $10 billion while raising spending for kindergarten through high school education 6.9 percent to $26.8 billion, the Education Department said. Obama called last year for the U.S. to keep its economy competitive with other nations by producing an additional 8 million college graduates by 2020. Higher education spending cuts are needed so the Education Department can shore up the growing Pell program and expand support for competitive programs such as “Race to the Top,” which offers money for states that follow the administration’s prescriptions for raising student and teacher achievement, according to the department. “We’re making some tough choices to protect the Pell grant,” Justin Hamilton, a department spokesman, said in an e- mail today. “We’re cutting where we can so that we can invest where we must. Doing nothing would cost students up to $2,500 in critical aid at a time when the cost of college is skyrocketing.”

All types of education programs are being cut all around the country. Increasing space education would deplete low funds.

Goodman 11 (Josh Goodman, *Stateline*, “The Year School Budget Cuts Went Straight to the Classroom” 6-14-11, http://www.stateline.org/live/details/story?contentId=580740, 6-20-11, AH)

Similar difficulties are widespread throughout the country. In many states, this was the second or third or fourth year of budget cuts to education since the recession began. While final nationwide numbers aren’t available — several states haven’t finished their Fiscal Year 2012 budgets — governors have proposed a net of $2.5 billion in cuts to K-12 education and $5 billion in cuts to higher education, according to the National Association of State Budget Officers. What makes this year different from the previous two years is that more school districts are running out of ways to absorb the cuts without affecting what takes place in the classroom. Decisions made by legislatures have contributed to teacher layoff debates in school systems large and small, from New York City to New Albany, Indiana. In Philadelphia, the district’s budget for fiscal 2012 doesn’t just rely on layoffs. It mostly does away with school bus service too.

Astronomy Education 2/2

NASA will focus on existing commitments due to budget cuts; increasing space education would exhaust the budget.

NASA 11 (NASA Mission Directorate, http://www.nasa.gov/pdf/516643main\_NASA\_FY12\_Budget\_Estimates-Education.pdf, 6-20-11, AH)

The President's budget reflects a $7.4 million decrease from previous request, consistent with the Administration's effort to reduce federal spending. NASA's Office of Education will focus its funds on existing commitments and grant renewals, continuation of scholarships, internships and fellowships, and activities that directly serve educators, students, and the general public. The decrease will be managed by reducing the number of new grant awards and seeking operational efficiencies (e.g., increased use of education technologies, reduction in printing/warehousing/ shipping costs, reducing travel, coordinating solicitations).

Weather Satellites

The cost of new weather satellites ranges in the 6 Billion dollar range.

Space Ref 6 (Reference website compiling and reporting on data from multiple government agencies, Sept. 29, http://www.spaceref.com/news/viewpr.html?pid=20936 AQB)

WASHINGTON - The National Oceanic and Atmospheric Administration's (NOAA) Administrator Admiral Conrad C. Lautenbacher, Jr. (ret.) told the House Science Committee today that he is trying to keep the cost of a new weather satellite in the range of $7 billion to $9 billion. Lauthenbacher was testifying at a hearing on NOAA's plans to buy its next generation of weather satellites, known as GOES-R. Original cost estimates for the satellites, which are still in the design stage was $6.2 billion, but NOAA has recently raised the estimate to about $11 billion and has said the satellite will not carry one planned advanced sensor.

The cost of the mission to eventually launch one sophisticated weather satellites cost taxpayers 500 million dollars.

AP 9 (The Associated Press, June 28 http://blogs.orlandosentinel.com/news\_space\_thewritestuff/2009/06/nasa-sends-sophisticated-weather-satellite-into-orbit.html AQB)

A sophisticated new weather satellite rocketed into orbit Saturday, giving forecasters another powerful tool for tracking hurricanes and tornadoes. An unmanned rocket carrying the nation's latest Geostationary Operational Environmental Satellite blasted off early Saturday evening, a day late because of thunderstorms. The satellite headed toward a 22,000-mile-high orbit, where it will undergo six months of testing. It will circle Earth as a spare and be called into service when needed. The GOES satellite network provides continuous weather monitoring for 60 percent of the planet, including the United States. The newer ones also monitor solar flares that can disrupt communications on Earth, and track climate change. This is the second of the more advanced GOES satellites to be launched, containing sensors capable of providing better location data and higher resolution pictures of storms. "These are probably about the most sophisticated weather satellites that we actually have on this planet … off this planet," said Andre Dress, deputy project manager for NASA. NASA manages the development and launch of GOES satellites for the National Oceanic and Atmospheric Administration. The one launched Saturday, Goes O, will be renamed GOES 14 once it reaches its proper orbit in 1 1/2 weeks. The mission cost $499 million, including the cost of the Delta IV rocket.

Global Warming Satellites

New global warming satellites cost 280 million dollars plus the cost of launch and mission control.

AP 9 (The Associated Press, Feb. 24, http://www.foxnews.com/story/0,2933,499144,00.html AQB)

VANDENBERG AIR FORCE BASE, Calif. — A new satellite to track the chief culprit in global warming crashed into the ocean near Antarctica after launch Tuesday, dealing a major setback to NASA's already weak network for monitoring Earth and its environment from above. The $280 million mission was designed to answer one of the biggest question marks of global warming: What happens to the greenhouse gas carbon dioxide spewed by the burning of coal, oil and natural gas? How much of it is sucked up and stored by plants, soil and oceans and how much is left to trap heat on Earth to worsen global warming? "It's definitely a setback. We were already well behind," said Neal Lane, science adviser during former President Bill Clinton's administration. "The program was weak, and now it's really weak."

Landsats 1/2

Earth-observation satellites are extremely expensive and unreliable. Making more would uselessly drain the budget.

The Telegraph 11 (http://www.telegraph.co.uk/science/space/8362163/Nasa-earth-observation-satellite-fails-to-reach-orbit.html, 6-20-11, AH)

The satellite, which cost $424 million (£261m) to produce, was too heavy to reach orbit with its clamshell-like nose cone cover clinging on and plunged into the South Pacific Ocean, leaving engineers puzzled as to why it failed. "We encountered no anomalies" leading up to the launch, Nasa launch director Omar Baez told reporters. But a few minutes into the flight, it became apparent that separation had not occurred. "We didn't see the indication of fairing separation," said Mr Baez. "We failed to make orbit and all indications are that the satellite and rocket are in the southern Pacific Ocean somewhere." The launch of the satellite – which was to measure aerosols in the Earth's atmosphere to help clarify their impact on climate – was delayed on February 23 after an unexpected ground control reading 15 minutes before lift-off. On Friday it rocketed away from Vandenberg Air Force Base in California aboard a four stage Taurus-XL rocket at 2:09am (10.09 GMT), but NASA soon reported that it was slowing down and would not reach orbit. A similar mishap took place in February 2009, when a satellite designed to monitor global carbon dioxide emissions plummeted into the ocean near Antarctica after failing to reach orbit, in a setback for climate science. There too, a fatal mission error occurred minutes after lift-off when the fairing, which protects the satellite during its ascent, failed to separate properly.

It costs tremendous amounts of money to launch a satellite; further drains the budget.

Brown 1 (Gary, How Stuff Works, writer for Discovery, <http://science.howstuffworks.com/satellite8.htm>, 6-20-11, AH)

Satellite launches don't always go well, as shown by this story on failed launches in 1999. There is a great deal at stake. For example, this hurricane-watch satellite mission cost $290 million. This missile-warning satellite cost $682 million. Another important factor with satellites is the cost of the launch. According to this report, a satellite launch can cost anywhere between $50 million and $400 million. A shuttle mission pushes toward half a billion dollars (a shuttle mission could easily carry several satellites into orbit). You can see that building a satellite, getting it into orbit and then maintaining it from the ground control facility is a major financial endeavor!

Landsats 2/2

**The price of observation satellites are going up.**

Selding 10 (Peter B., Science News, http://www.spacenews.com/satellite\_telecom/081010nga-contribute-337-million-geoeyes-next-satellite.html, 6-21-11 AH)

Earth observation imagery and services provider GeoEye expects its planned GeoEye-2 satellite to cost up to $800 million, or 60 percent more than the GeoEye-1 satellite now in orbit, but company officials said Aug. 10 that the newer craft, while offering virtually the same imaging clarity as its predecessor, will have better agility for faster reaction time. Of this amount, the U.S. National Geospatial-Intelligence Agency (NGA) will be contributing some $337 million as part of a new, 10-year agreement called EnhancedView, which NGA announced Aug. 6 and which takes effect Sept. 1. One-third of NGA’s investment in GeoEye-2 will arrive midway through the satellite’s construction, in 2012. The remaining funds will be delivered to GeoEye once GeoEye-2, which is being built by Lockheed Martin Space Systems of Sunnyvale, Calif., is operational in 2013. In a conference call with investors, officials from Dulles, Va.-based GeoEye said GeoEye-2 will cost $750 million to $800 million including the satellite’s construction, launch, insurance and ground infrastructure. That is about 60 percent above the $478.3 million the company paid for GeoEye-1, which was ordered in 2004 and entered service in late 2008. “Time goes on. Costs have increased,” GeoEye Chief Executive Matthew O’Connell said in explaining the price difference between the two satellites. “We’re going with the top of the line. You have to pay more for that kind of capability.”

Landsat satellites are expensive and fiscally risky for the government.

Greenberg & Hertzfeld 92 (Joel S. and Henry R., Editors for American Institute of Aeronautics and Astronautics, Space Economics, 247, AH)

What roles should government and private investors play in the area of land remote sensing? Before addressing this question, it is necessary to decide whether the government ought to fund new Landsat satellites. That decision in turn depends on the answer to another question: since the data obtained by Landsat cost more to produce than EOSAT can sell them for in the market, do the data have sufficient social value to justify a subsidy of Landsat? If the answer to this question is negative, and no additional funding is provided for Landsat satellites, then the issue becomes whether the government has any role at all other than as a purchaser of raw data. If not, an option would be to deregulate the industry—by permitting the private-sector producers of raw data to provide their services on an exclusive, discriminatory basis. If, alternatively, the benefits of Landsat are seen to exceed its cost, and the Congress decides to continue public support, the issue of private investment hinges on whether a private provider is best able to deliver to society the benefits of land remote sensing. If so, a private role is possible under a variety of circumstances: the current arrangement in which EOSAT negotiates capital contributions with the government, an open auction of distribution rights among private firms, or participation by private investors in an international consortium.

Propulsion

Propulsion costs millions

Berger 7 (Brian, auth at space news, DARPA Readies Demonstration of Radically New In-Space Propulsion, da:6-20-201, Space.com, lido)

In late September, DARPA selected two firms, Pratt & Whitney Rocketdyne and SpaceDev, to spend the next six months working on competing solar thermal propulsion designs. Including some subsystem validation work, under contracts valued at $4.9 million and $3.7 million respectively. Kennedy said if the next six months shows that the type of solar thermal propulsion capability DARPA wants is doable, HiDVE would press ahead with a full-up ground demonstration six to nine months later. After that, DARPA could press ahead with an in-space demonstration, assuming funding availability and positive results from the ground demo, Kennedy said.

Putting materials on mars costs 50k per KILOGRAM

Wright 11 (Chris, writer, Space, the comfy frontier, dw: 6-5-2011, da: 6-20-2011, lido)

Expense comes into it, too — one estimate puts the cost of shipping a single kilogram of materials to Mars at $50,000. Never mind that an Italianate wall sconce could potentially work itself loose and knock someone’s block off — who’s going to pay for the shipping? (The answer to this question, eventually, is that we would have factories out there, constructing these sorts of incidentals using local materials.)

Propulsion would cost a ton

Klamper 10 (Amy, Space news staff writer, da: 6-20-2011, dw: 6-24-2010, U.S. House Members Call for 'Immediate Development' of Heavy-lift Rocket, lido)

"We support the immediate development and production of a heavy-lift launch vehicle that, in conjunction with the Orion Crew Exploration Vehicle, may be used for either lunar or deep-space exploration to an asteroid and beyond, as you said in Florida," the lawmakers say in the letter. During an April 15 speech at NASA's Kennedy Space Center, Fla., Obama said NASA would continue development of Constellation's Orion crew capsule for use as a lifeboat aboard the international space station and would spend up to five years studying heavy-lift propulsion technologies before initiating development of a heavy-lift launch vehicle no later than 2015. The lawmakers assert that a "heavy-lift exploration system could be operational within six years and achieved within NASA's Exploration topline budget." NASA's Exploration Systems Mission Directorate stands to receive a total of $23.6 billion between 2011 and 2015 under White House budget projections released in February. That figure includes $3.1 billion for heavy-lift and in-space propulsion research, $6 billion to foster development of commercial crew systems and $12 billion for various advanced technology research and demonstration projects. "With no significant breakthroughs on the horizon in regard to heavy-lift propulsion needs, we see no reason to prolong a decision that will result in the loss of a highly-experienced and motivated workforce," the lawmakers state in the letter, which was spearheaded by Rep. Gene Green (D-Texas) and three members of the House Appropriations commerce, justice, science subcommittee that oversees NASA spending, including the ranking minority member Frank Wolf (R-Va.) and Reps. C.A. "Dutch" Ruppersberger (D-Md.) and John Culberson (R-Texas).

Propulsion to other planets could cost billions

Friedman 2 (Stanton, UFO Propulsion Systems, da: 6-20-2011, dw: 2-7-2002, lido)

Stars and planets along the way also would be used both for their fuel and solar energy and for gravitational assistance, just as the Pioneer spacecraft, which was without propulsion systems after leaving the vicinity of the earth, used the gravitational field of Jupiter to hurl itself past Saturn and eventually out of the solar system. Earthlings are capable of building both fission and fusion deep-space propulsion systems if they are willing to spend the tens of billions of dollars required.

General Cooperation

**Diplomats stay in expensive hotels – that costs the government money**

**Wilkinson 9** (Tara Loader, August 26, Staff Writer @ WSJ, http://online.wsj.com/article/SB125129933050760795.html)JFS

Amid the recession, rock stars, diplomats and other celebrities find solace from the doom and gloom by spending their time in sanctuary provided by the world's most luxurious, and expensive, hotels. While many of us are tightening our belts, shortening our summer holidays or even abandoning them, hoteliers to the rich and famous claim to have no trouble filling their most exclusive accommodations, and in the case of the most expensive suite in the world, managing to double its rate to $65,000 (€45,642) a night. In an annual survey by Financial News' sister publication Wealth Bulletin, the Royal Penthouse Suite at the President Wilson Hotel in Geneva, Switzerland, tops the list as the most expensive hotel room in 2009, commanding $65,000 for its four-bedroom penthouse -- twice as much as patrons paid a year ago for its luxurious setting and views of Lake Geneva and Mont Blanc. The hotel's management puts the rise down to "buoyant demand" from government officials and U.N. diplomats. Last year's winner, the iconic Ty Warner Penthouse at the Four Seasons Hotel in New York, came second this time, at $35,000, $1,000 up from last year. New entries this year were the third-placed Presidential Suite at the Hotel Cala di Volpe in Sardinia, the Villa La Cupola Suite at the Westin Excelsior in Rome and the Presidential Suite at the Ritz-Carlton in Tokyo. Despite the past year's financial and economic turmoil, prices at the best hotel suites have risen by an average of 10% this year. Herbert Ypma, founder of the Hip Hotels brand, said: "The very high end hasn't suffered all that much. A lot of hotels used to having upmarket clientele are getting the benefit of them taking far more time off than usual – so they have more time to stay in hotels. Money was never the issue, time was." Hoteliers said that although the number of business travellers has fallen in the past year, government officials have taken their place in the best rooms and suites. President Barack Obama and his entourage took over the entire Ritz-Carlton Hotel in Moscow for three nights in June. The President Wilson Hotel said heads of state and other high-level government officials are fuelling demand for its hugely expensive Royal Penthouse Suite.

U.S. space cooperation drives up costs

Klomp 10 (Jeremiah, student @ USAF Air University, “Is Space Big Enough for a Sino-U.S. Partnership” Pg. 14-15 April 2010 accessed 6/21/11 JF)

The United States, on the other hand, is a world leader in the research and development of new technologies and is regularly at the forefront of fielding new capabilities, particularly space-related technologies. **The US is always looking for partners** who can help shoulder the financial and technological burdens of advanced research and technology development. **Unfortunately, it has a poor track record of success with many so-called partners**. **At the outset, each partner is eager** to begin a new adventure and happy to share in costs as well as benefits of various programs. However, **as time progresses and projects fall behind and costs rise, many partners are easily discouraged and either drop out or significantly reduce the scope of their support of the project. The result is that the US is generally left holding the bag with a tough decision to continue alone or drop the project altogether.** **In addition to providing funding, the US is also generally responsible for the lion’s share of technology required** to complete a project **and it is rarely fully or fairly compensated for those contributions**. Again**, the ISS is a prime example of the US continuing to support a “worthwhile” project, despite other partners dropping out or significantly reducing the scope of their participation. Research and development dollars that could have been used to further other projects had to be redirected back to the ISS** to complete the development of the remaining stages, putting other missions like the Space Shuttle replacement program in jeopardy.

India Cooperation

**US and India cooperated on Chandrayaan I**

**White House 10** (November 8, “Fact Sheet on U.S.-India Space Cooperation”, http://www.america.gov/st/texttrans-english/2010/November/20101108164023su0.6107686.html)JFS

Noting the successful joint cooperation on Chandrayaan I, which detected the presence of water around the lunar pole, both sides committed to explore cooperation in planetary exploration and promote collaboration on future space missions.

**And, Chandrayaan I was a huge failure and wasteful**

**XNA 9** (Xinhua News Agency, Edited by Zhang Xiang, http://news.xinhuanet.com/english/2009-08/31/content\_11971926.htm)JFS

Less than a year after its launch, India's first unmanned lunar mission, Chandrayan I, knocked off the country's endeavor to assert its power in space, after it lost radio contact with the mission control following a technical glitch believed to have been caused by a burst of sun spot activity. Though the state-run Indian Space Research Organization (ISRO) hailed the moon mission a "great success" despite abandoning it midway, experts have claimed that the mission, which put India in an elite club of countries -- the United States, Russia, Japan, China and members of the European Space Agency -- and was expected to last two years, has shattered India's dream of taking the first key stride towards landing an unmanned moon rover by 2012. "The 100 million U.S. dollar moon mission survived for only 315days. It was scheduled for two years. Now, the satellite is to crash onto the lunar surface. It's a great loss to India's space explorations. The abandoning of the mission has dashed the country's most ambitious effort in space explorations. It was a major boost to the country's space program, particularly with India competing with Asian nations like China and Japan in this field," said space analyst R.K. Roy.

Cooperation will continue to waste money

Kuldeep 9 (August 30, Staff Writer @ Revolutioners, http://www.revolutioners.com/isro-chandrayaan-fails-plans-to-waste-money-again-with-chandrayaan-2/)JFS

I saw it coming. I knew ISRO Chandrayaan was going to be a failure. I had doubts and ISRO has not left me with any doubts now. Our government has already wasted money on ISRO Bhuvan and now this. These guys aren’t over yet. They still wants to waste our money. I am not in favor of these kinds of missions. As stated earlier I want our government to invest in Indian Infrastructure. Build new Railway tracks, build new airports, build better roads; I mean there are millions of things that our government could do. Our government just simply wasted 81 million $ which could have been utilized in a better manner.  It does not matter whether we spent lesser money compared to what others have. All that matters is that we did waste money. And what is bothering me now is that our government is not ready to learn any lesson from this. “The mission is definitely over. We have lost contact with the spacecraft,” Mayilsamy Annadurai, Project Director of the Chandrayaan-1, told PTI. He said the mission had almost completed its scientific objectives. “It has done its job technically … 100 per cent. Scientifically also, it has done almost 90-95 per cent of its job,” said Mr. Annadurai. What job are we talking about here. What did ISRO Chandrayaan achieve. I am not sure. Can someone throw some light on the achievements of our ISRO Chandrayaan mission apart from some pictures being taken from it. The mission was built to be failed. Its been proven now.

China Cooperation

Cooperation with China involves joint ventures outside space exploration—hidden costs.

Lewis and Logsdon 6 (Jeffrey, Research Fellow @ Center for International Security Studies @ U of Maryland, and John, Director of the Space Policy Institute @ George Washington U “China’s Space Program: Civilian, Commericial, & Military Aspects” Pg. 10)

Given these possible templates, the speaker suggested that **space cooperation between the United States and the PRC would likely have to be the result of a “grand bargain” between the two nations.** That is, **any major joint space effort,** comparable to the Apollo-Soyuz joint mission, **would have to be part of a larger set of exchanges and joint efforts that went beyond the space arena to the broader strategic relationship.** As the speaker noted, given the scale and public visibility of space efforts, any such cooperation would have to be perceived as generating a significant benefit, or marking a major breakthrough in relations.

Space cooperation will be stalled by mistrust – drags out the costs

Richburg 11 (Keith, Staff, Washington Post, http://www.washingtonpost.com/wp-dyn/content/article/2011/01/21/AR2011012104480.html)JFS

The Obama administration views space as ripe territory for cooperation with China. Defense Secretary Robert M. Gates has called it one of four potential areas of "strategic dialogue," along with cybersecurity, missile defense and nuclear weapons. And President Obamaand Chinese President Hu Jintao vowed after their White House summit last week to "deepen dialogue and exchanges" in the field. But as China ramps up its space initiatives, the diplomatic talk of cooperation has so far found little traction. The Chinese leadership has shown scant interest in opening up the most sensitive details of its program, much of which is controlled by the People's Liberation Army (PLA). At the same time, Chinese scientists and space officials say that Washington's wariness of China's intentions in space, as well as U.S. bans on some high-technology exports, makes cooperation problematic. For now, the U.S.-China relationship in space appears to mirror the one on Earth - a still-dominant but fading superpower facing a new and ambitious rival, with suspicion on both sides.

SETI

The U.S can’t afford SETI now

Wohlsen 11 (Marcus, writer for Associated Press, "Phone home? Plan too costly," Apr 27, [www.journalgazette.net/article/20110427/NEWS03/304279963] AD: 6-20-11, jm)

SAN FRANCISCO – In the mountains of Northern California, a field of radio dishes that look like giant dinner plates waited for years for the first call from intelligent life among the stars. But they’re not listening anymore. Cash-strapped governments, it seems, can no longer pay the interstellar phone bill. Astronomers at the SETI Institute said a steep drop in state and federal funds has forced the shutdown of the Allen Telescope Array, a powerful tool in the search for extraterrestrial intelligence, an effort scientists refer to as SETI. “There’s plenty of cosmic real estate that looks promising,” Seth Shostak, senior astronomer at the institute, said Tuesday. “We’ve lost the instrument that’s best for zeroing in on these better targets.” The shutdown came just as researchers were preparing to point the dishes at a batch of new planets. About 50 or 60 of those appear to be about the right distance from stars to have temperatures that could make them habitable, Shostak said. The 42 radio dishes had scanned deep space since 2007 for signals from alien civilizations while also conducting research into the structure and origin of the universe. SETI Institute chief executive Tom Pierson said in an email to donors last week that the University of California Berkeley has run out of money for day-to-day operation of the dishes. “Unfortunately, today’s government budgetary environment is very difficult, and new solutions must be found,” Pierson wrote.

Any functioning SETI program will be expensive

Zimmerman 10 (Neil, PhD Candidate, Columbia U Department of Astronomy, "The Search for Extraterrestrial Intelligencein the 21st Century," Jan 22, [www.astro.columbia.edu/~neil/presentations/ZimmermanSETI.pdf] AD: 6-20-11, jm)

The reason that we aren’t doing this now is that it’s very technically diﬃcult to monitor the whole sky. Dish-shaped antennas—like the one you’ve seen in all of the pictures so far—only pick up radio waves from one direction. The bigger they are, the smaller a piece of the sky they see. However, with diﬀerently shaped, little antennas, you can sense most of the sky equally well, without moving any parts. The tradeoﬀ is that small antennas also have smaller collecting area. To some extent, this can be made up for by combining many little antennas into an array. But the other problem is, synthesizing a radio picture of the entire sky, every instant, over frequencies spanning the entire microwave window is an expensive computing problem [5]. In fact, too expensive to be pursued with the limited level of funds SETI survives on now. As the performance per cost of computers continues to double about every 18 months, there is no doubt this will eventually become aﬀordable, but for another two decades the idea of an omnidirectional SETI observatory will likely remain on the shelf.

SETI’s expensive

Shostak 6 (Seth, SETI Institute, "The Case for Transmitting to Space," May 25, [https://www.seti.org/page.aspx?pid=754] AD: 6-20-11, jm)

Argument for not transmitting #2. We can’t afford to broadcast. After all, transmitting is comparable in cost to receiving, but unlike the latter, might not elicit a payoff for centuries. Given that SETI’s budgets are anorexic, the best thing to do now is listen – a strategy that has at least a chance of an early payoff. In addition, there’s no point in going on the air for a few minutes or a few hours. Any transmitting project that hopes to be heard must be persistent, which means the transmitter needs to stay warm for hundreds or thousands of years.

Asteroid Mining 1/2

Asteroid mining is expensive – R&D and transportation costs

Gertsh 5 (Richard, research associate prof of mining engineering at Michigan Technological U, and Leslie, Associate Prof, Geological Engineering/Rock Mechanics @ U Missouri-Rolla, Jan 27, [www.kemcom.net/EconAnal.pdf] AD: 6-20-11, jm)

The payback period for the example project also is very long for a commercial venture. However, 11 years before any income is long even for a low risk venture. Perhaps it is in the 6 nature of space projects to have long payback periods. Asteroids, in particular, have a long trip time. The very high cost of space transportation alone (both for Earth to LEO and in space itself) is a significant barrier to commercial success. Lowering transportation costs is one key to furthering successful commercial space ventures. When planning long space missions, costs should be delayed as long as possible, and revenues captured as soon as possible. For example, an asteroid mining project could delay building processing plants and miners until the exploration phase is complete. Sellable material from the asteroid should be returned with minimum delay. R&D increases the cost of space projects compared to terrestrial projects. Most large scale terrestrial mining and manufacturing uses essentially off the shelf equipment, making R&D relatively inexpensive. Further, R&D increases the risk of the project: new designs are less reliable than tested designs, and testing takes time and money.

The price tag is huge

Ross 1 (Shane D., prof of dynamical systems at Virginia Tech in the Engineering Science, Dec 14, [www.esm.vt.edu/~sdross/papers/ross-asteroid-mining-2001.pdf] AD: 6-20-11, jm)

Space mining could entail capitalization of a $100 billion or more (Kargel [1996]). Historically, private ventures for large and risky engineering projects have been capitalized at comparable levels: $20 billion was spent on the Alaska Pipeline, and an estimated $55 billion will be spent for Indonesian oil and gas exploration.

It’ll cost billions

Tallett 11 (James, freelance writer and space commentator, Jan 20, "A Business Case for Asteroid Mining," [fiveplanets.com/space/?p=11893] AD: 6-20-11, jm)

Economics for this industry are somewhat difficult to ascertain, as it lies within the purview of the NewSpace start-up focused industry. However, in order to reach the moon, it currently costs NASA $50,000 per pound of equipment. When examining business prospects, a smaller number of $25,000 to $10,000 a pound should be used, as new competitors such as SpaceX’s Falcon 9 and OSC’s Taurus 2 continue to force the price of reaching LEO and GEO downwards. Further cost savings can be created through the use of VASIMR-equipped space tugs, using that engine’s higher efficiency and lack of propellant to create a system where most of the equipment stays at the asteroids, rather than constantly being forced to ship it up from Earth. This creates a situation with very high fixed costs to start, but much lower incremental costs. Investment lag-time from beginning to end is likely on the order of five to ten years before the company begins returning profit, and the initial investment could likely spiral to several billion dollars, although advances from other corporations involved in space industry, such as those focused on space-based solar power, would likely reduce the research and development cost.

Asteroid Mining 2/2

There is a laundry list of costs

Gertsh 5 (Richard, research associate prof of mining engineering at Michigan Technological U, and Leslie, Associate Prof, Geological Engineering/Rock Mechanics @ U Missouri-Rolla, Jan 27, [www.kemcom.net/EconAnal.pdf] AD: 6-20-11, jm)

Here lies firmer ground. Many organizations can make reasonable estimates and calculate project costs. Regardless of whether the project is commercial or governmental, costs are generally costs. But because governments are not profit-driven, they generally experience higher costs than commercial ventures. This is due to the luxury to be able to spend more on such items as enhanced safety and reliability. It is useful to review the factors that contribute to costs. While the following discussion is general, some examples are specific to the mineral industry: Research & Development. When a new machine or device is needed to accomplish a venture, costs are incurred during its inventing, designing, constructing and testing. Governments tend to conduct R&D over longer lead times, while commercial ventures tend to develop what is needed now. Examples would be governments providing basic research 3 into rock fragmentation (open-ended with no clear path), and equipment manufacturers building autonomous mining machines (difficult, but with a clear pay-off). Exploration & Delineation. In the mining industry, this means finding out with reasonable certainty what is there to be mined, and then building a mathematical model of precisely where it is and how it will be attacked. Part of the exercise is called a feasibility study, but it must be based on reliable ground truth which can only be supplied by drilling into the ground many times. Construction & Development. After the project is a go, the physical plant must be built and the ore must be accessed by drilling, blasting, and hauling. Transportation to and from the site is needed, power must be supplied, processing plants built, and materials handling equipment provided. Operations. The costs incurred by production: salaries, consumables, fuel, maintenance, safety, depreciation, taxes, etc. Engineering. The cost to monitor, model, control, and thereby improve the economy of operations: surveying, analyzing, inventorying, record keeping, computing, etc. Environmental. The cost of mitigating environmental impacts. General and Administrative. The cost of management and sales. Costs of air, stowage, housekeeping, health and safety, and extra training would be added for space projects. Time Value of Money. Mineral projects tend to have long lead times, because exploration & delineation and construction & development are simply time consuming. Recently, environmental permitting has added to the required lead times. This is a real cost. Space projects by necessity also will have long lead times. When a $100M mining machine spends two years in orbit to reach an asteroid, it has consumed a large amount of money before operations even start.

Asteroid Detection

Not enough funding for asteroid detection right now – plan has to spend a massive amount

Atkinson 10 (Nancy, Universe Today, http://www.universetoday.com/51811/asteroid-detection-deflection-needs-more-money-report-says/)JFS

Are we ready to act if an asteroid or comet were to pose a threat to our planet? No, says a new report from the National Research Council. Plus, we don’t have the resources in place to detect all the possible dangerous objects out there. The report lays out options NASA could follow to detect more near-Earth objects (NEOs) that could potentially cross Earth’s orbit, and says the $4 million the U.S. spends annually to search for NEOs is insufficient to meet a congressionally mandated requirement to detect NEOs that could threaten Earth. “To do what Congress mandated NASA to do is going to take new technology, bigger telescopes with wider fields,” said Don Yeomans, Manager of NASA’s Near Earth Object Program Office, speaking at the American Geophysical Union conference last month.  However, Yeomans said work is being done to improve the quality and quantity of the search for potentially dangerous asteroids and comets. “We have a long term goal to have three more 1.8 meter telescopes,” he said, “and the Large Synoptic Survey Telescope with an 8.4 meter aperture in 2016. Once these new facilities are in place, the data input will be like drinking from a fire hose, and the rate of warnings will go up by a factor of 40.” But getting all these facilities, and more, online and running will take continued and additional funding.

**Asteroid deflection needs much more expensive infrastructure to be successful**

**Mason 9** (Betsy, Wired Science, http://www.wired.com/wiredscience/2009/08/neoreport)JFS

Without more funding, NASA will not meet its goal of tracking 90 percent of all deadly asteroids by 2020, according to a report released today by the National Academy of Sciences. The agency is on track to soon be able to spot 90 percent of the potentially dangerous objects that are at least a kilometer (.6 miles) wide, a goal previously mandated by Congress. Asteroids of this size are estimated to strike Earth once every 500,000 years on average and could be capable of causing a global catastrophe if they hit Earth. In 2008, NASA’s Near Earth Object Program spotted a total of 11,323 objects of all sizes. But without more money in the budget, NASA won’t be able to keep up with a 2005 directive to track 90 percent of objects bigger than 460 feet across. An impact from an asteroid of this size could cause significant damage and be very deadly, particularly if it were to strike near a populated area. Meeting that goal “may require the building of one or more additional observatories, possibly including a space-based observatory,” according to the report.

**Previous Asteroid programs prove – costs money**

Hsu 9 (Jeremy, writer, http://www.popsci.com/military-aviation-amp-space/article/2009-08/no-free-lunch-detecting-dangerous-space-rocks, da: 6-20-2011, dw: 8-12-2009, liso)

Congress charged NASA with finding 90 percent of nearby space rocks greater than 140 meters (460 ft) by 2020. Now the National Research Council warns that the space agency will fall short of that goal without more funding. The National Research Council's interim report points out the familiar situation where the government assigns NASA goals without the necessary funding to carry out its mandate. Even so, NASA has funded more than 97 percent of NEO discoveries over the past decade. Scientists have cobbled together some surveys of possible space-based threats, and also rely on volunteer or amateur efforts from a loose worldwide network of ground-based telescopes and observers.

4 million doesn’t even work

Bailey 10 (Ronald, http://reason.com/blog/2010/01/25/nasa-too-slow-to-detect-and-de, da: 6-20-2011, dw: 1-25-2010, lido)

So says a new report by the National Research Council of the National Academy of Sciences. The accompanying press release notes: The report says the $4 million the U.S. spends annually to search for NEOs [Near Earth Objects] is insufficient to meet a congressionally mandated requirement to detect NEOs that could threaten Earth. Congress mandated in 2005 that NASA discover 90 percent of NEOs whose diameter is 140 meters or greater by 2020, and asked the National Research Council in 2008 to form a committee to determine the optimum approach to doing so. In an interim report released last year, the committee concluded that it was impossible for NASA to meet that goal, since Congress has not appropriated new funds for the survey nor has the administration asked for them.

NASA Streamlining

**Measures to make NASA faster, better, cheaper end up costing money**

**Ryan & Fiora 4** (Richard and Jackie, NASA Goddard Flight Center, http://microsat.sm.bmstu.ru/e-library/SysEngineering/stream4.pdf)JFS

As the dust settles upon a decade of developing "faster, better, cheaper" satellites, NASA's Small Explorer (SMEX) Project has been one of constant change. The project manager, mission manager, and lead subsystem engineer of yesteryear may find themselves out of date should they ignore the budget constraints/changes over the past decade. Yesterday's fiscal reporting and cost tracking processes are seldom valid today, and even less likely to be valid tomorrow.

Privatization Bad Links

Privitized space will cost less for private companies than for the government

Diamandis 10 (Peterm CEO of X-Prize, Space: The Final Frontier of Profit?, da: 6-20-2011, dw: 2-13-2010, lido)

The challenge faced by all space-related ventures is the high cost of launching into orbit. When the U.S. space shuttle stands down later this year, NASA will need to send American astronauts to launch aboard the Russian Soyuz at a price of more than $50 million per person. The space shuttle, on the other hand, costs between $750 million to $2 billion per flight (for up to seven astronauts) depending on the number of launches each year. Most people don't realize that the major cost of a launch is labor. Fuel is less than 2%, while the standing army of people and infrastructure is well over 80%. The annual expense NASA bears for the shuttle is roughly $4 billion, whatever the number of launches. The government's new vision will mean the development of multiple operators, providing the U.S. redundancy as well as a competitive market that will drive down the cost of getting you and me to orbit. One of the companies I co-founded, Space Adventures, has already brokered the flight of eight private citizens to orbit, at a cost of roughly $50 million per person. In the next five years we hope to drive the price below $20 million, and eventually below $5 million.

Privatization Links – Tax Breaks

Tax breaks are useless and cost billions

Reykdal 11 (Chris, House member for the 22nd District, The Olympian, http://www.theolympian.com/2011/03/24/1590661/more-than-500-tax-breaks-cost.html)JFS

My colleagues, on both sides of the aisle, continue to say that everything is on the table. Everything? If we are being true to our word, then let me suggest there is an area of our budget that has captured virtually no attention this session in public hearings, work sessions, or legislative briefings – tax breaks for special interest groups. I am one of only two House members who voted against the three new tax exemptions that have been proposed this session. All three of these exemptions represent great causes, but in the absence of a clear strategy for dealing with current and future tax exemptions, we must draw the line. As a state, we give out more than 500 “tax breaks” that cost us over $6.5 billion each year, with more added every year. Most of them were borne out of a belief that they would save jobs or lower costs for consumers. There is little evidence that tax breaks accomplish their stated purpose.

Tax breaks cost billions and add to the deficit

Brandon 11 (Emily, US News & World Report, http://money.usnews.com/money/blogs/planning-to-retire/2011/04/18/what-retirement-savings-tax-breaks-cost-us)JFS

In total, all of these tax breaks and credits that encourage retirement savings cost us $119.4 billion in 2010. Retirement savings tax breaks cost less than excluding employer contributions for medical insurance premiums ($160.1 billion), but more than the home mortgage interest deduction ($79.2 billion). President Obama’s deficit reduction commission proposed consolidating 401(k)s, IRAs, and other types of retirement accounts into a single type of tax-favored account. The National Commission on Fiscal Responsibility and Reform also suggests capping contributions to the lower of $20,000 or 20 percent of income and expanding the saver’s credit. The Bipartisan Policy Center’s debt reduction task force supports maintaining existing accounts, but capping contributions at the same annual limits indexed for inflation.

**Tax breaks cost billions at all levels of government**

**Castro 11** ­(April, Associated Press, Staff, http://www.chron.com/disp/story.mpl/politics/7391993.html)JFS

Business tax breaks cost Texas $4.3 billion in the last state budget, a figure that amounts to about a third of the state's massive revenue shortfall, according to a legislative report obtained on Friday by the Associated Press. The report also found that local governments lost $235 billion in state property tax exemptions, including those given for elderly and disabled homeowners, according to the report prepared by the House Ways and Means Committee. A tally for sales tax exemptions - the state's biggest cash generator - was not available. One of the largest carve-outs was for the natural gas tax, which totaled about $1 billion a year in exemptions, according to the report. An exemption for bottled water sales amounted to a loss of about $250 million a year for the state, while an exemption for corporations with business interest in solar energy devices cost more than $1 million over the last two years. The committee prepared the report to address Republican House Speaker Joe Straus' charge to examine the exemptions and determine "how the current costs and benefits compare with the original legislative objectives," according to the report, which did not make recommendations about which tax exemptions should be repealed. Rep. Rene Oliveira, chairman of the tax-writing committee, also did not say which exemptions he would favor for repeal, but said the report contains as much as $2 billion in "low hanging fruit." "We should be looking at exemptions that should be repealed - whether it's a corporate welfare exemption . or whether it's a personal one - that the public policy that was the basis for it 10, 15, 20, 30 years ago no longer exists," Oliveira told the AP.

Privatization Links – Tax Credits

**Tax credits add 1 trillion annually**

**Andrews & Montgomery 10** (Edmund, writes for the Fiscal Times, Lori, Post Staff writer, The Washington Post, http://www.washingtonpost.com/wp-dyn/content/article/2010/05/01/AR2010050100243.html)JFS

The new tax credits, which will eventually cost the government more than $50 billion a year, are part of a growing array of federal benefits offered through the tax code. Known as "tax expenditures" in budget jargon, such tax breaks were worth more than $1 trillion to recipients last year. That's more than the government spent on Social Security, and nearly enough to balance the federal budget. And their cost is growing. Even if Congress doesn't add any tax credits, analysts predict that the rising cost of existing tax breaks could add about $3 trillion dollars to the federal debt by 2020. With policymakers looking for ways to reduce soaring deficits, lawmakers in both parties are taking a fresh look at paring them back, perhaps as part of a broader tax-reform effort. "Our tax system is inefficient and riddled with special exceptions," said Alice Rivlin, a scholar at the Brookings Institution and a member of President Obama's bipartisan deficit commission, which held its first meeting last month. "If you are looking for additional revenue over time, one approach is to move in the direction of reforming the income tax."

**Tax credits distort the economy and add to the deficit**

**Baum 5/28** (Caroline, Staff @ Bloomberg News, http://www.chron.com/disp/story.mpl/editorial/outlook/7585765.html)JFS

Eliminating the special exemptions that have been written into the tax code over the years would be one of the simplest and most fruitful ways to raise federal revenue. Tax policy experts put the annual cost of these so-called tax expenditures at roughly $1 trillion. That's real money. Unless you believe this loss of revenue leads to smaller government, one person's tax break is another person's tax increase. How did the anti-tax GOP justify these tax expenditures in the first place? The argument against tax breaks for oil companies is clear-cut. "They make the economy less, not more, efficient and do nothing to reduce prices at the pump," said Jerry Taylor, a senior fellow at the libertarian Cato Institute in Washington. Any preferred tax treatment attracts private investment in search of higher artificial profits. If lawmakers are serious about deficit reduction, they should look at all tax breaks for all industries and all companies, not just those for five profitable oil and gas producers. Tax neutrality should be the goal: a tax system that encourages the private investment on its own merit, not for tax reasons. Tax neutrality would broaden the tax base and allow the government to lower income tax rates on individuals and corporations.

Public-Private Cooperation Links

Cooperation is more expensive – public sector requires extra capital to account for risk

Hall 8 (David, Director @ Public Services International Research Unit, Business Scholl @ U of Greenwich, www.psiru.org/reports/2008-11-PPPs-crit.doc)JFS [note: PPP is public private partnership]

But the construction element of PPP projects is much more expensive. An EIB report compared the cost of PPP road projects across Europe with conventionally procured road projects, and found that the PPPs were on average 24% more expensive than the public sector roads. 72 In 2007 the Polish government cancelled a motorway PPP for exactly this reason: they realised that the A1 Motorway from Grudziadz-Torun could be built for about €5.6m. per kilometre using conventional procurement, compared with €7.4m. per km. using the PPP. 73 The EIB report also notes that this premium of 24% is about the same as estimates of cost overruns on public procurement projects, and so the extra cost of PPP projects reflects the payment required by the contractor to accept construction risk.

PPPs spend more through monitoring costs

Valila 5 (Timo, Economist @ European Investment Bank, EIB Papers, http://www.eib.org/attachments/efs/eibpapers/eibpapers\_2005\_v10\_n01/eibpapers\_2005\_v10\_n01\_a04\_en.pdf)JFS [note: PPP = public private partnership]

Besides, that a PPP is established for service provision using privately owned assets might entail higher monitoring costs than in-house provision of the same service. The provision of most services is relatively difficult to measure and monitor, especially in terms of quality. While in-house provision, too, necessitates quality control, it can be argued in view of the interaction between productive efficiency and service quality discussed earlier that private asset ownership implies higher monitoring costs for the public sector. After all, if the asset were in public ownership the public sector could always ensure the desired service quality, while private ownership can jeopardise service quality due to excessive investment in productive efficiency. It is therefore more costly to maintain the desired service quality under private asset ownership. Some empirical evidence to this effect has been provided in the United States (US), as reported by Torres and Pina (2001). It has been reported that the monitoring of the performance of the private sector partner in PPP type of arrangements entails extra costs anywhere between 3 and 25 percent of the contract value. As a consequence, it has been recommended in the US context that monitoring costs of 10 percent of the contract value be budgeted in such arrangements.

Space Junk 1/2

Removing any substantial amount of space junk is too costly

Clark 10 (Stuart, writer for New Scientist magazine, "Who you gonna call? Junk busters!" Sep 11, LexisNexis Academic, AD: 6-21-11, jm)

Initially the temptation might be to bring down as much as we can, but this will cost. "It will be so expensive to remove satellites from orbit that you will have to target which ones you want to take down," Lewis says. He has investigated a number of approaches that aim to identify the most dangerous space junk. The most obvious strategy might be to target the biggest objects, but Lewis's analysis shows that this may not be best. Just because something presents a large target does not mean that it would imperil other satellites. It may be that a smaller defunct satellite in a particular orbit presents more danger to a greater number of live craft. To make this idea more tangible, Lewis is treating satellites and space junk as elements in a kind of mathematical network, a network whose connections reveal how many objects a given satellite approaches in orbit (Acta Astronautica, vol 66, p 257). "It is like Google page-ranking. The most connected objects come up near the top of the list," says Lewis. These orbital connections can be used to decide which objects are the most dangerous. Bring those down and you halt the Kessler syndrome in its tracks. Lewis won't be drawn on which bits of junk are the most dangerous, however; he is loath to rile their owners. A range of new technology could be used to bring down dead satellites, Lewis says, and it would itself be satellite-based. A specialised satellite could fire a laser at a derelict craft, melting components and releasing gas that would propel it out of harm's way. Or the clearance satellite could play an orbital game of "pin the tail on the donkey", attaching tethers to the dead satellite to increase atmospheric drag and cause it to burn up in the atmosphere. On the face of it, every country ought to welcome the development of new technology to clean up space. In reality, the picture is clouded by the obvious military applications. "If you can bring down dead satellites, you can bring down live ones too," Lewis says. Space bounty Then there are the legal issues around space debris. Under maritime law, anyone can remove an abandoned ship without the owner's permission. Not so for space vehicles, as stipulated in the 1967 Outer Space Treaty. "Once you put it up there, it is yours for life," says James Dunstan, a lawyer specialising in issues to do with space and founder of Mobius Legal Group in Washington DC. So the US may not remove a Russian satellite from orbit with impunity, even if that satellite were completely dead and presenting a danger to working spacecraft. Together with Berin Szoka of the Progress and Freedom Foundation, a think-tank also based in Washington DC, Dunstan has created the outlines of an economic model that would see private industry taking responsibility for removing space debris. An international body, such as the IADC, would put a price –; rather like a bounty –; on every defunct satellite. Private companies can lodge bids with satellite owners for the right to buy and de-orbit their spacecraft. Once de-orbiting is successfully completed, the company could pocket the bounty, which would be funded out of a new tax that satellite operators would have to pay. But why bring these things down just to burn up in the atmosphere when they are potentially valuable? Dunstan estimates that of the 6000 tonnes of material in Earth orbit, one-sixth is high-grade aluminium in the form of discarded upper rocket stages. These empty fuel tanks have an internal volume 20 times that of the International Space Station. If they could only be corralled, they would make an inexpensive space station or, Dunstan suggests, they could be cut into shielding material to protect other satellites. "Why not set up Joe's Shingle Shack in orbit?" he asks, only half-joking. While the orbital equivalent of a used-car salesman selling satellite parts is some way off, the need to do more about space junk is immediate. "Our future ability to use space is directly jeopardised by space debris," says Szoka. Encouragingly, the European Space Agency has signed a contract with Spanish company Indra Espacio to develop a radar system to track space debris. In the US, Ball Aerospace and Technologies has collaborated with Boeing on the Space Based Space Surveillance satellite, a dedicated space-junk telescope awaiting launch. "It is very urgent that we begin to remove mass from orbit," says Klinkrad. Even as we talk, his team is beginning another tracking campaign. Something is stalking ESA's ERS-1 satellite, and they have to decide in the next day or two whether or not to use precious fuel to move the spacecraft. As Klinkrad says in a resigned voice, "This is becoming an everyday situation." n Stuart Clark is author of The Big Questions: The Universe (Quercus, 2010). Find his blog at www.stuartclark.com "A few years ago, we were receiving one or two warnings of space debris a month. Now it's three a week" March of the ZombiE Galaxy 15 is a name to strike terror into the hearts of satellite operators around the world. Once an ordinary and largely anonymous telecommunications satellite, it is now a zombie. It stopped talking to its masters on 5 April, just as a solar storm battered the Earth. The satellite's owner Intelsat is still investigating whether this caused Galaxy 15 to lose its mind. But Galaxy 15 is not only a problem for its owner. Following its malfunction, it began an inexorable march across space, bound for a natural orbital graveyard created by Earth's gravity. In its blind stumble to get there, Galaxy 15 risks colliding with other satellites. It has already menaced three and has at least three others in its path. To avert destruction, satellite operators must wait for the zombie to draw close and then manoeuvre their own satellite to "leapfrog" it. What makes Galaxy 15 particularly annoying is that its main transmitter and receiver are still working. As it drifts across the path of another working satellite, it could interfere with communications. To avoid this, satellite operators are signalling on tighter beams with larger antennae and less power. In effect they are whispering to their satellites in the hope they won't attract the zombie's attention. All of this is costing money –; big money. "These satellites are profit centres making millions of dollars a month," says James Dunstan of Mobius Legal Group in Washington DC. Every dodge to avoid a collision eats around $10 million into a satellite's profits. That's because collision avoidance manoeuvres waste precious fuel that would otherwise be used to combat the tendency for satellites to drift off into orbital graveyards. Although companies do not divulge how much fuel they use in collision avoidance manoeuvres, Dunstan estimates that each one must shorten a satellite's lifespan by between four and 12 months. He says dealing with Galaxy 15 could easily cost the telecomms industry $100 million.

Space Junk 2/2

Space debris clean up would be too costly – no tech or coop now

David 11 (Leonard, SPACE.com's Space Insider Columnist, May 9, [www.space.com/11607-space-junk-rising-orbital-debris-levels-2030.html] AD: 6-21-11, jm)

When asked if the U.S. Air Force plans on funding space debris mitigation capability, Shelton responded: "We haven’t found a way yet that is affordable and gives us any hope for mitigating space debris. The best we can do, we believe, is to minimize debris as we go forward with our operations. As we think about how we launch things, as we deploy satellites, minimizing debris is absolutely essential and we’re trying to convince other nations of that imperative as well." Shelton said that, unfortunately, with the duration of most things on orbit, "you get to live with the debris problem for many, many years and in some cases decades. So minimizing debris is important to us and it should be to other nations as well." Point of no return The concern over orbital debris has been building for several reasons, said Marshall Kaplan, an orbital debris expert within the Space Department at the Johns Hopkins University Applied Physics Laboratory in Laurel, Md. In Kaplan's view, spacefaring nations have passed the point of "no return," with the accumulation of debris objects in low-Earth orbits steadily building over the past 50 years. Add to the clutter, the leftovers of China’s anti-satellite (ASAT) test in 2007. "The fact that this single event increased the number of debris objects by roughly 25 percent was not as important as the location of the intercept. The event took place at an altitude of 865 kilometers, right in the middle of the most congested region of low-orbiting satellites," Kaplan pointed out. Toss into the brew the collision of an Iridium satellite with an expired Russian Cosmos spacecraft in February 2009 -- at an altitude similar to that of China’s ASAT test. As a result of 50 years of launching satellites and these two events, the altitude band from about 435 miles (700 km) to a little over 800 miles (1,300 km) has accumulated possibly millions of debris objects ranging from a few millimeters to a few meters, Kaplan said. Complex and very expensive "The buildup of debris is not a naturally reversible process. If we are to clean up space, it will certainly be complex and very expensive. If we continue, as we have, to use these very popular orbits in near-Earth space, the density of debris and collision events will surely increase," Kaplan told SPACE.com. The good news is that no immediate action is necessary in terms of removing debris objects, Kaplan advised, as experts estimate that the situation will not go unstable anytime soon. "But, when it does, operational satellites will be destroyed at an alarming rate, and they cannot be replaced. We must prepare for this seemingly inevitable event," Kaplan said. While there are many options for debris removal that have been proposed, he feels that none are sensible. "Barring the discovery of a disruptive technology within the next decade or so, there will be no practical removal solution," Kaplan added. "We simply lack the technology to economically clean up space." [Lasers Could Zap Space Junk Clear From Satellites] For Kaplan, the issue of dealing with orbital debris will become dire. "The proliferation is irreversible. Any cleanup would be too expensive. Given this insight, it is unlikely spacefaring nations are going to do anything significant about cleaning up space," Kaplan said. "The fact is that we really can't do anything. We can't afford it. We don't have the technology. We don't have the cooperation. Nobody wants to pay for it. Space debris cleanup is a 'growth industry,' but there are no customers. In addition, it is politically untenable."

Empirically costs billions

McEntegart 10 (Jane, writer for Tom’s Guide, an online publication about technology, Nov 30, [www.tomsguide.com/us/Russia-Space-Junk-Clean-up-Satellites,news-9079.html] AD: 6-21-11, jm)

Considering the years of space exploration the human race has carried out, it really is high time we start cleaning up after ourselves. Luckily for us, Mother Russia is stepping in to do the tidying for us; the country has just announced that it will invest billions to clear 600 satellites out of Earth's orbit. Russian space corporation Energia plans to develop a special space pod that will grab and deorbit about 600 broken satellites. Once deorbited they'll either burn up in the atmosphere or splash down into the ocean. With an estimated life-span of 15 years, the pod will have a nuclear core and will cost $2 billion to develop and deploy.

Light Pollution

**Light pollution regulations require use of EnviroSmart streetlights**

**Montes 10** (Carlos, Real Estate Expert, September 7th, http://www.carlosmontes.com/blog/bbc-team-looks-at-the-impact-of-calgary-envirosmart-streetlights-on-its-environmental-and-financial-.html)JFS

Calgary is the first city in North America to have a comprehensive program to use low wattage residential streetlights and flat lens fixtures to reduce the operating costs. Other cities across North America and Western Europe are following in the use of the new EnviroSmart streetlights. The Traffic Manager for the City of Calgary’s Transportation Department, Troy McLeod, has said that the new streetlighting system is effective in saving money and keeping the city safe. The program answers the need to balance having effective streetlights that can keep the roads safe for motorists and pedestrians and at the same time, provide more environmentally responsible options. The streetlighting project is the result of the efforts of many organizations. This includes the Calgary Police Service, the Illuminating Engineering Society of North America, Climate Change Central as well as the Royal Astronomical Society of Canada. The process took about eight years before the retrofitting of the streetlights was accomplished. The success of the EnviroSmart Streetlight Retrofit Program has made it into a showpiece in the efforts to reduce light pollution. Ultimately, it has the effect of lessening the impact on the environment by reducing energy consumption, the emission of carbon dioxide, and lessening the sky glow.

**And, that costs $6.6 million just for one city**

**City of Calgary 11** (FAQ on EnviroSmart streetlight retrofit, http://content.calgary.ca/CCA/City+Hall/Business+Units/Roads/Traffic/Traffic+signals+and+streetlights/Envirosmart+streetlight+retrofit/FAQs.htm#7)JFS

The citywide EnviroSmart Streetlight Retrofit Project will cost an estimated $6.6 million. This project is receiving funding of $3 million from three levels of government – federal, provincial and municipal – under the Infrastructure Canada–Alberta Program (ICAP). The remaining costs will be recovered from savings associated with reduced electricity consumption and the elimination of group relamping.

**Light pollution regs cause massive private and public spending**

**Koapel and Loatman 6** (David, political science researcher and Micheal, lawyer, Independence Institute, March Issue, http://www.davekopel.com/env/darkskies.pdf)JFS

Dark sky ordinances can impose a substantial cost on landowners, business owners, and city and state governments. Consider, for example, a proposed ordinance in Durango, Colorado. A local businessman who runs four Exxon stations calculated that the cost of complying with the ordinance would be $50,000—an enormous expense for a small businessman.23 The cost of fixing one middle school in Durango was estimated to be $20,000—a huge capital cost for a typical public school.24 Dark Sky laws should consider the cost to residents and businesses.

**Eminent domain laws ensure the government will pay for light pollution regs**

**Koapel and Loatman 6** (David, political science researcher and Micheal, lawyer, Independence Institute, March Issue, http://www.davekopel.com/env/darkskies.pdf)JFS

In Boulder, the city’s Dark Skies ordinance requires that current lighting fixtures be modified to meeting the revised standards within fifteen years.26 The compliance period is relatively long, but any requirement for retrofitting is unfair. Doubtless, many big businesses will buy new lights anyway in the next fifteen years; but some small businesses may be forced to spend thousands and thousands of dollars to replace construction which they installed in full compliance with Boulder’s already arcane and rigorous zoning laws. If darkening the skies of Boulder (or some other city) is really so important that existing lighting fixtures should be ripped out and replaced, the proper approach would be for the city to pay compensation to property owners for the taking of their property. If Dark Skies, are, like public parks, a public good, then the public should pay for them. It would be wrong for a city government to take someone’s land without compensation in order to create a park for the public. Likewise, it is wrong for a government to require a person to eliminate his lawful lighting property, with no compensation, in order to create Dark Skies for the public.

\*\*Link Helpers\*\*

Generic Link Helpers

**Federal programs are mismanaged and overspend**

**Edwards 10** (Chris, Downsizing the Federal Government, CATO Institute, http://www.downsizinggovernment.org/six-reasons-downsize)JFS

1. Additional federal spending transfers resources from the more productive private sector to the less productive public sector of the economy. The bulk of federal spending goes toward subsidies and benefit payments, which generally do not enhance economic productivity. With lower productivity, average American incomes will fall. 2. As federal spending rises, it creates pressure to raise taxes now and in the future. Higher taxes reduce incentives for productive activities such as working, saving, investing, and starting businesses. Higher taxes also increase incentives to engage in unproductive activities such as tax avoidance. 3. Much federal spending is wasteful and many federal programs are mismanaged. Cost overruns, fraud and abuse, and other bureaucratic failures are endemic in many agencies. It’s true that failures also occur in the private sector, but they are weeded out by competition, bankruptcy, and other market forces. We need to similarly weed out government failures. 4. Federal programs often benefit special interest groups while harming the broader interests of the general public. How is that possible in a democracy? The answer is that logrolling or horse-trading in Congress allows programs to be enacted even though they are only favored by minorities of legislators and voters. One solution is to impose a legal or constitutional cap on the overall federal budget to force politicians to make spending trade-offs.

**Federal government severely mismanages money**

**Hensarling 10** (Jeb, National Review, US Representative, http://www.nationalreview.com/corner/196858/time-spending-discipline-now/rep-jeb-hensarling)JFS

Greece and California got where they are because they spent too much, and without immediate and permanent action our federal government is headed over the same precipice of austerity and civil unrest. Over the last five years, federal spending increased from around 20 percent as a share of GDP to 24.7 percent, and the government’s expenditures increased from $2.47 trillion to $3.52 trillion — a 42 percent increase. These are the highest levels of spending as a share of the economy since World War II. President Obama’s budget proposes increases in federal spending over the next ten years to a level approximately 56 percent over the 2010 level. To accomplish this, the president proposes growing federal spending from its 2010 estimated level of $3.618 trillion — $30,981 per household — to $5.67 trillion in 2020, which is $48,552 per household. This level of spending is not sustainable even in socialized European countries. If the vote were held today, the United States would not qualify for membership in the European Union with spending at this level. A federal government that is on the road to consuming 40 cents of each and every dollar we earn was not part of the vision of the Founding Fathers, and it certainly does not allow us to keep faith with prior generations by allowing future generations of Americans greater opportunity, more freedom, and a better standard of living. When it comes to federal spending, the American people know something is amiss. They fear for the future because they instinctively understand that if we continue on our present path, their children will live in smaller homes, drive older cars, find fewer jobs, cash shrinking paychecks, and will find themselves confined to small, timid dreams. That’s not the America I want to pass on to my children.

**Generic Link Helpers**

**US mismanages spending in warfare and welfare**

**Grichar 4** (Jim, economist with the federal government, http://www.lewrockwell.com/grichar/grichar35.html)JFS

To prevent the U.S. slide into a near-term national bankruptcy with an associated catastrophic collapse in the value of the U.S. dollar and in living standards and to stimulate longer-term U.S. economic growth, federal spending needs to be cut drastically, and the time to begin those cuts is now. An independent presidential candidate needs to state that the welfare-warfare state concept on which the U.S. government has been run for more than a century has got to come to an end. Otherwise, the U.S. will plunge into economic chaos. While in a past article I discussed how the whole federal budget process is stacked towards greater spending, I certainly believe that the federal budget can be cut. The warfare-welfare state can be shrunk, and, given the current political and economic situation in the U.S., there are many spending programs, and even whole departments, that are vulnerable to the budget axe. I offer up these proposals as a way of getting talk started about actually cutting the federal budget and as a plan which a truly independent presidential candidate can run on. There are many benefits to ending the welfare-warfare state, both in economic terms and in terms of securing the benefits of peace and freedom for Americans. A drastic cutback in the welfare-warfare state will spur medium- to long-term economic growth in the U.S., providing new and productive jobs in the private sector for many of those who have lost jobs due to companies moving operations overseas to such places as China and India. Unlike tariffs and import quotas, which would lead to slower U.S. economic growth and lower living standards, this free market approach would lead to higher living standards. This plan would also allow the current tax cuts to be made permanent, especially the important abolition of the much-hated estate and gift taxes, which destroy family wealth and the incentives to build family wealth. Without this tax, families would have a much stronger incentive to save and invest because the fruits of such thrift and enterprise could be passed along to succeeding generations. Thus, parents would not only be providing for their own retirement, they would be providing for the livelihood of their children, grandchildren, great grandchildren, etc. Sharp cuts in spending would give the Congress time and fiscal resources to provide for existing retirees under Social Security and Medicare but abolish that severely flawed system (which is nothing more than an inter-generational Ponzi scheme) so that future retirees could provide for their own retirement and health care independent of state control. One of the added longer-term benefits of pushing through some sharp cuts in near-term federal budgets is that, once implemented, the public will get used to being without what were once thought of as "necessary federal services." In other words, the public will be able to see through the scam of other federal spending programs, enabling further major cuts to be made after this initial round of budget cuts.

Christmas Trees

**Link magnifier – Christmas trees**

**Pergram 5/25** (Chad, Staff Writer, Fox News, http://politics.blogs.foxnews.com/2011/05/25/natural-disasters-could-challenge-campaign-spending-promises)JFS

It often starts like this. There's a series of natural disasters. Or 9-11. Or war. And Congress decides it needs to approve an additional spending bill to fund a critical area of the federal government in mid-year. Lawmakers fillet the federal budget into 12 sections, each one receiving an annual spending measure. But over the past 11 years, Congress has approved 16 extra spending bills, known as "supplementals," totaling nearly $1 trillion. $20 billion just after September 11th. $79 billion in 2003 for the war in Iraq. $10.5 billion in 2005 to respond to Hurricane Katrina. And in each case, some lawmakers make a compelling case for tacking on additional spending. It's essential for the troops. The people of New Orleans are desperate. And on Tuesday afternoon, the process started again.

**Earmarks**

**Link magnifier – earmarks**

**de Rugy 10** (Veronique, National Review, Staff, http://www.nationalreview.com/corner/253722/bad-arguments-earmarks-good-arguments-against-them-veronique-de-rugy)JFS

In response to the argument that earmarks don’t actually increase spending, Jacob Levy has made a case that earmarks do: first, because diverting money to wasteful programs means that “all the needs that weren’t met this year will arise again next year”; second, because earmarks bills often emerge out of House-Senate committees with higher appropriations levels; and third, because the earmarking members of Congress are the same powerful committee members who set the appropriations level, and “the knowledge that they were going to have a chance to start shoveling pork a little bit later in the process *affected how much they appropriated at the beginning*.” Also, who remembers this interesting working paper by three Harvard economists on what happens to a state when one of its senators becomes chair of a powerful committee? First, it causes the value of earmarks to the state to increase by almost 50 percent; second, it depresses private capital investment and R&D spending in the state. In other words, earmarks crowd out the private sector. And if you’re still not convinced that earmarks are harmful, remember what Cato’s Dan Mitchell pointed out: “Earmarks are utterly corrupt. The fact that they are legal does not change the fact that they finance a racket featuring big payoffs to special interests, who give big fees to lobbyists (often former staffers and Members), who give big contributions to  politicians. Everyone wins … except taxpayers.” One of the things I find most disturbing about earmarks is how they contribute to vote-trading between members, which probably increases spending significantly, too. My guess is that fewer bills would go through if lawmakers had to get their colleagues to vote yes based purely on bills’ merits. Economist Thomas Stratmann of George Mason University looked at this question in a recent paper, and he concludes that earmarks are what “grease the wheels on the Washington big money train.”

**Earmarks massively increase spending – three reasons**

**Levy 10** (Jacob T., Prof of Political Theory @ Tomlinson, http://jacobtlevy.blogspot.com/2010/11/earmarks-idea-is-rapidly-spreading-that.html)JFS

The idea is rapidly spreading that a ban on earmarks doesn't affect spending, since earmarks are a way of distributing what's already been appropriated. This is just true enough to be clever, and marks the speaker as being more sophisticated than those Tea Party rubes. But it's basically false, for three reasons. First, it is more expensive to do things inefficiently than to do things efficiently. Building the Ted Stevens Bridge To Nowhere or the Robert Byrd Gold-Plated NORAD Auxiliary High Command Of West Virginia means that money has simply been wasted, and that all the needs that weren't met this year will arise again next year. If the real needs exert at least some pull on appropriations levels, then wasting money rather than spending it wisely at time 1 does affect appropriations at time 2. The U.S. gets very bad value per dollar of federal infrastructure spending, in part because earmarks screw up the ability to prioritize projects. That doesn't increase the appropriations at time 1; but it does tend to drive them up in every later year. Similarly, when earmarks keep alive weapons systems that the Pentagon wants to cancel, because the defense appropriators in Congress view the defense budget as a jobs program, the Pentagon shrugs its shoulders and increase its request the following year; it's not going to let the wasteful jobs-program part of the budget displace its own military priorities. Second, bills often emerge out of House-Senate committees with higher appropriations levels that have the express aim of smoothing passage with earmarks. But third, and most important: the earmarking members of Congress are the same people who set the appropriations level. And by this I don't only mean that they're members of the House and Senate; I mean that they're powerful members of the relevant committees. Ted Stevens and Robert Byrd took turns chairing the Senate Appropriations Committee. The knowledge that they were going to have a chance to start shoveling pork a little bit later in the process affected how much they appropriated at the beginning. The idea that earmarks don't affect spending levels rests on a crazy image of how appropriations levels are set. We don't have one set of legislators who are dispassionate, disinterested judges of how much money needs to be allocated, who are then later on replaced by a bunch of grubby politicos deciding how to divvy up the spoils. Neither do we have legislators who, during their initial appropriations deliberations, somehow forget that earmarking comes later. Instead, we have normal human legislators throughout, responding to their incentives and environment. It would take a kind of saintly self-denial for them not to increase the initial size of the pool knowing that they were going to get a chance to give themselves a share later on.

Earmarks

**Four-decade Harvard study shows that earmarks shrink the economy**

**Reynolds 10** (Glenn, Staff @ Instapundit, http://pajamasmedia.com/instapundit/100706/)JFS

Using data spanning four decades, Harvard researchers measured the effects on local businesses as their local congressmen grew in stature in Washington. The study correctly assumed that when a senator or representative acquired a powerful committee assignment, he would exploit his new position to funnel more money to constituents back home. But the Harvard researchers also assumed — incorrectly, they would discover — that local businesses in a member’s home state or district would benefit from opening up the federal largesse. “It was an enormous surprise, at least to us, to learn that the average firm in the chairman’s state did not benefit at all from the unanticipated increase in spending,” said Joshua Coval, one of the study’s three principal authors. In fact, the study found that in the years following a congressman acquiring a powerful committee assignment, the average company in his state cut back capital expenditures by 15 percent. In one prominent example, Alabama went from receiving $6 million less in annual earmark spending than other states to $90 million above the state average after Republican Sen. Richard Shelby assumed the chairmanship of the Senate Intelligence Committee in 1997. Shelby earmarked $15 million for low-cost fabricated housing, but the study found that one of Alabama’s largest suppliers of this housing, Homes Inc., correspondingly reduced capital expenditures by 79.5 percent and downsized its work force by 30 percent. Coincidence? Not likely. “The pattern repeats itself across decades and over thousands of firms.”

Earmarks trade off with more important projects

Dilanian 7 (Ken, Staff, USAToday, http://www.usatoday.com/news/washington/2007-09-12-earmarks\_N.htm)JFS

Six weeks after a fatal Minneapolis bridge collapse prompted criticism of federal spending priorities, the Senate approved a transportation and housing bill Wednesday containing at least $2 billion for pet projects that include a North Dakota peace garden, a Montana baseball stadium and a Las Vegas history museum. That's not the half of it. Total spending on transportation "earmarks" next year is likely to be about $8 billion, when legislative projects from a previously approved, five-year highway bill are factored in. A newly released report by the Department of Transportation's inspector general identified 8,056 earmarks totaling $8.5 billion in the fiscal year that ended in October, or 13.5% of the Transportation Department's $63 billion spending plan. The inspector general's report found that the vast majority of earmarks — project-specific spending instructions written into bills, usually by lawmakers — were not evaluated on their merits, and that many "low-priority" earmarks often squeezed out more important projects. The Federal Aviation Administration, for example, had to delay updating high-priority air-traffic control towers in favor of lower priority facilities requested by legislators, the inspector general found. The report — requested by Sen. Tom Coburn, R-Okla., a vocal critic of earmarks — does not name the airports. After the Minneapolis bridge collapse last month, Sen. John McCain, R-Ariz., and others pointed out that Congress for years failed to fund repairs on scores of "structurally deficient" bridges even as lawmakers earmarked money for projects such as the "bridge to nowhere" in Alaska. Rep. Jim Oberstar, D-Minn., who chairs the House Transportation and Infrastructure Committee, has proposed a temporary 5-cent-per-gallon gas tax increase that he said would raise $25 billion over three years to help reduce the backlog of critical bridge repairs. Among Oberstar's earmarks in the House transportation bill is $250,000 for a bike trail in his district, which he has defended as legitimate. He did not respond to a request for comment. Sen. Patty Murray, the Washington state Democrat who chairs the subcommittee that drafted the $106 billion transportation and housing bill, defended the bill and pointed to insertion this week of an additional $1 billion for bridge repairs. Coburn's staff identified 500 earmarks in the bill, totaling $2 billion, that were publicly disclosed under new rules designed to shed some light on the practice. "No one in America seriously believes that bike paths, peace gardens and baseball stadiums are more important national priorities than bridge and road repairs," Coburn said.

Perception Cards

Perception of the economy outweighs material effects

Beyond the Margin 8 (Blog about economics and politics, http://www.beyondthemargin.net/2008/07/with-economy-perception-is-reality.html)JFS

In one impulsive outburst, the announcer denounced high oil prices and their impact on the economy, declaring that a recession in the U.S. has impacted everyone based on his anecdotal evidence of more surfers spending their daily lives at the beach. A quick glance around the venue, however, painted a much different picture. Dozens of sponsors had erected large tents and displays to promote their products. Honda, the headline sponsor, had no less than ten vehicles and personal watercraft conspicuously arranged around the venue. Other companies distributed free clothing, energy drinks, hotdogs, and natural food bars to more than 100,000 fans that crowded the beach to enjoy the free events. The U.S. economy, it seems, is resilient in the face of bank failures, high oil prices, and rising inflation. Despite the challenges facing the economy, the U.S. has not experienced even one quarter of negative economic growth, with the first quarter of 2008 registering a 1% increase in gross domestic product. Thursday’s release of second quarter GDP growth data will likely show similar signs of modest growth, refuting projections of a recession. When it comes to economic matters, however, perception is reality. Weakness in housing has affected both banks and consumers, which continue to entrench themselves fearing further economic distress. Unemployment has risen with continuing claims rising 21% to 3.1 million people over the past year. The diversity of the American economy combined with extensive global integration has provided support, however, to an economy afflicted by pockets of weakness. Major investments by Asian and Middle Eastern funds have bolstered the capital positions of U.S. financial institutions while Congress and the Federal Reserve have enacted a seemingly endless array of stimulus and bailout packages designed to alleviate weakness in housing and financial institutions. The ability of the U.S. economy to avert a full blown recession will depend largely on the restoration of public confidence in the financial system and an expansion of the availability of credit. Public consternation over high oil prices and news of bank failures may dominate the media, but the spectacle of the U.S. Open of Surfing suggests that both the U.S. economy and the Huntington Beach south swell will keep on rolling.

Perception outweighs – public opinion

Rosen 8 (Hilary, Huffington Post, CNN Political Contributor, http://www.huffingtonpost.com/hilary-rosen/the-mccain-strategy-its-t\_b\_110693.html)JFS

Davis noted that with the political conventions taking place so late in the summer, the timetable for voters thinking about the election would be greatly affected by their summer experience. If they felt relief at having survived the summer financially, Davis reasoned, then their worst fears about the economy hadn't come to pass and they would "vote on national security" which favored McCain. Yet if by the end of the summer, they felt drained from gas prices and felt afraid and vulnerable that it was getting worse, then Iraq would fall away and that favored Obama. His conclusion about how the issues will drive the campaign was unremarkable. But how he got there is curious. First of course, is that under the Davis scenario the outcome isn't much affected by the candidates or the campaigns. The most important factors were external. The second remarkable thing was that Davis was talking about the "perception" of the economy, not the actual economy itself. I am pretty certain that the perception of the war in Iraq will continue to be troublesome for a majority of Americans by early September. And I am equally certain that the "perception" people have of the economy in early September will not hinge on a false sense of security due to a nice summer vacation. Economic security means a college education, health insurance, and most importantly hope for the future. People get that. Even if John McCain doesn't.

Perception Cards

Economy is perception-based – Obama election proves

Sturm 8 (Steve, Staff Writer, http://thoughtsonline.blogspot.com/2008/10/stock-market-and-economy-will-be-in.html)JFS

Because once Obama wins, the MSM will no longer have an interest in shoving negative stories down our throats. And on the day he takes office, they'll have an interest in playing up how well things are now going. And why do I feel the MSM bias for Obama is hurting our economy? And why do I feel their cheerleading for Obama will be the catalyst for an economic recovery? The stock market, as well as the economy as a whole, is built on perception. If we think things are going well, things will indeed go well. And when we think things are going bad, just as night follows day, they go bad. Despite what economists and market prognosticators think, there is no inherent value in anything. There is no 'natural' price, there are no 'fundamentals' that drive the economy or drive the price of a stock. What drives value, stock prices, inflation, employment and everything else that comprises our economy is PERCEPTION. When businesses think good news is on the horizon, they open up and start hiring and spending. When individuals think good news lies ahead, they open up their wallets and spend. And the factor, above all others, that drive perceptions that affect the market is the stories that we read and hear from the newspapers and the television news shows. Run enough negative stories about people losing their jobs, even if just about everybody still has one, run enough stories about businesses filing bankruptcy, even if far more businesses are making profits, run enough stories about people losing their house, even if far more people are making their mortgage payments and you can create some serious misgivings about the economy. And what we've been getting from the MSM for the past year or so is a lot of bad news, and we haven't been getting much, if anything, that constitutes good news. We hear about falling house prices and problems on Wall Street, we don't hear about growth in manufacturing and exports. We've been fed lines for close to two years that we are in a recession, even though the reality is that through the end of the June quarter, our economy has been growing, not shrinking. And the bad news we get is presented in a way that maximizes the damage; we don't hear of any silver linings or anything that in any way would mitigate the damage from the bad news. And the reason we've been getting so much bad news? Because the MSM knows that voters have historically punished the incumbent party for bad economic news. They know that Obama's chances of winning are directly correlated with bad economic news. The worse the economy, the better Obama's chances. And since the MSM wants Obama to win more than just anything else they could hope for, they have had every reason to focus all of their attention on the bad news, all in order to paint as bleak a picture as possible, all in order to make as many voters as possible feel bad about the economy, all in order to have the economy suffer, all in order to increase Obama's chances of winning. And the culprit responsible for all the bad news? Bush and Republicans. That's why you won't read much about how the Democrats share a lot of the blame for Fannie Mae and Freddie Mac; the MSM can't afford to have the voters thinking the Republicans aren't totally to blame. (Note: the reverse applies to national security and crime, where the GOP traditionally does better when the public feels scared. Thus, is anyone surprised that we're not seeing any articles about the terrorist threat or crime in the streets? And it's a sign of the MSM commitment for Obama that they've been sacrificing their own 401(k)s and house values by pushing out the negative stories; one has to admire their dedication. And once Obama wins? Well, the MSM no longer has a need to push the negative economic story line. While they don't want the economy to recover before Obama takes office (it was embarrassing that the 1992 recession that the MSM hyped in order to help Clinton win was over before Clinton took office), Obama winning will remove much of the incentive to keep pushing the bad news. And with Americans generally being an optimistic bunch of folks, the absence of bad news, even if there is no corresponding increase in 'good' news, will start to lift spirits and lay the groundwork for a economic revival. And once Obama takes office, having pushed Obama on us, the MSM needs to 'prove' to us that Obama was the right choice, and what better way to kick start the economy than by running lots of stories about how the economy has started to turn around since his inauguration? We'll start to hear stories about pockets of recovery, how this sector or this area is doing better than they were just a few months ago. And these stories will lead to more stories and more consumer and business optimism, all of which will lead to stock prices (a leading indicator of economic health) starting to rise, businesses starting to add employees and consumers starting to venture out and start spending again.... and presto, our economy will be humming again and all will be right in America.... because, and only because, we were smart enough to have voted for Obama.

Perception Cards

Perception is key – investors

DHI 11 (Mortgage company, subsidiary of DR Horton, http://www.dhimortgage.com/htmlpages/rates00.html)JFS

There are a couple of primary drivers to changes in interest rates (and the Federal Reserve is only partly to blame). The first driver is supply and demand. Most mortgages are put together in pools and sold to investors through mortgage backed securities that offer a rate of return similar to a bond. Those investments are competing in the market place with other investments like stocks. At the risk of over generalizing, an investor can choose to put their money in stocks (more risk) or bonds (less risk but less return). Investors will balance their investments (how much they put where) based on how much risk they want to take, and their perception of the overall economic health of the country. If they feel the economy is doing well, stocks will go up and so they’ll place more money in stocks and less in bonds (and mortgage backed securities) and visa versa. As a result, a strong economy in a basic sense means higher interest rates, and slower economy means lower interest rates.

Perception key – media

Taylor 11 (Christopher, Washington Examiner, http://www.wordaroundthenet.com/2011/04/stimulus-package-wont-fix-our-economic.html)JFS

For example, in 2005, the "Black Friday" shopping period was in the middle of 52 months of uninterrupted job growth and economic good news. It was reported this way by the Baltimore Sun: "although retailers face a challenging economy, early reports yesterday indicated a strong first day for the official shopping season." The LA Times reported on the news this way: Broad stock market indexes posted their seventh consecutive daily advance Friday, eking out small gains in a half-day session on Wall Street. The same new story later admitted that the buying eked "several indexes to multi-year highs." Reporting a continuous drumbeat of all the bad news you can find while downplaying any good news has an affect on an economy which is largely based on public perception. Meanwhile, with President Obama in office, the economic news is usually "unexpected" when things go wrong, and reported briefly as possible. While some indications show the economy is stumbling out of its worst state in 80 years, there are a lot of other, more troubling pieces of information. Unemployment continues to hover around 10%. Food stamp dependency is the highest it has ever been in American history. Food and gas prices are rising, pushing inflation across all sectors of the economy. The housing market continues to crater, with record foreclosure numbers. Wages are stagnant and hours are being trimmed from workers. You just don't hear about any of this very much. Overall, the picture is not very rosy, but reporting on these economic facts is far more brief and less emphasized than they were during the Bush administration under far better economic times. And that's how it should be. I know you were expecting a conservative writer to wish the media would be more brutal to President Obama thus hurting his political future, but that's not what I want for America. Although it is waning, the press has considerable power to shape peoples' perception of the world and their economy. As Ace notes, bad press can hurt the economy, while good press might be able to help it. I believe that the proper level of reporting on the economy is one of very delicate restraint. Tell the story, get it over with, and move on. To dwell on bad economic news is to harm the economy, depress viewers, and overall do damage to everyone in the world, not just the US, because it is still true that when the US sneezes, the world catches a cold.

A2: Funding Exists

Internal trade-offs magnify the links because *both* programs’ budgets will be misestimated

GAO 4 (Federal budget agency, http://www.gao.gov/new.items/d04642.pdf)

The demanding scientific and technical expectations inherent in NASA’s mission create even greater challenges for the agency to control program costs—especially if meeting those expectations requires NASA to reallocate funding from existing programs to support new efforts. Because cost growth has been a persistent problem on a number of NASA programs, you asked us to (1) identify initial cost estimates in selected NASA programs and any changes in those cost estimates, (2) assess NASA’s costestimating processes and methodologies, and (3) describe any barriers that make it difficult for NASA to improve its cost-estimating processes.

The budget is frozen and limited

Space.com 2-14 (http://www.space.com/10845-nasa-2012-budget-announcement-obama.html)

The 2012 budget request allocates $18.7 billion for NASA, the same amount the agency received in 2010. That's about $300 million less than NASA received in the president's 2011 budget request. "The times today are very difficult fiscally, and we're going to live within a budget," NASA administrator Charles Bolden said at a press conference today. "What we do has to be affordable, sustainable, and it has to make sense." The move is part of an overall five-year freeze on non-security discretionary spending that the White House is proposing.

A2: Trade-Off – No PayGo

PayGo is a farce – it’s easy to break

Murphy 10 (Patricia, Capitol Hill Bureau Chief, Politics Daily, http://www.politicsdaily.com/2010/03/06/congress-exploits-loopholes-in-pay-as-you-go-law)JFS

The next day, the Senate passed pay-as-you legislation, known as PayGo, and Obama signed it into law with a flourish and a radio address two weeks later. "The fact is it's a lot easier to spend a dollar than save one," he said. "That is why this rule is necessary." The PayGo law prevented Congress from creating any new federal spending or tax cuts without finding a way to pay for it -- either by cutting another program or raising taxes to cover the cost directly. The law says all new laws over the course of the year must be deficit neutral, but also names than 50 programs whose spending would be exempt from the law, including funding for Social Security, veterans, trust funds, and most importantly, emergency spending. But already, the Senate has issued itself a waiver from the provisions on three of the four spending bills its has considered by declaring several bills to be emergency spending, including a $15-billion jobs bill, a $10-billion measure for unemployment benefits and a $100-billion package of tax extenders. "Republicans like to call it 'Swiss-Cheese-Go' because it's very easy to circumvent," said Brandon Arnold, director of government relations of the libertarian CATO Institute. Arnold explained the impasse last week between Democrats and Sen. Jim Bunning (R-Ky.) over the $10 billion in benefits for unemployed Americans, which Bunning vocally opposed because the measure was not paid for under PayGo rules. "They were able to use the PayGo emergency designation when in fact they knew months previously that these programs were going to expire," Arnold said. The day after Bunning ended his stand-off with Democrats, Sen. George LeMieux (R-Fla.) raised an objection to the larger package of unemployment benefits that are attached to a $100-billion tax-extenders bill being considered in the Senate Tuesday. The funding for the $100-billion bill is only partially offset, with the rest waived because it has been declared emergency spending. "Unfortunately, I think that PayGo doesn't mean anything," LeMieux said. "It makes no sense to me that we're going to spend money we don't have. PayGo should matter." LeMieux joined all 39 of his fellow Republicans in voting against the PayGo law in January, including Sen. John Thune (R-S.D.), who called the Senate's PayGo rules "a charade." "PayGo is a rouse to give Democrats cover to say they're being more fiscally responsible," said Thune. "They hailed that as a huge victory and then boom, the first two or three bills that come out of the gate they waived it, so it just doesn't mean anything."

PAYGO has structural flaws that mean it won’t be enforced

Riedl 9 (Brian, Heritage Foundation, Lead Budget Analyst, http://blog.heritage.org/2009/06/09/president’s-paygo-proposal-is-unworkable/)JFS

1) PAYGO has never been enforced During the 1991-2002 round of statutory PAYGO, Congress and the President still added more than $700 billion to the budget deficit and simply cancelled every single sequestration that would have enforced PAYGO. Even if Congress had wanted to enforce PAYGO during that period, they had already exempted 97% of all entitlement spending from sequestration cuts. It was basically designed to fail. Since the 2007 creation of the PAYGO rule, Congress has waived it numerous times in order to add $600 billion to the deficit. In fact, the entire “stimulus” bill violated PAYGO; Congress simply ignored the rule. 2) PAYGO’s design is flawed PAYGO exempts all discretionary spending, and would also allow all current entitlement programs like Social Security, Medicare, and Medicaid to continue growing on autopilot. It affects only new entitlements or tax cuts that may be created in the future. Even if PAYGO were fully enforced, entitlement spending would still grow 6 percent annually, and discretionary spending could grow without limit. Creating a PAYGO law and then blocking its enforcement is inconsistent and hypocritical. And given their recent waiving of PAYGO to pass a massive stimulus bill, there is no reason to believe the current Congress and the President are any more likely to enforce PAYGO than their predecessors were. And even if it were enforced, PAYGO applies to only a small fraction of federal spending (new entitlements). Consequently, PAYGO is merely a distraction from real budget reforms that could rein in runaway spending and budget deficits – such as statutory spending caps.

A2: Trade-Off – No PayGo

Spending caps are unenforceable and abiding is not normal means

US News 5-23 (http://www.usnews.com/news/articles/2011/05/23/spending-caps-have-a-mixed-history-dealing-with-the-deficit?PageNr=2)

But in the end, Congress couldn't stick with the caps. It declared numerous emergencies to allow increases in discretionary spending, perhaps most memorably for the 2000 Census. To pass the 2001 income tax cuts, Congress included a sunset provision which got around the paygo requirements. And lawmakers ultimately allowed the Budget Enforcement Act, and thus the paygo rules, to expire in 2002. When Democrats took back control of Congress, they reinstated paygo rules in the House of Representatives in 2007, and in the Senate in 2010, although the final legislation included billions of dollars in exemptions. Paul Van de Water, a senior fellow with the left-leaning Center for Budget and Policy Priorities, said that the experience with paygo shows that measures like that are helpful, but they are no substitute for a concrete deficit reduction plan. "It's the distinction between trying to create procedures to force action, versus trying to enforce an agreement that was already agreed to," de Water says. There are other reasons to doubt that a spending cap would force Congress to finally get serious about spending. Every year, existing laws call for reductions in Medicare reimbursement for doctors and for the alternative minimum tax to expand to cover more Americans. And every year, Congress agrees to delay these, adding billions to the deficit. Just as with a spending cap, the law should force them to resolve the issues, but there always seems to be a majority in favor of pushing them further down the road.

Jobs Bill proves

USA Today 5-24 (http://content.usatoday.com/communities/onpolitics/post/2010/02/senate-passes-jobs-bill-waives-new-spending-rules/)

Three weeks after passing a law intended to force Congress to offset any new spending with new budget cuts, the Senate waived the requirement today to pass its job-creation legislation. The $15 billion jobs bill, which would provide tax credits to companies that hire new workers, would raise federal deficits by $12 billion over the next five years, according to the Congressional Budget Office. Concern over rising federal deficits is what prompted Congress to pass the new restrictions, called PAYGO, in the first place. "Now, Congress will have to pay for what it spends, just like everybody else," Obama said in a weekly radio address earlier this month. As the bill came up for a vote today, Sen. Judd Gregg of New Hampshire, the top Republican on the Budget Committee, raised a point of order, which was overturned on a 62-34 vote. "I am disappointed that so many of my colleagues would condone taking on this level of new debt," Gregg said in a statement. "Today we are seeing just how ineffective PAYGO really is, and how easily it can be cast aside when deemed inconvenient."

**\*\*AFF\*\***

No Link – Trade-Off – Yes PayGo

Democrats and Republicans will abide by paygo

Ambinder 9 (Marc, contributing editor at The Atlantic, http://www.theatlantic.com/politics/archive/2009/06/more-paygo-will-the-senate-follow-the-presidents-lead/19034/)JFS

Depending upon how the bill is crafted, Obama could attract quite a few Republicans in the House to go along. Blue Dog Democrats, for whom spending sometimes seem to be the only issue they ever write home about, are on board, of course. The Senate, in recent years, has found it tough to adhere to the principles of PayGo; the yearly Alternative Minimum Tax fix, which has political benefits too, violates statutory PayGo (the Senate voted 88 to 5 to do this in 2007), as did the Senate's decision to save doctors from seeing their Medicare reimbursement fees drop. House Democrats had insisted on a revenue-neutral AMT fix (easier said than done).  Two weeks ago, Speaker Nancy Pelosi and Majority Leader Steny Hoyer warned the House's members of the budget conference committee not to accept the Senate Democratic versions of middle-income tax cuts, the estate tax repeal, the AMT fix and the Medicare rate fix "unless these conference reports or bills include statutory PAYGO, the bills are fully offset under traditional scorekeeping, or statutory PAYGO has already been enacted into the law." The House isn't entirely blameless; it's fairly easy to create the impression of PAYGO savings without achieving them, something conservatives have been pointing out ever since Democrats promised to follow PayGo principles.  But the Senate is the larger culprit.

Pay-Go forces cuts, not new spending – It’s normal means

Cole 1-11 (Tom, R-House, OK, http://cole.house.gov/news/weekly-column/2011/01/new-congress-begins-with-spending-cuts.shtml)

We've ended the Democrats' "pay-go" policy that mandated tax increases to fund new spending. Instead, the new Congress will operate under a "cut as you go policy," under which any new spending items must be offset by a spending cut of an equal or greater amount elsewhere in the budget. And finally, we passed a rule declaring that a full reading of the Constitution would take place on the House floor. When we fulfilled this pledge on the second day of session last week, it was a first in history and a powerful reminder of our founding principles.

Fiat guarantees trade-off, not deficit spending

OMB Watch 1-11 (http://www.ombwatch.org/node/11451)

One important budgetary rule in Congress that has slowed deficit-increasing legislation is the Pay-As-You-Go (PAYGO) rule. PAYGO requires that increases in mandatory spending (spending that does not require annual reauthorization, like Medicare and Social Security) or decreases in revenue must be “paid for.” That is, mandatory spending increases or tax cuts have to be offset with equal mandatory spending cuts or tax increases so that the proposed legislation is deficit neutral. It is important to note that the $1.4 trillion in discretionary spending that funds the functions of the federal government and an assortment of programs is not bound by PAYGO rules.

No Link – Perception/FRB

No link – Perception lags behind the plan and the FRB can intervene and solve the link in the interim

Collander 10 (Stan, Staff-Roll Call, http://www.capitalgainsandgames.com/blog/stan-collender/1937/trying-have-it-both-ways-what-bond-market-saying-about-deficit)

Some of those who disagreed with the Aug. 3 column said that given the usual lag between when a change in the economy occurs, the change is recognized by policymakers and the legislative process is able to deal with the new information, budget policies have to be adjusted before the bond market calls a new play. (Forgive me, but after all, football season is under way.) But that ignores the role of the Federal Reserve, which has the ability to change monetary policy long before Congress and the White House usually are able to revise existing fiscal policies and well in advance of when deficit reductions take effect. And because in this case the Fed would be raising interest rates to deal with a perceived threat of overheating the economy, its ability to move decisively and by whatever amounts are needed would be far greater than its current options, which are limited.

No Link – No Threshold

The plan is a drop in the bucket

Ballantyne, Myshell, & Morrisey 9 (Harry, Lawrence, and Monique, Economic Policy Inst., http://www.wowonline.org/documents/EPISocialSecurityBrief.pdf)

Even if Congress changed the law and turned to general revenues to pay promised benefits, this would increase the budget deficit by only about 4-7%. While this is more than a drop in the bucket, it would not be a major driver of the federal deficit, unlike rising health care costs or making the Bush tax cuts permanent.

The plan is less than one-thousandth of the annual deficit, not to mention gross federal debt

Boehner 9 (John, Speaker of the House, http://www.speaker.gov/News/DocumentSingle.aspx?DocumentID=188165)

This week the President finally delivered on his pledge to find "$100 million" in savings. Actually, his Administration bested the $100 million mark by $2 million, proposing cuts amounting to $102 million for this year. While any savings in government waste are laudable, the Administration's cuts pale in comparison to the mind-numbing $1.8 trillion deficit that will occur this year, in large part as a consequence of the wild spending orgy that has taken place in Washington in the months since Democrats took complete control of the federal government. In fact, as the Wall Street Journal noted this morning, these efficiencies amount to "0.006% of the estimated federal deficit."

No Internal Link – Spending Not Bad

**No impact on markets**

**Bowley 11** (Graham, writer for NYT on financial issues, http://www.nytimes.com/2011/01/14/business/economy/14place.html?\_r=2)JFS

Two major credit ratings agencies warned Thursday that the United States might tarnish its triple-A credit rating if its national debt kept growing. It was not the first time the agencies, Standard & Poor’s and Moody’s Investors Service, warned that the nation’s gilt-edged rating might fall into jeopardy. But the two statements, made within hours of each other, were seized on by deficit hawks as further evidence that the government must reduce spending and debt to avert disaster. That is just what many Tea Party supporters insist. But many economists say the reckoning, if it comes, is still years or even decades away. The bond market shrugged at Thursday’s news. Indeed, even some experts who want to see the deficit reduced said now is not the time to cut federal spending drastically, given the weakness in the economy and high unemployment.

Markets don’t care or are irrational and inevitable

Galbraith 10 (James, UTX-Economist, http://voices.washingtonpost.com/ezra-klein/2010/05/galbraith\_the\_danger\_posed\_by.html)

EK: You think the danger posed by the long-term deficit is overstated by most economists and economic commentators. JG: No, I think the danger is zero. It's not overstated. It's completely misstated. EK: Why? JG: What is the nature of the danger? The only possible answer is that this larger deficit would cause a rise in the interest rate. Well, if the markets thought that was a serious risk, the rate on 20-year treasury bonds wouldn't be 4 percent and change now. If the markets thought that the interest rate would be forced up by funding difficulties 10 year from now, it would show up in the 20-year rate. That rate has actually been coming down in the wake of the European crisis. So there are two possibilities here. One is the theory is wrong. The other is that the market isn't rational. And if the market isn't rational, there's no point in designing policy to accommodate the markets because you can't accommodate an irrational entity.

The economy is resilient to deficit increases – They’re assumed

Sterman 3-30 (Roger, Street Authority, LLC, http://seekingalpha.com/article/261000-what-a-government-shutdown-would-mean-for-your-portfolio)

This is not about balancing a budget; it's about eventually paying down massive debt. The only way to do that is to run budget surpluses, as happened in the late 1990s. That era of surpluses helped fuel a robust economic expansion (and an eventual market bubble) as interest rates came tumbling down. Yet the size of the deficit is now so much larger, rates are already at historic lows and the remedies will be so much more severe that a happy repeat of the late 1990s is no sure thing. OK, off with the Chicken Little hat. The sky is not falling. The U.S. economy has proven remarkably resilient to past crises, and in a few months, the possible government work stoppage could be a distant memory. But the next few weeks promise to bring plenty of stomach churning as consumers and companies alike watch the government possibly grind to a halt. That mood would hardly be a positive backdrop for stocks.

Bonds wont backlash to spending

Collander 10 (Stan, Staff-Roll Call, http://www.capitalgainsandgames.com/blog/stan-collender/1937/trying-have-it-both-ways-what-bond-market-saying-about-deficit)

There’s no doubt that the bond market will turn on a dime — or in this case on a few hundred billion dollars — when economic growth is projected to be at the levels where traders are worried about federal budget policies leading to shortages of raw materials, goods and labor and, therefore, inflation. That’s what markets almost always do when they get and understand new information: They change. But the likelihood that Wall Street will be concerned about an overheating economy at some point down the line doesn’t detract from the message that it is unambiguously sending now: Given unemployment and capacity utilization (among other measurements), slow growth and deflation rather than excessive growth and inflation are the primary concerns. Because of that, federal deficits and additional stimulus are not feared or fearsome. Not only is there no reason to begin to reduce the deficit now, the bond market is saying there are strong reasons to do just the opposite.

No Impact – Complexity

No single variable controls the economy – Too complex

Ismail 2 (A., The Oh St. U. – Econ, academic.cengage.com/resource\_uploads/.../0324288743\_36385.DOC)

An economy as large, diverse, and interrelated as the U.S. economy is too complex for any individual to understand. There is so much economic data that people cannot understand the reason for every transaction. A theory is used to reduce the complexity of an economic system to manageable limits. Consequently, a theory does not contain all relevant details and facts. A theory attempts to simplify economic reality by capturing the essential features of economic relations.

Focus on Deficit Bad – Root Cause

Their focus on spending like the plan diverts from the root cause of fiscal imbalance – taxes and war – which turns the DA

Christopher 6-2 (Blogger, http://faithandphilanthropy.wordpress.com/2011/06/02/why-the-focus-on-the-deficit-is-wrong/)

I know it’s fashionable among politicians to be focused on the deficit right now. I know that such fashion is what’s driving the let’s-play-chicken-with-the-economy attitude that’s keeping Congress from taking action to raise the debt ceiling, putting nothing less than the full faith and credit of the United States in jeopardy. I also know that focusing on the deficit is at best a distraction from real issues and at worst a sort of political fraud. Or, short version: idiotic. Do you want to know why? Look at the chart. Look at what the Bush era tax cuts do to the deficit. Look at what the economic downturn does to the deficit. Now think about it: if we returned taxes to their Clinton era levels – a time of huge economic growth – and created jobs, most of our debt problem would be solved. End two wars and we’re well on our way to running a surplus again – an event that last happened under Clinton. Some modest cuts or decent economic growth in addition, and we’re good to go. So here’s the situation: solve the revenue problem and the jobs problem and the debt problem gets solved as a sort of side effect. Make budget cuts to ‘solve’ the deficit problem and there are no new jobs created and no new revenue; we simply end up having to make more cuts later.

The GOP will use spending cuts to retain tax cuts

Newsweek 6-19 (http://www.newsweek.com/2011/06/19/republicans-box-themselves-in.html)

In the GOP’s historic 2010 landslide of distant memory, reducing the budget deficit was the top economic priority of their voters by a 20-point margin. Just eight months later, most Americans are in a very different place. A Fox News poll (unlikely to skew left), found voters preferring their leaders to focus on jobs and the economy over the deficit and government spending by more than 2 to 1—a 28-point margin. Call it the courage of their convictions or drinking their own Kool-Aid, but Republicans seem hellbent on an agenda most folks just don’t want. The GOP budget plan, sponsored by Rep. Paul Ryan, would, in the words of The Wall Street Journal, “essentially end Medicare.” Not just cut Medicare but essentially end it for future beneficiaries. And why not? Medicare is socialized health insurance for seniors, and we Americans hate socialism, right? In theory, sure. But in practice, umm, well, it’s more complicated. An overwhelming 70 percent of self-described Tea Party supporters oppose cutting Medicare and Medicaid. Come to think of it, when the Tea Partiers were rallying we saw plenty of photos of guys in tricorn hats and lots of images of patriots waving “Don’t Tread on Me” flags, but I can’t recall a single person burning his or her Medicare card. Those Tea Partiers were, I believe, honestly concerned with the deficit. But trusting Republican politicians to balance the budget is like putting an arsonist in charge of the fire department. Under George W. Bush and Dick Cheney (who famously quipped to then-Treasury secretary Paul O’Neill that “deficits don’t matter”), the Republicans took the largest surplus in American history and turned it into the largest deficit. Ronald Reagan’s first-term budget director, David Stockman, admitted 30 years ago that supply-side economics was a Trojan horse for cutting the top tax rate for the rich. Well, the old empty horse is back. This time the GOP is using the deficit they created as justification to destroy the Medicare program they have always hated. Trouble is, while Republican politicians may hate Medicare, the American people love it. And just what lurks inside the Trojan horse? More tax cuts for the rich. That’s right. The Republican budget plan doesn’t even reduce the deficit in the near term because it places a higher priority on cutting taxes, especially for the rich. Even after essentially ending Medicare, such cuts produce no deficit reduction—though they do reduce the top marginal income-tax rate on the rich to its lowest level in 80 years.

Focus on Deficit Bad – Jobs

The focus on the deficit trades of w the focus on jobs which is critical to the economy

Teixeirais 11 (Guy, Center for American Progress, http://www.npr.org/2011/05/19/136456253/new-republic-deficit-disguises-political-pandering)

From the Ryan plan, to the Obama plan, to the Gang of Six (now five), deficit mania has officially taken over Washington. Both Republicans and Democrats, while they have different preferred approaches, are single-mindedly focused on cutting budget deficits and relieving the long-term debt situation of the country. Yet unemployment remains at 9 percent and the modest economic recovery that's underway has shown signs of sputtering. What explains this dramatic disjuncture? The simplest explanation for Washington's monomaniacal focus on the deficit would be that politicians are responding to a shift in priorities among voters. The electorate, in other words, is now more worried about the budget deficit than the economy, so politicians have shifted their focus accordingly. But that explanation is simply not borne out by the facts. While voters' concern for the deficit has increased this year, it still lags far behind their concern for the economy and jobs: In a recent CBS/New York Times poll, 39 percent of people thought the economy/jobs was the most important issue facing the country, compared to just 15 percent who thought the deficit/debt was the top issue. Of course, it's possible that voters believe cutting the deficit is the most effective route to job growth, an argument Republicans have repeatedly made. If that is the case, many of those who prioritize jobs and the economy could, in a policy sense, be demanding that politicians take action on deficit reduction. In this scenario, politicians would be responding to an implicit sentiment among voters, but this also happens to fail the empirical test. In the most recent Pew poll, just 18 percent of people believed cutting spending to reduce the deficit would help the job situation, compared to 34 percent who believed cutting spending would hurt the job situation and 41 percent who believed there wouldn't be much of an effect either way. Whatever else the public may believe about deficit reduction, they clearly don't see it as a tonic for jobs. A final possibility within the "responsive politicians" category of explanations for the current deficit mania is that voters, while perhaps not prioritizing deficit reduction, are particularly likely to punish politicians who do not take action on the issue. That is, even though deficit reduction is not the top concern for voters, nor is viewed as an effective economic remedy, voters will nonetheless turn against politicians who fail to make progress in this area. But this appears to get things backwards, especially when it comes to the incentives facing incumbent politicians. In reality, countless historical examples and empirical studies suggest that the surest route to getting booted out of office is poor economic performance — and this is the case regardless of whether politicians make progress on the deficit. Conversely, if the economy performs well, but little progress is made on the deficit, the incumbent party is still likely to benefit. But if Washington's deficit obsession is not simply a product of politicians responding to a shift in the public's mood, where does it come from? The likeliest alternative is that, as political scientists Lawrence Jacobs and Robert Shapiro argue in their influential book, Politicians Don't Pander, elected officials don't so much seek to know public opinion in order to follow it, but rather so they can manipulate it to support their agenda and minimize any electoral damage that might result. This clearly fits the way Republicans are handling the deficit issue: Cutting spending on government programs is at the top of their policy agenda, so it follows that they wish to keep the political and media conversation focused as much as possible on deficits. Over time, they hope the incessant hysteria will move public opinion to their side, allowing them to pass more and more of their preferred legislation. Moreover, they are betting that their unresponsiveness to the jobs issue will not hurt them because the media will mostly cover the endless battles over deficits and spending, creating a news vacuum where the public is likely, lacking other information, to blame the party that holds the presidency for inaction on jobs.

Economic growth solves the deficit, not vice versa

Minnesota Publius 11 (MN politics blog, http://mnpublius.com/post/3601469834/american-people-ask-for-jobs-gop-focuses-on-the)

The Republicans’ priorities are way out of line with most Americans’. The fact is, the budget deficit will improve dramatically on its own once the economy improves. Let’s focus on what should be everyone’s top priority: getting millions of Americans without jobs back to work.

Jobs are key to the economy

Global Markets Report 5-13 (https://www.dws-investments.com/EN/docs/research/US\_Economics\_Weekly\_051311.pdf)

Productivity gains are slowing, which bodes well for continued sturdy job growth, similar to what we have experienced in the last several monthly employment reports. Slowing productivity growth is normal at this point in the business cycle, as firms will need to add to their existing workforce in order to meet further increases in aggregate demand. This will not go unnoticed at the Fed as Chairman Bernanke has stated previously in Congressional testimony that until monetary policymakers see a sustained period of stronger job creation, they will not consider the economic recovery to be self sustaining. As we have reiterated on numerous occasions, a significantly faster pace of recovery in the labor market is the linchpin of our 2011 economic outlook.

Focus on Deficit Bad – Jobs

Political priorities between jobs and the deficit are competitive – New initiatives are necessary to push the GOP away from deficit focus

CNN 6-20 (http://politicalticker.blogs.cnn.com/2011/06/20/democrats-want-focus-on-jobs-not-just-deficit/)

Senate Democratic leaders are increasingly anxious the persistently high unemployment rate poses a long-term threat to the economy, their constituents' well-being, and, consequently, their own political fortunes. In a strategic shift beginning this week, designed to show their heightened concerns, Senate Democrats will try to put new focus on job creation, so it is on equal footing with deficit reduction, which Republicans have successfully championed. They are promising to do it through a series of high profile bills this summer – some to cut taxes, others to increase spending – aimed solely at job creation. "This Congress convened in January with a single mandate from the American people: create jobs," said Senate Majority Leader Harry Reid, D-Nevada, on the Senate floor Monday. Reid and other Democratic leaders are weighing a series of bills they think will put Washington's attention back on jobs and, they think, prove that Republicans are more interested in reducing the deficit than creating jobs. The focus on deficit and debt reduction has been intense because of the talks Vice President Biden is leading to reach an agreement that would reduce the deficit while at the same time raising the country's debt ceiling. In explaining the Democrats' new focus, a top Senate Democratic leadership aide, who asked not to be identified in order to discuss the strategy, said, "We feel there is mood shift. Increasingly, editorials and op-eds are saying it's good to get the deficit under control, but when did we forget about job creation?"

Spending cuts materially trade off w jobs which are crucial to the econ and competitiveness

Theiss & Pollack 11 (Rebecca & Howard – Econ Policy Inst., http://www.epi.org/analysis\_and\_opinion/entry/opposing\_view\_focus\_on\_jobs\_not\_deficits/)

Obama's efforts might, in fact, be too focused on near-term deficit reduction and not enough on job growth. Cutting spending at this point serves only to suck demand out of the economy, costing jobs right at the moment when the economy is trying to regain its footing. And his proposal to reduce domestic discretionary spending over a decade, to just over half of the average level it was during the Reagan administration, threatens public investments in education and infrastructure, which are key to long-run economic growth and global competitiveness.

Spending Good – Generally

New spending stops recession

Galbraith 10 (James, UTX-Economist, http://voices.washingtonpost.com/ezra-klein/2010/05/galbraith\_the\_danger\_posed\_by.html)

Since the 1790s, how often has the federal government not run a deficit? Six short periods, all leading to recession. Why? Because the government needs to run a deficit, it's the only way to inject financial resources into the economy. If you're not running a deficit, it's draining the pockets of the private sector. I was at a meeting in Cambridge last month where the managing director of the IMF said he was against deficits but in favor of saving, but they're exactly the same thing! A government deficit means more money in private pockets. The way people suggest they can cut spending without cutting activity is completely fallacious. This is appalling in Europe right now. The Greeks are being asked to cut 10 percent from spending in a few years. And the assumption is that this won't affect GDP. But of course it will! It will cut at least 10 percent! And so they won't have the tax collections to fund the new lower level of spending. Spain was forced to make the same announcement yesterday. So the Eurozone is going down the tubes. On the other hand, look at Japan. They've had enormous deficits ever since the crash in 1988. What's been the interest rate on government bonds ever since? It's zero! They've had no problem funding themselves. The best asset to own in Japan is cash, because the price level is falling. It gets you 4 percent return. The idea that funding difficulties are driven by deficits is an argument backed by a very powerful metaphor, but not much in the way of fact, theory or current experience.

Private crowd-out good – *Only*  private debt causes recessions because of lack of monetary flexibility

Mitchell 10 (Rodger, MBA, author of *Free Money*, http://rodgermmitchell.wordpress.com/2010/06/14/is-federal-money-better-than-other-money/)

Clearly, federal debt/money growth is essential to keep us out of recessions. Yet, when we look at “Debt of Domestic Nonfinancial Sectors” which includes not only Federal debt, but also outstanding credit market debt of state and local governments, and private nonfinancial sectors (tan line), we do not see the same pattern. In fact, when we subtract federal debt from total debt, leaving only state, local and private debt, we see the opposite pattern. Recessions follow increases in state, local and private debt! Now in one sense, money is money. Your buying on your credit card creates debt/money, just as federal deficit spending creates debt/money. Presumably, both should have the same stimulative effect on the economy. They do, but not long term. Why? Because, unlike the federal government, you, your business and local governments cannot create new money endlessly to service your debts. Your debts can pile up to the point where you must liquidate them by paying them off or by going bankrupt. When non-federal debts become too large, a growing number of people, states, cities and businesses must pull back and stop further borrowing, i.e. stop creating money, or even destroy money by paying off loans. When that happens, we have a recession. (As an aside, this is one reason the early stimulus efforts had so little effect. People used the stimulus money to pay off loans, so while the federal deficit spending created money, the loan pay-downs destroyed it. Debt reduction destroys debt/money.) During the recession, and for a short time after, we tend to cut back on our borrowing and liquidate debt/money. Then we begin to resume borrowing, more and more, until again, we hit our personal limits and cut back, causing yet another recession. The sole prevention of this cycle, which averages about 5 years in length, is to make sure that federal deficit spending grows sufficiently to offset periodic money destruction by the private sector. In summary, federal borrowing is good for the economy, always good, endlessly good (up to the point of inflation). Private and local government borrowing also is good, but not endlessly. Unlike the federal government, the private and local-government sectors eventually reach a point where debt is unaffordable and unsustainable. To prevent recessions, the government continuously must provide stimulus spending, then provide added stimulus spending to offset the periodic reduction of money creation by the private sector.

Spending Good – Deflation Turn

Spending cuts cause deflation which is the key internal

Mitchell 10 (Rodger, MBA, author of *Free Money*, http://rodgermmitchell.wordpress.com/2010/08/30/which-is-more-serious-inflation-or-deflation/)

All of the above leads to one interesting conclusion: While deflation can be caused by a shortage of money, inflation rarely is caused by an over-abundance of money. If, in comparing seriousness, we mean frequency of occurrence, clearly inflation would be considered more serious. Deflations are rare, having occurred perhaps three times in U.S. history. Inflation is an annual occurrence. If, in comparing seriousness, we mean difficulty in prevention or cure, I believe deflation is more serious. Inflation easily can be prevented and cured by raising interest rates, which increases the demand for money. There is no limit to how high interest rates can be raised. By contrast, trying to use interest rates to prevent deflation runs into the obstacle of zero rates. Though negative rates may mathematically be possible, it is difficult to imagine many borrowers accepting negative rates. Thus, the sole prevention for deflation is increasing the money supply, which the debt hawks have made difficult. If, in comparing seriousness, we mean affect on the economy, I believe deflation is far more serious. Modest inflation can be stimulative, in that it encourages consumers to buy today, rather than waiting for tomorrow. Deflation encourages delaying purchases, which negatively impacts the economy, and can cause a feedback loop of lower and lower prices, longer and longer delay. All of the above considered, I suggest deflation is far more serious than inflation. Interestingly, debt hawk commentators, who are fixated on easily-prevented, easily-cured inflation, seldom mention deflation as a threat. The reason may be that there is no debt-hawk prevention or solution for deflation, as the sole solution (increased federal spending) is considered out of the question. Yet here we are, struggling against deflation, while Congress and the media preach against the one action that can prevent it.

More ev…

Mosler 11 (Warren, Candidate – Senate, CT, http://www.dailykos.com/story/2011/03/03/952010/-Budget-Deficits-Dont-Matter-EVER%21)

At this point you may say, "Of course we can 'print' more money, but zOMG! Inflation! Zimbabwa! Weimar! hyperinflation! Oh My!" To this, I respond by saying, thank you for proving my point. Federal spending is constrained by inflation, not revenue. As long as inflation is low (or worse, deflation), the federal government can keep spending whatever it wants and still maintain a healthy monetary system. Now here's a convenient fact for you. In times of recession and economic downturn, inflation tends to be very low. So during recessions you'll want to INCREASE spending even though the recession might be causing a drop in tax revenue. When times are good and unemployment is low, you'll want to decrease government spending before it turns inflationary - even though tax revenues would indicate you can "afford" the spending. All of these decisions can, and should be, made completely independently of whether or not the budget is actually balanced, in surplus, or in deficit. That's because budget deficits surpluses are just and accounting numbers and have very little useful information: i.e. they don't matter!

Spending Good – Pacing Turn

Sharp quick cuts in spending are particularly bad – The imposed fiscal discipline of the SQ is bad

Johnson 10 (Simon, NYT *Economix* blog, http://baselinescenario.com/2010/12/09/8372/)

This does not mean that we should immediately move to cut our fiscal deficit – efforts to panic us in this regard are completely misplaced. Ironically, some of the fear-mongering emanates from the same part of the political spectrum as the vociferous demands for lower taxes; there are no true fiscal conservatives in America. Again, here, too, is a sharp contrast between the United States and anywhere else in the world. But our “fiscal space” is limited – we cannot afford to blithely increase our national debt. It can be done – and should be done given the parlous state of our economy and our disastrously high unemployment levels. But it must be done carefully, so we get as much stimulative effect on jobs as possible for our debt-increase dollars.

Their crowd-out args are outdated – The recession necessitates spending today

Klein 9 (Ezra, Wash Post columnist, http://delong.typepad.com/sdj/2009/06/the-return-of-liquidationism.html)

The idea that government should get out of the way because Panera has taken over eight of Bennigan's former locations beggars belief. At the end of the day, it will be a resuscitation of household spending and business expansion that restarts our economic growth. But for now, both have fallen through the floor, with terrible consequences for both individuals and businesses. What little demand exists is being substantially kept afloat by the massive intervention of the federal government. At this moment, federal spending does not exist in competition with household spending. It's one of the last forces sustaining it. Indeed, the idea that the economy will heal itself if the government only steps out of the way is exactly the thinking that led to the deep recession of 1937. What a pity those lessons haven't been better learned.