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1NC Shell

**Economy on the brink – New spending crushes growth**

**Rahn 11** (Richard, CATO Institute, PhD @ Colombia, http://www.cato.org/pub\_display.php?pub\_id=12785)JFS

There is evidence that once a government lets its debt/GDP ratio rise more than 90 percent, the economy begins to seriously weaken and government spending starts to spiral out of control as the interest payments on the debt grow faster than the economy. The United States will probably hit the 90 percent threshold within a year (the current level is 68 percent, up from 37 percent in 2008). Up to now, foreigners have been willing to buy U.S. debt, but as inflation heats up (which it is now doing globally), domestic and foreign lenders will insist on higher interest to compensate for the expected inflation. The United States has been able to finance its debt with very low interest rates over the past few years, with the Federal Reserve's "quantitative easing" programs — that is, they have been buying debt with money they just print. We are probably close to the endgame with this particular racket, which cannot go on forever. Greece has already shown the world what happens when the debt/GDP ratio reaches critical levels. Government services, employment and transfer payments are drastically cut because there is no other choice and the economy goes into the tank. The rest of the world will be in no position to help the United States. Britain and a number of other European countries will also likely breach the 90 percent threshold this year, while Japan will be at 200 percent. Japan has been able to get away with a higher debt/GDP ratio because almost all of the debt is held by the Japanese and Japanese institutions. But this has led to economic stagnation and now the endgame is upon them (China just replaced Japan as the world's second largest economy). What will the United States do as the Japanese begin to sell their trillion dollars in U.S. government securities to meet their own liabilities? Mr. Obama has also proposed a number of tax increases in his budget. These tax increases will only slow economic growth, particularly given the high level of debt service that will be required to finance not only the federal debt but also the growing state and local government debts. Economic growth depends on having sufficient saving, which is put into productive investment to create jobs and technologies. If government is grabbing most of the savings of private individuals and businesses through debt issuance, inflation and taxes, the result is economic stagnation and increasing unemployment. Is there a way out of this bleak scenario? Yes. Real — not phony — reductions in government spending, particularly on transfer payments (commonly known as entitlements).

**Extinction**

Bearden 2k (Lieutenant Colonel in the U.S. Army, www.cheniere.org/techpapers/Unnecessary%20Energy%20Crisis.doc) ET

Bluntly, we foresee these factors - and others { } not covered - converging to a catastrophic collapse of the world economy in about eight years. As the collapse of the Western economies nears, one may expect catastrophic stress on the 160 developing nations as the developed nations are forced to dramatically curtail orders. International Strategic Threat Aspects History bears out that desperate nations take desperate actions. Prior to the final economic collapse, the stress on nations will have increased the intensity and number of their conflicts, to the point where the arsenals of weapons of mass destruction (WMD) now possessed by some 25 nations, are almost certain to be released. As an example, suppose a starving North Korea launches nuclear weapons upon Japan and South Korea, including U.S. forces there, in a spasmodic suicidal response. Or suppose a desperate China - whose long range nuclear missiles can reach the United States - attacks Taiwan. In addition to immediate responses, the mutual treaties involved in such scenarios will quickly draw other nations into the conflict, escalating it significantly. Strategic nuclear studies have shown for decades that, under such extreme stress conditions, once a few nukes are launched, adversaries and potential adversaries are then compelled to launch on perception of preparations by one's adversary. The real legacy of the MAD concept is his side of the MAD coin that is almost never discussed. Without effective defense, the only chance a nation has to survive at all, is to launch immediate full-bore pre-emptive strikes and try to take out its perceived foes as rapidly and massively as possible. As the studies showed, rapid escalation to full WMD exchange occurs, with a great percent of the WMD arsenals being unleashed . The resulting great Armageddon will destroy civilization as we know it, and perhaps most of the biosphere, at least for many decades.

\*\*UQ

\*Brinks

Global Economy Brink

The global economy is on the brink due to a manufacturing slowdown

**Barkin 5/29** (Noah, Reuters, 2011, http://www.reuters.com/article/2011/05/29/global-economy-weekahead-idUSLDE74Q20320110529)

BERLIN, May 29 (Reuters) - **Add a manufacturing slowdown to the growing risks facing the world economy**. **High input prices, supply chain disruptions from the tsunami disaster** in Japan **and slowing demand from** [**China**](http://www.reuters.com/places/china) **have combined to brake manufacturing momentum in Europe, the United States and Asia in recent months following a steady run of robust growth**. Just how sharp the slowdown is will become clearer this week with the release of data from factory purchasing managers in major economies across the globe. In the [euro zone](http://www.reuters.com/subjects/euro-zone), where divergence between core and peripheral countries has been the story for months, signs of more broad-based trouble emerged last week. A preliminary manufacturing index for May posted its biggest one-month fall since the collapse of Lehman Brothers in 2008. That reading is expected to be confirmed on Wednesday, as are factory slowdowns in the United States and China, where curbs on bank credit and power shortages have slowed growth, adding to worries about the world's second-largest economy. Driven by higher energy prices, costs for **the U.S. manufacturing sector rose to their highest level in nearly three years last month.** A nascent slowdown in the sector, due in part to poor weather, has been blamed for an uneven labour market recovery. U.S. companies created jobs at their fastest pace in five years in April. But May non-farm payrolls data due on Friday risks disappointing after a surprise rise in U.S. jobless claims last week highlighted persistent hurdles in the labour market"**This is a delicate moment for the global economy**, and the crisis is not over until our economies are creating enough jobs again," said Angel Gurria, secretary general of the Paris-based Organisation for Economic Cooperation and Development. "There is also some concern that **if downside risks reinforce each other, their cumulative impact could weaken the recovery significantly,** possibly **triggering stagflation in some advanced economies."**

The global economy is on the brink

Harding 5/28 (Sy, Stock Analyst, iStock Analyst, 2011, http://www.istockanalyst.com/finance/story/5189572/finance-market-the-beating-goes-on)

As worrisome as the slowing economy in the U.S. is, **the problems in global economies are** just as **worrisome, between the worsening debt crisis in Europe;** the potential for the resulting austerity programs to slow economies; **sharply rising inflation in Asia and South America that has central banks aggressively raising interest rates; and history-making changes coming in the Middle East as a result of the political uprisings and revolutions.** It's been over a year since the initial bailout of Greece, and the odds of it defaulting on its debt, with widespread consequences for European banks, is much greater now than before the bailouts began. **Ireland and Portugal were next in line as the domino effect continued.** And now the **rating agencies have added Spain and Italy to the list of countries floundering under massive debt and slowing economies.** Meanwhile, China, India, Brazil, Russia et al continue to aggressively raise interest rates and tighten monetary policies to fight back at inflation, but are making no progress so far, even as the tightening moves are likely to slow their economic growth. This week China reiterated its determination that it will remain aggressive in trying to bring its overheated real estate [market](http://www.istockanalyst.com/finance/story/5189572/finance-market-the-beating-goes-on) (bubble) back to earth. Analysts are increasingly worried that bursting of asset bubbles in China will plunge its economy down to a hard landing, perhaps even into recession.So **problems in global markets are also serious.**

US Economy Brink

The economy is struggling to recover—it is at the brink

Alster 5/23 (Norm, Investor’s Business Daily, 2011, http://www.investors.com/NewsAndAnalysis/Article.aspx?id=573010&p=2)

Recent data suggest **the current economic recovery is both sluggish and slowing**, with unemployment stubbornly high. But that's entirely consistent with the pattern of most global and country-specific financial crises. A detailed study of three global contractions and 15 country-specific financial crises has found GDP growth, unemployment and housing prices all suffered for a decade or more. So **far, the U.S. recovery shows the same weaknesses — weak economic growt**h, stubbornly high unemployment and still-falling housing prices. The economy expanded at a 1.8% annual rate in Q1, down from Q4's 3.1% pace. But **growth throughout the recovery has lagged the 7%-8%** gains after the sharp 1981-1982 recession. **Like many past financial crises, the U.S./global meltdown was triggered by the dramatic expansion of credit and financial leverage. Unwinding that leverage has typically been a long-term process.** Recovery could be slowed for years, concludes Reinhart: **"It is not necessarily a formula for a double-dip but rather one of an unpleasant muddling-through."**

**US economy on the brink**

Root 5/17 (Wayne A., NewsMax, 2011, http://www.newsmax.com/WayneAllynRoot/StanleyDruckenmiller-barack-obama-wall/2011/05/17/id/396627)

**The greatest Ponzi scheme in world history is coming to an end, leaving America on the precipice of economic Armageddon.** Finally, we have the opinion of municipal bond expert Meredith Whitney, named by Fortune magazine as “one of the 50 most powerful women in business,” and by Time magazine as “one of the 100 most influential people.” She sees America in financial ruin with 50 to 100 cities defaulting on their debt in the next year.

First of all, reality is catching up to America. The Ponzi scheme of printing fake money to pay real bills is coming to an end. The jig is up- there is no way to sustain America’s massive welfare state anymore. When the stimulus runs out, states will face disaster. On the federal level, the trustees of both Social Security and Medicare admitted just this past week that their massive Ponzi schemes are running on empty. Both funds are running out of money far sooner than projected. Social Security will now run a permanent deficit. It is also important to remember there is no money in the “lock box.” **All that is in the lock box is worthless paper IOUs. It has all been spent. The list goes on. The country’s annual deficit approaches $2 trillion. The national debt approaches a staggering $15 trillion. The debt plus unfunded liabilities approaches an unimaginable $100 trillion. The debt-to-GDP ratio approaches 90 percent** — a figure that few countries have ever recovered from. One of every 7 Americans is on food stamps. We are fighting three expensive wars with no purpose, and no end in sight. Every economic recovery in modern history has been led by a residential real estate boom. Yet today, the real estate crash is accelerating. The current real estate implosion is now worse than the Great Depression.

The economy is fragile—perception is key

Valley 5/24 (Matt, NREI Editor-in-chief, NREI, http://nreionline.com/finance/news/create\_jobs\_2011\_nadji\_0524/)

LAS VEGAS — **The U.S. economy finds itself caught in a tug of war between economic headwinds and real recovery**, says Hessam Nadji, managing director of research and advisory services for Marcus & Millichap. **The biggest headwinds are the ailing housing market, record consumer debt, and a large amount of public debt.** The signs of recovery include the creation of 1.8 million private sector jobs over the past 12 months and a continual rise in retail sales. **“Housing is headed for a double-dip recession,”** Nadji told a packed room of 700 shopping center industry professionals at RECon 2011 on Monday as part of Marcus & Millichap’s annual retail outlook. “The U.S. housing market is now contributing only 3% to our economic output versus 6% in 2005.” Nadji estimates that 30% of the turnover in the housing market today stems from distressed sales, either foreclosures or short sales. **“There really is no end in sight in terms of when we can see the inventory of foreclosures and distressed sales out of the picture, so that we can get to the bottom and start a new cycle.”** **The other elephant in the room is the debt. “This remains a drag on the consumer, the wealth effect and the overall economic activity,” he explained. The U.S. federal budget deficit is projected to exceed $1 trillion for the third straight year in fiscal 2011.  The U.S. economy is on a pace to create 2.3 million jobs in 2011, with less than 10% of those jobs classified as temporary positions. Last year, roughly 30% of the 1 million jobs added were temporary jobs.** “Temporary jobs skyrocketed coming out of the recession because companies didn’t have enough confidence to hire people on a permanent basis,” said Nadji. As companies have gained more confidence, they have picked up the pace of hiring.But Nadji emphasized that **the U.S. economy is far from being out of the woods. “Sentiment is fragile. As companies hear bad news, they can revert back to a very cautious stance.”**

Spending/Deficits Brink

US dollar on the brink of collapse if US debt increases

Alvi 5/25 (Omar, International Business Times, 2011, http://www.ibtimes.com/articles/152243/20110525/united-nations-says-us-dollar-could-collapse.htm)

Another day, another bearish dollar story has emerged**. The UN** has joined the rhetoric community in lambasting the US dollar. They **warned of a possible crisis of confidence and even a collapse of the US dollar if its value against other currencies continued to decline**.  According to them, if this collapse were to occur, **it would imperil the global financial system.** These findings were listed in the UN mid-year review of the world economy. It also stated that **current US dollar trend had been driven in part by interest rate differentials between the US and other major economies.** Rob Vos, a senior UN economist involved with the report, said **if emerging markets "massively start selling off dollars, then you can have this risk of a slide in the dollar."**"We're not saying the collapse is imminent, but **the factors are further building up that we could quickly come to that stage if other things are not improving quickly on other fronts - like the risk of the US not being able to service its obligations**," he told Reuters.

The economy is on the brink—failure to act on the debt would lead to a crisis

Schoen 5/27 (John W., Senior Producer, TODAY News, http://today.msnbc.msn.com/id/43113076/ns/business-eye\_on\_the\_economy/)

**The government has maxed out its borrowing limit,** and Treasury officials have warned of dire consequences if Congress and the White House can't agree soon on a plan for raising the debt ceiling. **Failure to act on a plan** **could force** the Treasury to make **steep spending cuts to avoid defaulting on debt payments, with potentially serious damage to the current weak economic recovery.** The Senate this week shot down a proposal by Rep. Paul Ryan, R-Wis., to cut $6 trillion in federal spending over the next 10 years. That put Congress back on square one as lawmakers look for a compromise that would allow the government to continue operating without some kind of automated cuts to stay under the spending cap. **By suspending payments, selling off assets or moving funds from one account to another, Treasury officials can buy a little more time. But Geithner has predicted the Treasury will run out of gimmicks by the first week in August.** At that point, **without a higher borrowing limit, the government will have a hard time coming up with enough cash to pay its bills.** In theory, it could continue to avoid defaulting on Treasury securities by suspending other payments. But the process of managing the government's finances without the breathing room of a higher credit limit won't be easy, said David Greenlaw, Morgan Stanley's chief U.S. fixed-income economist.

Spending will collapse the economy—it’s on the verge

Butler 5/10 (Stuart, et al., Direct. at CPI, 2011, http://www.heritage.org/About/Staff/B/Stuart-Butler)

We have come to a time of decision. For far too long**, Congress has been on an unsustainable binge of spendin**g, taxing, and borrowing**. Our nation is going broke**, and we are passing the costs of these misguided policies to our children and their children**. Over time, our national government has become bloated, overextended and unrestraine**d, oblivious of its core functions, operating far beyond its means and vastly outside of its proper constitutional bounds. **Unchecked, the course we are on now will cripple our economy, undermine our prosperity, and lead to fiscal insolvency.** By robbing the future of opportunity and freedom, it will destroy the American Dream for future generations. **America is on the verge of becoming a country in decline—economically stagnant and permanently debt-bound, heavily regulated and bureaucratic, less self-governing and less free**. But this fate does not have to be our future. **We can get spending under control, balance the budget, and shrink our debt.** We can limit the size of government and set free once again the unlimited genius of Americans to create wealth and jobs. We can turn the tide and change our nation’s course. Hard times demand tough choices**. The future of our nation is at stake**. America must change course. **We face a staggering fiscal problem that threatens the very future of our nation. Not only will we continue to struggle with huge federal deficits into the near future, but the problem will become ever larger and ever deadlier in the decades to come. Unless we act wisely, massive government spending and surging public debt will destroy the foundations of our economy** and darken the American Dream for our children and grandchildren.

\*Global Econ

Global Econ Up

Global stocks are rising after the G8 summit—the world is making an economic recovery

Nazareth 5/27 (Rita, Bloombery, 2011, http://www.bloomberg.com/news/2011-05-27/stock-index-futures-are-little-changed-linkedin-omnivision-shares-drop.html)

**Global stocks rose after the Group of Eight leaders said that a strengthening global economy will pave the way to cuts in the debt** built up during the recession that followed the 2008 financial crisis. **Europe vowed to fight its fiscal woes with “determination,” while President** [**Barack Obama**](http://topics.bloomberg.com/barack-obama/) **promised a “clear and credible” U.S. deficit-reduction strategy.** [**Japan**](http://topics.bloomberg.com/japan/) **was allowed to put off savings measures until its economy rebounds** from the March earthquake and tsunami.

**“The global recovery is gaining strength and is becoming more self-sustained**,” according to a statement after a two-day summit in Deauville, [France](http://topics.bloomberg.com/france/). Without mapping out binding targets, the leaders pledged to “remain focused on the action required to enhance the sustainability of public finances.” U.S. consumers grew more confident in May than a month earlier as declining gasoline prices helped lift Americans’ spirits. **“The world is healing economically**,” said [Philip Orlando](http://topics.bloomberg.com/philip-orlando/), the New York-based chief equity market strategist at Federated Investors Inc., which oversees $358.2 billion. “**I’m delighted to see the G-8 take a longer-term view of things, especially because some investors have been focused on the near term.”**

The global economy is expanding and recovering

Deen 5/25 (Mark, Bloomberg, 2011, http://www.bloomberg.com/news/2011-05-25/oecd-cautions-u-s-japan-on-deficit-reduction-maintains-global-forecasts.html)

The **budgetary efforts needed to** “merely **stabilize debt are substantial for many countries,**” OECD Chief Economist Pier Carlo Padoan wrote in the Paris-based organization’s annual economic outlook published today. “The [United States](http://topics.bloomberg.com/united-states/) and Japan, for which such requirements are the largest, have yet to produce credible medium term plans” and other countries need to specify how they’ll achieve their goals. The remarks underline growing concern about debt sustainability in developed countries even as the global economy expands in the wake of its worst recession since World War II. **The OECD maintained its forecasts for the world economy to expand 4.2 percent this year and 4.6 percent in 2012, and raised them for U.S. growth in 2011 even as it warned of stagflation in some economies. “The global recovery is becoming self-sustaining and more broad based,”** Padoan said. Even so, he said spiraling deficits in the U.S. and Japan and higher energy prices are among the threats to the recovery, while OECD Secretary General Angel Gurria said at the report’s presentation in Paris that downside risks “predominate,” including[Europe](http://topics.bloomberg.com/europe/)’s sovereign-debt crisis.

The global economy is on it’s way to recovery

Felsenthal 5/19 (Mark, Reuters, 2011, http://www.reuters.com/article/2011/05/19/us-imf-lipsky-idUSTRE74I5XI20110519)

(Reuters) - **The global economic recovery is accelerating but remains vulnerable to setbacks**, IMF acting Managing Director John Lipsky said on Thursday, as he urged continued international support for shaky economies in Europe. "**The global recovery is gaining strength. But it remains fragile and uneven, and beset by uncertainties**," he said at a meeting of the Bretton Woods Committee, a private sector advisory group to the International Monetary Fund and World Bank. Some **euro zone states**, including [Greece](http://www.reuters.com/places/greece), Ireland and Portugal, **are facing massive debt problems**. European governments have been discussing a plan to prevent a Greek default.

U.S. Treasury Secretary Timothy Geithner on Thursday called for a "prompt succession" but said Lipsky, **a U.S. national, could provide "able and experienced leadership" during a critical time for the global economy.** Lipsky, whose term as the Fund's No. 2 official expires in August, will serve as acting managing director until

the IMF executive board selects a successor to Strauss-Kahn. Lipsky told the Bretton Woods group that **emerging market countries concerned about stemming a potentially volatile surge of capital into their economies might be justified on occasion in erecting capital controls.**

Global Econ Down

The global economy is getting worse due to a manufacturing slowdown

**Barkin 5/29** (Noah, Reuters, 2011, http://www.reuters.com/article/2011/05/29/global-economy-weekahead-idUSLDE74Q20320110529)

BERLIN, May 29 (Reuters) - **Add a manufacturing slowdown to the growing risks facing the world economy**. **High input prices, supply chain disruptions from the tsunami disaster in Japan and slowing demand from** [**China**](http://www.reuters.com/places/china) **have combined to brake manufacturing momentum in Europe, the United States and Asia in recent months following a steady run of robust growth**. Just how sharp the slowdown is will become clearer this week with the release of data from factory purchasing managers in major economies across the globe. In the [euro zone](http://www.reuters.com/subjects/euro-zone), where divergence between core and peripheral countries has been the story for months, signs of more broad-based trouble emerged last week. A preliminary manufacturing index for May posted its biggest one-month fall since the collapse of Lehman Brothers in 2008. That reading is expected to be confirmed on Wednesday, as are factory slowdowns in the United States and China, where curbs on bank credit and power shortages have slowed growth, adding to worries about the world's second-largest economy. Driven by higher energy prices, costs for **the U.S. manufacturing sector rose to their highest level in nearly three years last month.** A nascent slowdown in the sector, due in part to poor weather, has been blamed for an uneven labour market recovery. U.S. companies created jobs at their fastest pace in five years in April. But May non-farm payrolls data due on Friday risks disappointing after a surprise rise in U.S. jobless claims last week highlighted persistent hurdles in the labour market"**This is a delicate moment for the global economy, and the crisis is not over until our economies are creating enough jobs again,"** said Angel Gurria, secretary general of the Paris-based Organisation for Economic Cooperation and Development. "**There is also some concern that if downside risks reinforce each other, their cumulative impact could weaken the recovery significantly, possibly triggering stagflation in some advanced economies."**

The global economy is down

Harding 5/28 (Sy, Stock Analyst, iStock Analyst, 2011, http://www.istockanalyst.com/finance/story/5189572/finance-market-the-beating-goes-on)

As worrisome as the slowing economy in the U.S. is, **the problems in global economies are** just as **worrisome, between the worsening debt crisis in Europe; the potential for the resulting austerity programs to slow economies; sharply rising inflation in Asia and South America that has central banks aggressively raising interest rates; and history-making changes coming in the Middle East as a result of the political uprisings and revolutions.**

**It's been over a year since the initial bailout of Greece, and the odds of it defaulting on its debt, with widespread consequences for European bank**s, is much greater now than before the **bailouts began. Ireland and Portugal were next in line as the domino effect continued.** And now the **rating agencies have added Spain and Italy to the list of countries floundering under massive debt and slowing economies. Meanwhile, China, India, Brazil, Russia et al continue to aggressively raise interest rates and tighten monetary policies to fight back at inflation, but are making no progress so far**, even as the tightening moves are likely to slow their economic growth. This week China reiterated its determination that it will remain aggressive in trying to bring its overheated real estate [market](http://www.istockanalyst.com/finance/story/5189572/finance-market-the-beating-goes-on) (bubble) back to earth. Analysts are increasingly worried that bursting of asset bubbles in China will plunge its economy down to a hard landing, perhaps even into recession.So **problems in global markets are also serious.**

The global economy is down

Simon 5/27 (Zoltan, Bloomberg, 2011, http://www.bloomberg.com/news/2011-05-27/roubini-sees-stock-correction-tipping-point-.html)

[Nouriel Roubini](http://topics.bloomberg.com/nouriel-roubini/), the economist who predicted the global financial crisis, said **stock markets are at the “tipping point” of a correction as economic growth may begin to slow**. Companies had ridden a worldwide recovery to boost sales and profits, supporting equity price increases, Roubini, co- founder and chairman of Roubini Global Economics, told a conference in Budapest today. **Now, signs of a global economic slowdown may drag down stock prices, he said.** “Until two weeks ago I’d say markets were shrugging off all these concerns, saying they don’t matter because they were believing the global economic recovery was on track,” Roubini said. “But I think right now we’re on the tipping point of a market correction. Data from the U.S., from [Europe](http://topics.bloomberg.com/europe/), from [Japan](http://topics.bloomberg.com/japan/), from [China](http://topics.bloomberg.com/china/) are suggesting an economic slowdown.” **The world economy is losing strength halfway through the year as high** [**oil prices**](http://topics.bloomberg.com/oil-prices/) **and fallout from Japan’s natural disaster and Europe’s debt woes take their toll. “Until now, equity prices were supported by better-than- expected earnings, sales and profit margins,” Roubini said. “But all three are under squeeze.** With slow global economic growth, they’re going to surprise on the downside. We’re going to see the beginning of a correction that’s going to increase volatility and that’s going to increase [risk aversion](http://topics.bloomberg.com/risk-aversion/).”

\*US Econ

US Econ Up

The US economy is recovering

Lee 5/30 (Don, Los Angeles Times, 2011, http://www.latimes.com/business/la-fi-economy-20110530,0,971329.story?page=1&track=rss)

Reporting from Washington and Los Angeles— Signs of slower growth in the United States, coupled with rising fears over the [European](http://www.latimes.com/topic/intl/europe-PLGEOREG0000014.topic) debt crisis and other unsettling developments, are fueling concern about whether the sputtering U.S. recovery could stall or even enter a new downturn. But beneath the surface, **some key factors contributing to the anemic recovery are actually positive; long-sought changes in Americans' financial behavior could point toward a stronger, more sustainable economy in the future.** In contrast to the unconstrained spending of the past, U.S. consumers are building up their savings at rates not seen in years. They're also doing more to pay down credit cards and other debt. Higher savings rates and lower debts tend to slow economic growth in the short term but stimulate it in the longer term. And **future growth based on personal savings and smaller debts is less likely to produce dangerous bubbles.** Even if some consumers are tempted to return to their old ways, **new federal regulations and tougher standards that the nation's banks have imposed on credit card applicants and other borrowers are creating pressure to curb debt and save more**. But the stock market appears to have a different take this time around. **Although share prices have fallen in May, the losses have been modest overall.** **The Dow, at 12,442 on Friday, is down 2.9% from its three-year high reached April 29. "There's a lot more confidence that this is a 'soft patch' and not the start of a double-dip**" in the economy, said Phil Orlando, chief equity strategist at money manager [Federated Investors Inc.](http://www.latimes.com/topic/economy-business-finance/federated-investors-incorporated-ORCRP005632.topic) in New York. He and other optimists believe that much of **the economy's slowdown stems from temporary factors** — terrible winter and spring weather in much of the country, the jump in gas prices and global factory-production disruptions tied to [Japan's](http://www.latimes.com/topic/intl/japan-PLGEO000001.topic) [earthquake](http://www.latimes.com/topic/disasters-accidents/earthquakes/tsunamis/japan-earthquake-tsunami-%282011%29-EVWAN00003.topic) in March. Carl Riccadonna, senior U.S. economist at [Deutsche Bank](http://www.latimes.com/topic/economy-business-finance/deutsche-bank-ag-ORCRP004479.topic) in New York, noted **that U.S. business productivity grew at a 1.6%** annualized rate in the first quarter, down from 2.9% in the fourth quarter. That decline signals that companies' ability to squeeze more production from their current labor force is waning, he said, and "the pace of hiring should accelerate."

The US economy is rebounding—stocks are rising

Nazareth 5/27 (Rita, Bloombery, 2011, http://www.bloomberg.com/news/2011-05-27/stock-index-futures-are-little-changed-linkedin-omnivision-shares-drop.html)

**U.S. stocks rose, trimming the longest weekly drop in more than 15 months**, as comments from the Group of Eight about the global economy’s strength offset a slump in home sales that was 12 times faster than projected. “The global recovery is gaining strength and is becoming more self-sustained,” according to a statement after a two-day summit in Deauville, [France](http://topics.bloomberg.com/france/). Without mapping out binding targets, the leaders pledged to “remain focused on the action required to enhance the sustainability of public finances**.” U.S. consumers grew more confident in May than a month earlier as declining gasoline prices helped lift Americans’ spirits**. **U.S. stocks rose and a gauge of homebuilders in the S&P indexes rallied 1.9 percent** even after a report showed that the number of Americans signing contracts to buy previously owned homes plunged more than forecast in April, a sign the industry that triggered the recession continues to struggle.

US Econ Down

The unemployment rate is getting worse—economic recovery is looking bleak

Rugaber 6/4 (Christopher S., AP Econ., ABC News, 2011, http://abcnews.go.com/US/wireStory?id=13757761)

A bleak jobs report suggests **the recovery from the Great Recession will be longer and bumpier** than many economists had envisioned. **The unemployment rate in May inched up to 9.1 percent from 9 percent**, the Labor Department said Friday; when Obama took office, it was 7.8 percent. **Only 54,000 jobs were created in May**, the fewest in eight months. By contrast, an average of 220,000 jobs were created in each of the previous three months. Private companies hired only 83,000 workers in May — the fewest in nearly a year — while state and local governments cut 30,000 jobs. The Conference Board, a business research group, predicts the rate will be 8.5 percent at the end of next year. That would **mean Obama would face a higher unemployment rate than any president running for re-election** since World War II**. The small overall job growth wasn't enough to prevent the unemployment rate from rising**, largely because **more people started looking for work in May** and people aren't counted as unemployed unless they're looking for a job. So the actual number of unemployed grew to 13.9 million, from 13.7 million.

US economy is down—the job market is still weak and getting weaker

Goldfarb 6/3 (Zachary A., The Washington Post, 2011, http://www.washingtonpost.com/business/economy/economic-news-is-bad-for-obamas-reelection-bid/2011/06/03/AGjZpQIH\_story.html)

Any notion that President Obama’s reelection campaign was gaining momentum was shaken this week by a string of worrisome **economic reports show**ing **weakness in the job market** and new lows for housing prices. But on Friday, a surprisingly grim employment report was a warning that Obama could face a more challenging economy than had been expected**. The government said** [**the economy had added far fewer jobs than analysts had projected**](http://www.bls.gov/news.release/empsit.nr0.htm)**.** But on Friday, **a surprisingly grim employment report was a warning that Obama could face a more challenging economy than had been expected. The government said** [**the economy had added far fewer jobs than analysts had projected**](http://www.bls.gov/news.release/empsit.nr0.htm)**.** “**The prospect of economic growth getting up to a point and unemployment getting down to a point that is comfortable for an incumbent are declining by the month, and are now not very high at all,**” said William Galston, a policy adviser in the Clinton White House and a veteran of Democratic presidential campaigns.

The economy is not growing fast enough—it’s getting worse

**Wiseman 6/2** (Paul, AP Writer, ABC News, 2011, http://abcnews.go.com/Business/wireStory?id=13737224)

**The economy is tiring again**. Reports Wednesday on manufacturing and company hiring were so weak that many economists immediately downgraded their forecasts for Friday's jobs report for May. Some **analysts** also **slashed their estimates for growth** in the April-June quarter. "We're definitely in a soft patch," says Steve Blitz, senior economist for ITG Investment Research. But for now**, signs of a more sluggish stage of the economy are spreading**. The Dow Jones industrial average plunged nearly 280 points, or 2.2 percent, wiping out more than one-fourth of the year's gains. J.P. Morgan, citing the tepid reports on auto sales and construction, on Wednesday cut its forecast for growth for the April-June period for the second time in two weeks. It now **expects the economy to expand at an annual pace of just 2 percent from April to June, down from its earlier forecast of 2.5 percent. The economy would need to grow at least twice that fast to generate healthy job growth in the aftermath of a deep and painful recession. "**At the very least," he says, **"the optimism is gone."**

US exports are going down globally—the economy is getting worse

**Turner 6/2** (Sarah, The Wall Street Journal, 2011, http://online.wsj.com/article/SB10001424052702303745304576360253187718320.html?mod=googlenews\_wsj)

Asian share markets tumbled Thursday, after **U.S. economic news raised questions about demand for Asian exports and fed into worries about the trajectory of global growth.** Figures released Wednesday on U.S. May **private-sector employment fell far short of market expectations.** **Growth in the U.S. manufacturing sector** also receded in May**; it was the biggest one-month slowdown since 1984**. Analysts at Daiwa said manufacturing was "an especially effective barometer of the health of the U.S. economy," and that the reading for May suggests **that Asia's exports to the U.S. are likely to decelerate sharply.** The news, following softer manufacturing surveys from China and the U.K. earlier Wednesday, sparked a sharp selloff on Wall Street. It shifted analysts' focus to a debate over whether the Federal Reserve might consider supporting the U.S. economy by extending its asset purchases, which have been often criticized in Asia as an inflation driver.

\*Spending

Spending Up 1/3

Spending is up—the government is trying to create new jobs

Lillis 6/4 (Mike, The Hill, 2011, http://thehill.com/homenews/house/164751-dems-double-down-on-new-spending-after-discouraging-jobs-report?page=2#comments)

House **Democrats this week have amplified their calls for new spending on infrastructure and other federal projects in the face of May's discouraging job-creation figures**. Even as Republicans are insisting on "trillions" of dollars in spending cuts, **Democrats maintain that a targeted injection of additional federal dollars in the near-term would go a long way toward reversing the hiring slump.** **"They passed a nearly $1 trillion stimulus bill** which failed to get people back to work," House Majority Leader Eric Cantor (R-Va.) said last week of the $787 billion stimulus bill. That proposal featured $288 billion in tax benefits; **$275 billion for energy and infrastructure projects; and $224 billion for safety-net programs.**

Spending is up—cuts are being disguised

Batten 6/3 (Brent, Naples News, 2011, http://www.naplesnews.com/news/2011/jun/03/brent-batten-federal-budget-diaz-balart/)

**So the plan being mulled by Congress entails a 9 percent increase in funding for food stamps. “Democrats are aggressively pushing back at the cuts that they argue constitute an attack on the poor.” A 9 percent increase is deemed a “cut” because it is $2 billion less than what the president requested.** In 2008, federal spending totalled $2.9 trillion. In 2010, it was $3.5 trillion. **President Obama’s proposed budget for 2012 amounts to $3.7 trillion.**

Spending is up—cuts would threaten global recovery

Varner 5/25 (Bill, Bloomberg, 2011, http://www.bloomberg.com/news/2011-05-25/u-s-spending-cuts-might-imperil-global-recovery-un-says.html)

**Government spending cuts by the U.S. and other Western nations might threaten the global economic recovery**, the [United Nations](http://topics.bloomberg.com/united-nations/) said as it forecast 2.8 percent growth in the [U.S. economy](http://topics.bloomberg.com/u.s.-economy/) next year. “**If austerity measure are too drastic and come too soon given the stage of the recovery, economic growth and employment could suffer and the still fragile banking sector could weaken further,**” the UN’s midyear economic analysis said. “A fall out in one part of the developed country financial system may still have ripple effects worldwide.” **The cautionary comments come as the Obama administration and the Congress debate proposals to cut U.S. spending in an effort to reduce the** [**budget deficit**](http://topics.bloomberg.com/budget-deficit/) **and slow the growth of the national debt.** European nations, such as the U.K., are imposing government spending cutbacks.

Spending Up 2/3

Predictive evidence – the government will continue to spend

Matthews 5/18 (Dylan, Harvard student, WaPo, http://www.washingtonpost.com/blogs/ezra-klein/post/new-spending-deal-reached-like-the-old-spending-deal/2011/05/18/AFn75R6G\_blog.html)JFS

This article by Molly Hooper in The Hill on House Republican concerns that they’ll need Democratic votes to pass spending bills in fiscal year 2012 is sort of odd. All of the actual reporting is solid. The GOP majority is thin enough that a few conservative defections could make Democratic support for appropriations bills essential. But you know what else makes Democratic support for appropriations bills essential? The Democratic Senate. And the Democratic president. The only appropriations bills that have a chance of getting signed are ones that everyone with the power to sink them — President Obama, Harry Reid, Mitch McConnell and John Boehner — agree to ahead of time. I suppose it’s possible that a coalition of very liberal and very conservative House members could sink a deal those four agree on, but I doubt it. So what I expect will happen is that, just as in fiscal year 2011, those four people and their representatives will spend months ironing out a deal, it’ll get passed and signed quickly once reached, and that’ll be that. Now House Republicans could want to set up a series of symbolic votes on their own appropriations proposals to show how committed they are to tackling the deficit. If that’s what they’re after, then yes, they’d want to make sure that enough Democrats back them to avoid an embarrassing defeat. But those are luxury votes, and if they might fail the House leadership might as well not hold them. They don’t accomplish anything in terms of policy, so there’s no point in holding them if they don’t look good.

**Lawmakers just gave FEMA a $1 billion supplemental**

**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. Rep. Robert Aderholt (R-AL) chairs the House Homeland Security Appropriations Subcommittee. That panel controls the purse strings for the Federal Emergency Management Agency (FEMA). Twisters ravaged parts of Aderholt's district and other sections of Alabama just a few weeks ago. Then came floods, up and down the Mississippi River. The federal government even blew up a major levee in Missouri to alleviate upstream flooding. And then a monster tornado sacked Joplin, MO, Sunday night. "It's going to be close," said Aderholt, when asked if FEMA had enough money to make it through September 30, the end of the government's fiscal year. On Tuesday, the House Appropriations Committee "marked-up" or wrote the final version of a measure to fund Homeland Security programs and FEMA. No one has tallied the cost of the storms in Alabama. There's no price tag on the flooding. And it's way too early to ring up the damages in Missouri. But Aderholt and others wanted to make sure FEMA had enough money for now. So during the markup session, lawmakers from both sides of the aisle injected $1 billion into FEMA's budget. Aderholt and others believe that on top of the $1 billion, they'll also have to craft an entirely separate supplemental spending bill to pay for the natural disasters. And perhaps those yet to come.

Spending Up 3/3

And, more FEMA spending is coming

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

Now there's a question of forging a supplemental spending bill once all of the disasters are paid for. Aderholt has talked about the need for an additional spending bill to cover FEMA. And he's not the only one. "$1 billion isn't going to do it," conceded Rep. David Price (D-NC), the top Democrat on the House Homeland Security Appropriations Subcommittee. "We are going to need the administration to offer a supplemental request." House Majority Leader Eric Cantor (R-VA) knows how sensitive this is. "If there is support for a supplemental, it would be accompanied by support for having pay-fors to that supplemental," said Cantor on Monday. Note that Cantor said "if there is support for a supplemental." Locating that support could be a problem. Rep. Jo Ann Emerson (R-MO) is a senior member of the Appropriations Committee and represents the district right next to where the tornadoes hit Sunday. Emerson conceded it may be hard to court conservatives whose districts aren't experiencing a natural disaster. "We can try and be responsible, but people need money," Emerson said. "While I think it's important we do everything to offset (the additional FEMA spending), I don't think we can find all that money." When it's a challenge to cobble together votes for a supplemental spending bill, lawmakers often turn to a time-honored tradition on Capitol Hill. They begin to decorate the supplemental with all sorts of baubles and ornaments to attract the support of reluctant lawmakers. But times have changed in Washington. And most conservatives are unwilling to go that route. "These bills become Christmas trees," said Rep. Steve Scalise (R-LA). "You end up having a bunch of items that having nothing to do with the bill." Rep. Jeff Landry (R-LA) is a freshman who represents Cajun country and the mouth of the Mississippi River. Some of the most serious flooding has washed over parts of Landry's southern Louisiana district. Landry knows what's essential to recover from the floods. "If we can do it without a supplemental, sure," Landry said. "But I don't now how we can do it."

Even “spending cuts” are increasing spending

Beutler 5/16 (Brian, Talking Points Memo, http://tpmdc.talkingpointsmemo.com/2011/05/oops-historic-spending-cut-bill-increased-spending-by-3-billion.php)JFS

Republicans stormed Capitol Hill in January vowing to slash discretionary spending by $100 billion right off the bat. In their pledge to America, they promised that, "[w]ith common-sense exceptions for seniors, veterans, and our troops, we will roll back government spending to pre-stimulus, pre-bailout levels, saving us at least $100 billion in the first year alone." As time went on, it became clear that they wouldn't get the whole loaf, and the key question became: How many billions of dollars in spending would Democrats agree to cut, without risking massive Republican defections, and, perhaps, a protracted government shutdown? A few weeks after they cut the deal, we have an answer. It turns out the six-month spending bill Congress passed in April increased discretionary outlays through the remainder of the fiscal year by a bit over $3 billion. In other words, total direct spending will be higher by the end of September than if Congress had just set spending on autopilot for the remainder of the fiscal year back in April. "Total discretionary outlays in 2011 will be $3.2 billion higher as a result of the legislation, CBO estimates--an increase of $7.5 billion for defense programs, partially offset by a net reduction of $4.4 billion in other spending," reads a just-released report from the Congressional Budget Office -- Congress' non-partisan scorekeeper. Analysts there conclude that increase is due in large part to the fact that the six month spending bill shifted defense spending to more immediate activities, which means the bills will come due sooner than later. When the deal went down in early April, both Democrats and Republicans characterized it as a historic spending cut bill -- a triumph of bipartisanship and the first time in memory that the government significantly reduced spending. But the approximately $38 billion in advertised cuts spanned the entire federal budget, including locked-in "mandatory" spending programs, and it reflected reductions in "budget authority" -- how much the government is allowed to spend -- as opposed to projected "outlays" -- how much the government truly will spend. When viewed more narrowly -- how many fewer dollars will the government spend this year as a result of this bill -- the results flip.

Deficit Up

We cannot contain our federal debt

Morgenson 5/28 (Gretchen, NYT Finan. Editor, 2011, The New York Times, http://www.nytimes.com/2011/05/29/business/economy/29gret.html)

SAY this about all the bickering over the federal debt ceiling: at least people are talking openly about our nation’s growing debt load. **This $14.3 trillion issue is front and center** — exactly where it should be. Into the fray comes a thoughtful new paper by Joseph E. Gagnon, a senior fellow at the Peterson Institute for International Economics, which studies economic policy. Written with Marc Hinterschweiger, a research analyst there, [the report](http://bookstore.piie.com/book-store/6215.html) states plainly: “That **government debt will grow to dangerous and unsustainable levels in most advanced and many emerging economies over the next 25 years** — if there are no changes in current tax rates or government benefit programs in retirement and health care — is virtually beyond dispute.” **The report then lays out a range of outcomes, some merely unsettling, others downright scary, that face us as a nation if we continue down the big-spending path we are on.** The report, “The Global Outlook for Government Debt Over the Next 25 Years: Implications for the Economy and Public Policy,” arrives when **our debt as a percentage of** [**gross domestic product**](http://topics.nytimes.com/top/reference/timestopics/subjects/u/united_states_economy/gross_domestic_product/index.html?inline=nyt-classifier) **is around 65 percent and rising fast.** Much of the recent increase, up from 43 percent in 2007, is the result of the panic of 2008 and the ensuing [recession](http://topics.nytimes.com/top/reference/timestopics/subjects/r/recession_and_depression/index.html?inline=nyt-classifier), when the government stepped in to mitigate the damage. **What needs to be done now is to design a long-term plan to reduce fiscal deficits in the future**. The authors contend that **such a program would** “**reassure** the markets, keep interest rates low and instill greater confidence and certainty about future tax and **spending policies**, thereby encouraging businesses to commit their resources to job-creating investment projects.” An intriguing aspect of their analysis is how it views the rising tide of debt around the world from a historical perspective. For so many countries to be groaning under so much debt at the same time is unusual, the authors say. More typical are the somewhat contained debt crises, like in Latin America in the 1980s or in Russia in 1998. While both of those episodes reverberated beyond the countries from which they sprang, today’s debt problems are far more widespread. And, as a result, more worrisome.

**The simultaneous buildup of very large public deficits and debt positions in virtually all of the advanced high-income countries “is a new element at work in the global economy,”** the report says.

US debt is up—other nations notice

Snyder 5/27 (Michael Synder, Benzinga, T2011, http://www.benzinga.com/11/05/1119425/when-faith-in-u-s-dollars-and-u-s-debt-is-dead-the-game-is-over-–-and-that-day-is-clos)

**A day is coming when the rest of the world will decide that it no longer has faith in U.S. dollars or in U.S. debt.** When that day arrives, the game will be over.  Traditionally, two of the biggest things that the U.S. economy has had going for it were the U.S. dollar and U.S. Treasuries.  The U.S. dollar has been the default reserve currency of the world for decades.  All over the globe it was seen as a strong, stable currency that was desirable for [international trade](http://www.benzinga.com/11/05/1119425/when-faith-in-u-s-dollars-and-u-s-debt-is-dead-the-game-is-over-%E2%80%93-and-that-day-is-clos).  U.S. government debt has long been considered the "safest debt" in the entire world.  Whenever there was a major crisis, investors would flock to U.S. Treasuries because they were considered a rock.  Sadly, all of this is now changing**.  Today the rest of the world is losing faith in the U.S. financial system.  In fact, even the United Nations is now warning of the collapse of the dollar.  But if the U.S. dollar and U.S. Treasuries collapse, that will be an absolute nightmare for the U.S. economy**.  If the rest of the world does not want our dollars someday, then what are we going to give them in exchange for all of the oil and all of the cheap imported goods they send us?  If the rest of the world does not want our debt someday, then how in the world are we going to be able to continue to consume far, far more wealth than we produce? **The rest of the world is watching the U.S. government run up record-setting budget deficits and they are watching the Federal Reserve print money like there is no tomorrow and they realize that the U.S. financial system is slowly imploding.**

Spending Down 1/2

No spending now – political consensus for cuts

LaMonica 4/14 (Paul, Asst. Managing Editor @ CNN Money, http://money.cnn.com/2011/04/14/news/economy/thebuzz/)JFS

If Ben Bernanke goes to sleep at night cursing the names of Barack Obama and Paul Ryan, you can hardly blame him. The Federal Reserve chairman's job has just gotten a lot tougher. Politicians have seen the light. Deficit cutting is their newfound religion and stimulus is an eight-letter dirty word. But with the economy still looking a bit shaky in the near-term and new government spending pretty much now verboten, that means the Fed may have to do even more to ensure that growth doesn't grind to a halt. Or worse. Can you say interest rates are likely to remain "exceptionally low for an extended period?" I knew you could. Uh-oh. The president's bold plan to cut the deficit by $4 trillion during the next dozen years and Congressman Ryan's even more audacious proposal to slash $6 trillion in spending over the next decade are clear signals that the White House and lawmakers realize they have to solve the government's addiction to debt.

Republicans won’t approve any new spending

Appelbaum 6/1 (Binyamin, The New York Times, 2011, http://www.nytimes.com/2011/06/02/business/economy/02jobs.html?\_r=1&partner=rss&emc=rss)

But the grim reality of widespread unemployment is drawing little response from Washington. The Federal Reserve says it is all but tapped out. There is even less reason to expect Congressional action. Both Democrats and Republicans see clear steps to create jobs, but they are trying to walk in opposite directions and are making little progress**. Republicans have set the terms of debate by pressing for large cuts in federal spending**, which they say will encourage private investment. Democrats have found themselves battling to minimize and postpone such cuts, which they fear will cause new job losses**. House Republicans told the president that they would not support new spending to spur growth during a meeting at the White House on Wednesday.** “The discussion really focused on the philosophical difference on whether Washington should continue to pump money into the economy or should we provide an incentive for entrepreneurs and small businesses to grow,” said Eric Cantor, the majority leader. “The president talked about a need for us to continue to quote-unquote invest from Washington’s standpoint, and for a lot of us that’s code for more Washington spending, something that we can’t afford right now.”

Major cuts are on the way

Wolf 5/31 (Richard, USA Today, 2011, http://www.usatoday.com/news/washington/2011-05-31-biden-vice-president\_n.htm)

WASHINGTON — **Since Republicans won a share of power in Congress last November, they've struck deals with Democrats on about $900 billion in tax cuts and $38 billion in spending cuts.** Now **the two sides are talking about** something far more ambitious: **$4 trillion in deficit cut**s. In recent months, **the vice presiden**t has emerged as [President Obama](http://content.usatoday.com/topics/topic/People/Politicians%2C%2BGovernment%2BOfficials%2C%2BStrategists/Executive/Barack%2BObama)'s dealmaker in chief, working with Senate Republicans to **cut taxes last December and House Republicans to cut spending in March and April.** But those displays of bipartisanship pale compared to the mediation wizardry that will be needed to gain a semblance of control over the nation's biggest fiscal problem: its $14.3 trillion debt. **Despite skepticism that the talks can produce a deal, both the president and Republican leaders are giving Biden a wide berth**. Says Senate Republican leader Mitch McConnell: "**The Biden group is the group that can actually reach a decision on a bipartisan basis.** And if it reaches that decision, obviously, we'll be recommending it to our members." Similarly, negotiations he headed with congressional Republicans to complete action on this year's budget included $38 billion in spending cuts — splitting the difference between Republicans who wanted far more and Democrats who wanted less. "**The president is anxious to get a deal**," says former Democratic Sen. [Ernest Hollings](http://content.usatoday.com/topics/topic/Ernest%2BHollings), a friend of Biden's and an author of the 1985 Gramm-Rudman-Hollings deficit-reduction law, which Biden backed. "So the president can find out from Biden how to finally get it."

Republicans are pushing for cuts

Kasperowicz 6/6 (Peter, The Hill, 2011, http://thehill.com/blogs/floor-action/house/164889-cuts-to-agriculture-programs-may-be-next-in-the-house)

The House as early as next week may take up legislation that would make $2.7 billion in cuts to agriculture and rural development programs. Like **the Department of Homeland Securi**ty (DHS) bill approved last week, the agriculture appropriations bill would make moderate cuts to spending from FY 2011 levels. The **bill cuts $2.7 billion in** so-called discretionary **spending compared to current funding levels**, bringing this line item to $17.25 billion. That's $5 billion below the Obama administration's budget request. House **Republicans justified cuts to discretionary programs by pointing to the need for continued fiscal discipline** in light of the $1.5 trillion budget deficit. "Clearly, America is on an unsustainable spending path," the [report language](http://thehill.com/images/stories/blogs/flooraction/Jan2011/hr2112report.pdf) states. "With this bill, **the Agriculture Appropriations Subcommittee is doing its part to** reverse this destructive spending pattern and **restore the fiscal health of our nation.**"

Spending Down 2/2

The U.S. is moving toward fiscal discipline.

Hederman and Sherk 11 (Rea, asst director Center for Data Analysis@Heritage Foundation, James, sr. policy analyst in labor econ@Heritage Foundation, Heritage Foundation, 4 March 2011, p. 3, <http://www.heritage.org/Research/Reports/2011/03/February-Unemployment-Fell-but-Recovery-Remains-Slow>) JT

The House of Representatives has recently taken modest steps toward reining in the budget deficit when it passed a continuing budget resolution last week. The House budget for the remainder of fiscal year (FY) 2011 reduces authorized spending by $61 billion. This would reduce the projected $1.5 trillion FY 2011 deficit by 4 percent.[[2]](http://www.heritage.org/Research/Reports/2011/03/February-Unemployment-Fell-but-Recovery-Remains-Slow%22%20%5Cl%20%22_ftn2) Liberal economists have reacted by predicting an economic cataclysm if the government goes ahead with these spending reductions. Economist Mark Zandi, who predicted that the 2009 stimulus would substantially boost the economy, predicts that the House budget would cost 700,000 jobs and cut GDP by 0.5 percent.[[3]](http://www.heritage.org/Research/Reports/2011/03/February-Unemployment-Fell-but-Recovery-Remains-Slow%22%20%5Cl%20%22_ftn3) Economists with the left-wing Center for American Progress contend that these budget reductions would cost the economy 1 million jobs and possibly send America back into recession.[[4]](http://www.heritage.org/Research/Reports/2011/03/February-Unemployment-Fell-but-Recovery-Remains-Slow#_ftn4) These predictions lack credibility. They come from the same economists who predicted that the stimulus would spur hiring and economic growth. They are based on models programmed to show that increases in government spending have large “multiplier” effects on the economy. These same models predicted a current unemployment rate of 7 percent if Congress passed the stimulus and 8.5 percent if Congress did not increase government spending.

Deficit Down

Republicans are urging Obama to make spending cuts to control the deficit

Taylor 6/2 (Andrew, AP Writer, The Times Leader, 2011, http://www.timesleader.com/news/GOP\_\_Obama\_talk\_spending\_cuts\_06-01-2011.html)

WASHINGTON — **Top House Republicans said they pressed** **President** [**Barack Obama**](http://www.timesleader.com/search?searchterm=%22Barack+Obama%22) Wednesday **for** more leadership and **a detailed plan on budget** cuts, with one leading lawmaker accusing him of mischaracterizing a GOP Medicare proposal at the center of a partisan divide over spending. **The meeting** at the White House **came** as the GOP sought **to build pressure on Obama for trillions in spending cuts in exchange for any increase in the government’s ability to borrow**. The White House had no immediate comment. “Any day Republicans and Democrats are actually having a dialogue, this is a good thing,” said Republican Rep. Jeb Hensarling of Texas. According to the GOP official briefed on the meeting, House Speaker John Boehner and other leaders told Obama that he hadn’t put a specific plan for spending cuts on the table. They brought up **a speech he gave at George Washington University in April in which he called for deficit reduction totaling $4 trillion through spending cuts, tax increases and other measures.** The Republicans said a speech isn’t a plan. The session between Obama and House Republicans came on the heels of a symbolic and lopsided vote the day before against a GOP proposal to raise the cap on the debt limit by $2.4 trillion.

Republicans are urging Obama to control the deficit—they won’t approve the debt limit otherwise

Werner 5/31 (Erica, AP, SeattlePI, 2011, http://www.seattlepi.com/news/article/GOP-presses-Obama-on-spending-cuts-Medicare-1404093.php)

WASHINGTON (AP) — Face to face at the White House, **GOP leaders complained to President** [**Barack Obama**](http://www.seattlepi.com/?controllerName=search&action=search&channel=news&search=1&inlineLink=1&query=%22Barack+Obama%22) **on Wednesday that he had not produced a detailed plan of spending cuts and accused him of playing politics over** [**Medicare**](http://www.seattlepi.com/?controllerName=search&action=search&channel=news&search=1&inlineLink=1&query=%22Medicare%22) **as the nation careens toward a debt crisis**. Later, Boehner told reporters at the Capitol he hoped **deficit-reduction talks could be wrapped up within a month and "the president agreed."** Boehner said **private talks** being led by Vice President [Joe Biden](http://www.seattlepi.com/?controllerName=search&action=search&channel=news&search=1&inlineLink=1&query=%22Joe+Biden%22) **were making "some marginal progress.** But at the rate that they're going we'll be right up against the deadline." That was a reference to an Aug. 2 deadline to raise the government's borrowing limit or risk an unprecedented credit default that the White House and even many Republicans say would be disastrous for the U.S. economy. **Republicans are refusing to approve the debt-limit increase without ordering spending cuts** topping a trillion dollars at the same time. The White House is insisting that in addition to spending restraint the deficit trimming must include tax increases that Republicans say are off the table.

\*\*Link

\*Space

Spending Link

Space exploration is expensive.

Kaku 9 (Michio, theoretical physics@CCNY, Forbes, 16 July 2009, <http://www.forbes.com/2009/07/16/apollo-moon-landing-anniversary-opinions-contributors-cost-money.html>) JT

After all is said and done about what went wrong, the bottom line is simple: money. It's about $10,000 to put a pound of anything into a near-earth orbit. (Imagine John Glenn, the first American to orbit the earth, made of solid gold, and you can appreciate the enormous cost of space travel.) It costs $500 to $700 million every time the shuttle flies. Billionaire space tourists have flown to the space station at a reputed price of $20 million per head. And to put a pound of anything on the moon costs about 10 times as much. (To reach Mars, imagine your body made of diamonds.) We are 50 years into the space age, and yet space travel is just as expensive as it always was.

Cutting space programs is key to fiscal discipline.

The Tech 10 (9 April 2010, 130(18), p. 6) JT

The White House has announced plans to host a conference in Florida on April 15 during which President Obama will unveil his vision for the U.S. space program. If recent moves by the administration are any indication, this new vision will significantly curtail public funding for space activity. The president is working hard to spin the upcoming change as a transition rather than a cut, and perhaps for good reason: He is unlikely to find a receptive audience in Florida, long a recipient of the National Aeronautics and Space Administration’s largess. But while the swing-state politics of the Sunshine State may compel Obama to tread carefully, we as the general public should recognize this new policy for what it is: a dramatic reduction in human space exploration. We should also support Obama for his fiscal discipline in cutting what has been a horrendous waste of our society’s resources.

Any new missions to space would add billions of un-appropriated dollars to NASA’s budget – exceeding the current monetary ability.

AFP 9 (Staff Writers, Sept. 9, http://www.space-travel.com/reports/US\_manned\_space\_program\_too\_expensive\_White\_House\_panel\_999.html JALO)

NASA's plans to fly to the moon and Mars are under threat from a lack of funds and the space agency needs another three billion dollars for its dreams to become reality, a presidential panel said. In a 12-page summary report released Tuesday offering a bleak assessment of plans to send astronauts back to the moon, the committee said the space agency would need the three billion dollars on top of its 18-billion-dollar budget to meet its ambitious targets. "Space operations become all the more difficult when means do not match aspirations," the committee wrote. "Such is the case today." As US president in 2004, George W. Bush launched a program dubbed Constellation with the goal of returning to the moon by 2020 and then establishing a lunar launchpad for a first trip to Mars. But in an executive summary of its report, a White House commission named by Bush's successor Barack Obama to review the US manned space program, said the current schedule was unachievable.

NASA Links

NASA programs overspend – private companies solve

DeHaven 10 (Tad, 12/28, CATO Institute Budget Analyst, Downsizing the Federal Government, http://www.downsizinggovernment.org/can-nasa-compete-with-spacex)JFS

Early this month, a private company called SpaceX launched an unmanned version of its Dragon capsule into orbit, took it for a few spins around Earth, and then brought it home with a splashdown in the Pacific Ocean. The total cost — including design, manufacture, testing and launch of the company's Falcon 9 rocket and the capsule — was roughly $800 million.   In the world of government spaceflight, that's almost a rounding error. And the ability of SpaceX to do so much with so little money is raising some serious questions about NASA. Now compare with NASA: Over the past six years, NASA has spent nearly $10 billion on the Ares I rocket and Orion capsule — its own version more or less of what SpaceX has launched — and came up with little more than cost overruns and technical woes. In October, Congress scrapped the Constellation moon program and ordered the agency to start over to design a rocket and capsule capable of taking humans to explore the solar system. A Cato essay on [cost overruns in government programs](http://www.downsizinggovernment.org/government-cost-overruns) points out that NASA is one of the government’s worst offenders: The National Aeronautics and Space Administration has long had major cost overrun problems, such as on its space station program. A GAO report in 2009 found that 10 of 13 major projects examined had substantial cost overruns or schedule delays. Alan Stern, a former NASA associate administrator, recently noted that “our space program is run inefficiently, and without sufficient regard to cost performance,” and further noted that costs overruns are a “cancer” on the agency.  Perhaps it’s a little unfair to use the word “compete” since SpaceX is receiving federal funds from NASA. That said, it seems clear that allowing the private sector to play a greater role in space is ideal, especially given NASA’s history of fiscal mismanagement. Whereas private companies are responsible to shareholders, NASA is responsible to policymakers who are often more concerned about maintaining space-related jobs in their districts rather than getting the best bang for the taxpayer buck.

NASA programs always cost more than anticipated.

Scientific American 9 (14 January 2009, p. <http://www.scientificamerican.com/article.cfm?id=space-exploration-sticker-shock>) JT

In October, NASA announced that the $1.5-billion [Mars](http://www.scientificamerican.com/topic.cfm?id=mars) Science Laboratory (MSL), a car-size rover planned for launch this fall, had become the $2-billion Mars Science Laboratory. When first conceived, it was the $650-million Mars Science Laboratory. Even more egregious is the $1-billion-make-that-$4.5-billion James Webb Space Telescope, successor to Hubble. Complex projects of any kind—not only in the space program—always cost more than anticipated. But experts say the agency could—and needs to—do better.

Manned Mission to Mars Link

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.

Privatization Link Shield

Privatization solves spending and makes programs more effective – transportation, Amtrak, airports, and air traffic control proves.

Edwards, 10 (Chris, director of tax policy studies@CATO, 30 June 2010, p. <http://www.cato.org/testimony/ct-ce-06302010.html>) JT

Governments on every continent have sold off state-owned assets to private investors in recent decades.11 Airports, railroads, and many other assets have been privatized. The U.S. government privatized some activities during the 1980s and 1990s, but we lag behind other nations in realizing the potential of this type of reform. Germany and the Netherlands, for example, have privatized their postal services, while Chile, Australia, and other nations have privatized their Social Security systems. The Department of Transportation is a good target for privatization reforms.12 Rising federal control over transportation has resulted in the political misallocation of funds, bureaucratic mismanagement, and costly one-size-fits-all regulations on the states. The solution is to devolve DOT activities back to state governments and the private sector. The federal government should end highway aid, and the states should seek private funding for their highways. Virginia is adding toll lanes on the Capitol Beltway, which are partly privately financed, and that state is also home to the Dulles Greenway, a 14-mile private highway in operation since 1995. Ending federal highway aid would accelerate the trend toward such innovative projects. The federal government should end subsidies to Amtrak and high-speed rail. Amtrak has a poor on-time record, its infrastructure is in bad shape, and it carries only a tiny fraction of intercity passengers. Politicians prevent Amtrak from making cost-effective decisions regarding its routes, workforce polices, and capital investments. Amtrak should be privatized to save money and give the firm flexibility to operate efficiently. As for high-speed rail, even in countries such as Japan and France virtually all high-speed rail lines are money losers, and they carry only a small fraction of intercity passengers. The federal government should end aid to airports, which are owned by state and local governments. State and local governments should be encouraged to privatize their airports and have them operate without subsidies. In recent decades, many airports have been partly or fully privatized in major cities such as Amsterdam, Auckland, Frankfurt, London, Melbourne, Sydney, and Vienna. Finally, the air traffic control system should be privatized. The Federal Aviation Administration has a poor record in implementing new technologies in a timely and cost-effective manner. Many nations have moved towards a commercialized ATC structure, and the results have been very positive. Canada privatized its ATC system in 1996 in the form of a nonprofit corporation, NavCanada, which has a very good record on safety and innovation.

\*\*Internals

\*Spending Bad

Spending Kills Fisc Disc

Cutting the deficit is key to saving the economy – new spending is counterproductive.

McNamara, Persson, and Foster 11 (Sally, sr policy analyst@Heritage Fdn, Mats, econ@Stockholm, J.D., sr fellow@Heritage Fdn., 26 April 2011, p. http://www.heritage.org/Research/Reports/2011/04/Ten-Economic-Lessons-from-Europe-for-the-US-President) JT

The primary lesson from the Eurozone sovereign debt crisis is that running large deficits and accumulating debt with no indication of changing will always translate into higher interest payments and likely higher interest rates, meaning more tax revenue will be consumed just paying for past fiscal sins. Greece, Ireland, and Portugal are now facing interest rates of 13 percent, 10 percent, and 9 percent, respectively, and still face the very real possibility of defaulting. The U.S. is on dangerous ground by not tackling its current and future deficits with enough urgency. The Obama Administration seems to be relying on markets continuing to provide it with near unlimited liquidity at reasonable rates. But this cannot last forever. Even absent a fiscal correction, interest rates are widely expected to rise substantially in the next few years as the global economy rebounds. For example, the Administration forecasts a rise in the 10-year Treasury rate of 230 basis points. Add in the ongoing deficits, and investors will eventually give the United States the Irish treatment, raising the cost of borrowing much more. 2. Time Is of the Essence. European politicians (and taxpayers) have learned the hard way that inaction comes with a higher price tag than taking action. Failure to address the Eurozone crisis early on has seen the costs spiral and the contagion spread. American political leaders would do well to learn that even when they do nothing, economic problems continue to mount.

New spending upsets fiscal discipline, crashing the economy

Riedl 10 (Brian, fellow@Heritage Fdn., 8 November 2010, p. <http://www.heritage.org/Research/Commentary/2010/11/Achieve-a-Balanced-Federal-Budget-Through-Spending-Restraint>) JT

Just two years ago, pundits and politicians pounded George W. Bush for presiding over a "staggering" $458 billion budget deficit. Since then, the deficit has soared—to $1.4 trillion in 2009 and to $1.3 trillion this year. Merely maintaining current tax-and-spending policies would push the annual deficit to nearly $2 trillion by 2020, and even that ocean of red ink assumes a return to peace and prosperity. These numbers are unsustainable. Doubling the national debt will significantly harm the economy and place an obscene financial burden on our children and grandchildren. Much of this election was about our nation's rapidly deteriorating fiscal condition. Fixing the budget is paramount; however, it must be done in the right way. Simply focusing on deficits and aiming to balance the budget without identifying the underlying problem could mean all solutions are treated equally. Yet some solutions, such as steeply raising taxes, can cause more harm than good. Washington's problem isn't that it taxes too little. Even if all 2001 and 2003 tax cuts are extended, federal revenues are headed back toward 18 percent of the total economy—the average level for the last 50 years. What's changing is federal spending. Historically, it equals 20 percent of the economy. But now it is projected to top 26 percent by the end of the decade. Spending is the root cause of our spiraling long-term deficits. It's what Congress must tackle to fix the budget.

Fisc Disc KT Savings

Fiscal Discipline is key to U.S. Savings

Gale and Orszag 2 (William, chair in econ policy@Brookings, Peter, sr fellow@Brookings, Tax Policy Center, p. 3, 17 December 2002, http://www.brookings.edu/~/media/Files/rc/papers/2002/1217taxes\_gale/20021217.pdf) JT

The purpose of this paper is to examine the evidence on the economic effects of long-term fiscal discipline, including effects on interest rates. As we explain below, the recent academic literature suggests a more substantial connection between anticipated fiscal deficits and current interest rates than the Administration’s statements would suggest. The debate over the precise relationship between deficits and interest rates, however, should not obscure the more fundamental point: Everything else being equal, larger budget surpluses or smaller budget deficits raise the nation’s income over the long term. The reason that fiscal discipline promotes long-term growth is that budget surpluses are a form of national saving.6 Higher national saving increases the assets owned by Americans and leads to higher future national income.7 Other things equal, the recent deterioration in the long- term budget outlook means that national saving and future national income will be significantly lower than if the surpluses had been preserved.

Savings are key to economic growth

Jackson 8 (Gerard, founder of BrookesNews, 21 January 2008, <http://www.safehaven.com/article/9274/without-savings-there-can-be-no-economic-growth>) JT

Missing from Davidson's brilliant views on savings and growth were their definitions. Savings are usually defined as an act of not consuming. This is only partly correct. The full definition is that savings is a process by which present goods are transformed into future goods, i.e., capital goods, that produce a greater flow of consumer goods at some further point in time. In short, present goods in the form of money are used to direct resources from consumption (the production of consumer goods) into the production of capital goods. From this we (with the evident exception of Davidson) can deduce that growth is the accumulation of capital goods. Nevertheless, even this somewhat more realistic definition is misleading because it can convey the impression that growth is nothing more than the simple accumulation of capital goods. This is the kind of theoretical trap that greens and neoclassical economists fall into, even though in practise the latter recognise the heterogeneous nature of capital goods. Capital, as Austrian school economists point out, is a heterogeneous structure consisting of complex stages of production. As more and more stages of production (roundabout methods) are added to the structure it becomes even more complex and productive. Now what is being suggested is that this structure can grow faster than savings. But how can that be when it equals savings? Put another way: it is being stated that growth can occur without any sacrifice of consumption. In case you did not know, this is called magic pudding economics.

Fisc Disc KT Private Sector

Federal spending crowds out the private sector, crashing the economy

Kadlec 10 (Charles, founder of Community of Liberty at Forbes, 4 June 2010, <http://blogs.freedomworks.org/truthinjobs/blog/government-spending-crowds-out-private-sector/>) JT

A bedrock article of faith among all proponents of Federal government spending is that it adds to aggregate demand, and therefore, has a positive effect on the overall growth of employment and the economy – hence the widely accepted sobriquet of “stimulus” for virtually all government hand outs and spending. But now, the failure of the record $787 billion increase in government spending to spur employment growth and a breakthrough study by three Harvard Professors provide a substantive challenge to those that simply assert that government spending is good for the economy. A little more than a year ago, President Obama signed the American Recovery and Reinvestment Act, claiming it would "save or create up to 3.5 million jobs."  In the 15 months since then, non-farm government payrolls have increased by half a million jobs.   But those gains have been more than offset by the loss of 1.4 million jobs in the private sector. That alone should give anyone who sincerely cares about the plight of the unemployed reasonable doubt as to the efficacy of yet more government spending to stimulate that economy.  In addition,  a new study by three Harvard Business School Professors Professors, Lauren Cohen, Joshua Coval and Christopher Malloy, shows that an increase in Federal government spending is associated with a significant contraction in the private sector.  In the face of higher government spending, the average firm reduces employment, cuts capital spending and research and development, and suffers a decline in sales growth ([Do Powerful Politicians Cause Corporate Downsizing](http://www.people.hbs.edu/cmalloy/pdffiles/envaloy.pdf)).

Government spending crowds out the private sector and raises taxes, collapsing the economy.

Kadlec 10 (Charles, founder of Community of Liberty at Forbes, 16 September 2010, <http://blogs.freedomworks.org/truthinjobs/uncategorized/cut-government-spending-to-increase-jobs/>) JT

Significant increases in government spending reduce economic growth, whereas dramatic reductions in government spending are associated with an increase in economic activity. Those findings – which turn Keynesian economic theory upside down – were the results of [research](http://docs.google.com/viewer?a=v&q=cache:l39y-GJzXFAJ:citeseerx.ist.psu.edu/viewdoc/download%3Fdoi%3D10.1.1.157.4498%26rep%3Drep1%26type%3Dpdf+alesina+and+ardagna&hl=en&gl=us&pid=bl&srcid=ADGEESjbp4K3XE925DWtrLdvVQj-LZqmcBWiFmN6eqlLQGcC3Js_08bfHG89iKyPfYHMT8bxbQKG0tB0rlRLhDz92ZdE0Hb--c-7hNMpIMLxg3ZmarOu5R3btbOXD3t0r3EQRx3PD6BX&sig=AHIEtbSPt6iMXyZoJQJla8c_s_9EOhzV6g) by Harvard Professors Alberto Alesina and Silvia Ardagna that examined 107 large fiscal adjustment, defined as a cyclically adjusted deficit reduction of at least 1.5% in one year, that took place in 21 Organization for Economic Cooperation and Development (OECD) countries between 1970 and 2007. What this means is that the failure of the Democrats’ $800 billion stimulus plan to create jobs is not an aberration.  The problem is not, as economist and democrat pundit Paul Krugman argues, that the increase in Federal spending was not large enough.  Rather, it is that such an increase in government spending crowds out the private sector, squanders resources, promises higher future tax rates, and thereby retards economic recovery and job creation.  As Alesina wrote in his September 15th [Wall Street Journal article](http://online.wsj.com/article/SB10001424052748704271804575405311447498820.html?KEYWORDS=Alesina)(p A19):  “Politicians argue for increased stimulus spending, as opposed to spending cuts, on the grounds that it would speed up economic recovery. This argument might have it exactly backward.  Indeed, history shows that cutting spending in order to reduce deficits may be the key to promoting economic recovery.” In the same paper, the co-authors also find that tax cuts were much more expansionary than spending increases, whereas tax increases were associated with slower economic growth.

**Private Sector KT Econ**

The private sector is key to continuing economic growth.

CNN 11 (5 June 2011, <http://www.cnn.com/2011/POLITICS/06/05/white.house.economy/>) JT

Washington (CNN) -- The private sector must become the driver of a still fragile economic recovery buffeted by high gas prices, the Japanese earthquake and tsunami and other "headwinds" so far this year, President Barack Obama's top economic adviser said Sunday. Austan Goolsbee, chairman of the White House Council of Economic Advisers, told CNN's "State of the Union" that the administration's focus is on strengthening business investment and expansion to keep the recovery going. The latest economic reports showed a slowdown in job creation and manufacturing, while home prices continued to fall -- all signs of continuing uncertainty that harms consumer and business confidence. With the unemployment rate at 9.1 percent, Republicans have hammered Obama's economic policies, with GOP presidential candidate Mitt Romney calling them a failure. Goolsbee warned against reading too much into one month's reports, noting 1 million jobs have been added to the economy over the past six months despite the slowdown in May reported Friday. However, he conceded the situation remains delicate. "There's no question as you come out of the worst downturn in most of our lifetimes, that it is going to be fragile," Goolsbee said of what he called the worst recession since the Great Depression of more than 80 years ago. Through steps such as the December political agreement that lowered payroll taxes and a look at streamlining government regulations, the administration is trying to boost private sector investment and overall involvement in the recovery, he said. "Corporations have started to become profitable again," Goolsbee said. "There's money sitting on their balance sheets." The question is how to you get the private sector to "be the driver" of economic recovery, he said.

Fisc Disc KT Recovery

Fiscal discipline now is key to recovery – post WWII economic boom proves.

Taylor and Vedder 10 (Jason, econ@Central Michigan University, Richard, econ@Ohio University, CATO Policy Report, May/June 2010, 32(3), <http://www.cato.org/pubs/policy_report/v32n3/cpr32n3-1.pdf>) JT

If the wartime government stimulus had ended the Great Depression, its winding down would certainly lead to its return. At least that was the consensus of almost every economic forecaster, government and private. In August 1945, the Office of War Mobilization and Reconversion forecast that 8 million would be unemployed by the spring of 1946, which would have amounted to a 12 percent unemployment rate. In September 1945, Business Week predicted unemployment would peak at 9 million, or around 14 percent. And these were the optimistic predictions. Leo Cherne of the Research Institute of America and Boris Shishkin, an economist for the American Federation of Labor, forecast 19 and 20 million unemployed respectively— rates that would have been in excess of 35 percent! What happened? Labor markets adjusted quickly and efficiently once they were finally unfettered—neither the Hoover nor the Roosevelt administration gave labor markets a chance to adjust to economic shocks during the 1930s when dramatic labor market interventions (e.g., the National Industrial Recovery Act, the National Labor Relations Act, the Fair Labor Standards Act, among others) were pursued. Most economists today acknowledge that these interventionist polices extended the length and depth of the Great Depression. After the Second World War, unemployment rates, artificially low because of wartime conscription, rose a bit, but remained under 4.5 percent in the first three postwar years —below the long-run average rate of unemployment during the 20th century. Some workers voluntarily withdrew from the labor force, choosing to go to school or return to prewar duties as housewives. But, more importantly to the purpose here, many who lost government-supported jobs in the military or in munitions plants found employment as civilian industries expanded production—in fact civilian employment grew, on net, by over 4 million between 1945 and 1947 when so many pundits were predicting economic Armageddon. Household consumption, business investment, and net exports all boomed as government spending receded. The postwar era provides a classic illustration of how government spending “crowds out” private sector spending and how the economy can thrive when the government’s shadow is dramatically reduced. Employment is closely related to the productivity-adjusted real wage. When the labor costs of making a widget fall, employers find it profitable to make more widgets and hire more widget-makers. Those costs fall when productivity rises (more widgets produced per hour of work), when the price of widgets rises (increasing the margin between revenues received and cost of production), or when money wages fall. In the immediate postwar era, prices and productivity were generally rising, more than offsetting modest increases in money wages. The data today suggest that the self correcting and healing forces of markets are beginning to work again. Worker productivity is generally increasing, and money wages are stagnant or rising less than the rate of inflation, meaning real wages are falling. In a productivity-adjusted sense, the wage decline appears to be substantial. After a lag to be sure this trend is real and sustaining, this should lead to an upsurge in new hiring. In other words, unemployment will start falling not because of the stimulus spending, but in spite of it. And just as the stimulus money created few if any new jobs, its withdrawal will destroy few if any jobs. To be sure, some specific jobs will be lost, but others will be gained as the negative effects of government borrowing are eased somewhat.

\*Investment

Fisc Disc KT Investment

Perception of fiscal discipline is key to investor’s confidence in the economy and government bonds

Hederman and Sherk 11 (Rea, asst director Center for Data Analysis@Heritage Foundation, James, sr. policy analyst in labor econ@Heritage Foundation, Heritage Foundation, 4 March 2011, p. 3, http://www.heritage.org/Research/Reports/2011/03/February-Unemployment-Fell-but-Recovery-Remains-Slow) JT

These models fail because they assume that federal spending does not come at the expense of the resources available for private-sector investment. They also assume that investors and entrepreneurs do not look toward the future. In these models the government can run enormous deficits today, and business owners will not expect this to cause the government to raise their taxes in the future. Modern models that incorporate future expectations and allow federal spending to affect investment show that reducing federal spending has a very small effect on overall employment. It also directly leads to increases in private investment.[[5]](http://www.heritage.org/Research/Reports/2011/03/February-Unemployment-Fell-but-Recovery-Remains-Slow%22%20%5Cl%20%22_ftn5) These facts square with America’s actual economic experiences with the stimulus. America is on an unsustainable economic course. The country cannot run trillion-dollar deficits indefinitely. If they believe it cannot repay its debt, bondholders will eventually stop lending the government money. To prevent that, the government will have to enact either deep and rapid spending cuts or ruinous tax increases or raise interest rates. Entrepreneurs and investors know this. The House of Representatives has proposed reducing federal spending by roughly 1.6 percent. This is a modest first step toward bringing America’s fiscal house in order. Taking this step, however, would show business owners that the government is serious about fixing its long-term problems and will help ease their concerns about future tax increases. This would spur investment and private-sector job creation.

Perception of fiscal discipline is key to investor confidence

Sherk 9 (James, sr policy analyst@Heritage Fdn, 9 December 2009, p. <http://www.heritage.org/Research/Reports/2009/12/Reduced-Investment-and-Job-Creation-to-Blame-for-High-Unemployment>) JT

Why has private-sector job creation fallen so sharply? The obvious answer is the recession. A more accurate answer is that businesses are retrenching wherever possible. While taking measures to survive the immediate downturn, such as laying off workers and conserving cash, businesses have also grown wary about the future of the economy, especially in light of the many new threats emanating from the White House and the Congress. The House of Representatives has passed an increase in tax rates on small businesses to pay for the move to government-run health care. The health care bill also adds multiple expensive mandates onto businesses. Congress is moving forward with cap-and-trade policies that would make energy more expensive. Union "card-check" -- which would allow labor unions to pressure workers into joining -- would cripple business competitiveness and remains on Congress's agenda. In addition, enormous increases in federal spending raise the prospects of vastly higher taxes or rapidly rising inflation. The federal government ran a $1.4 trillion deficit in FY 2009 and the deficit is expected to remain large for many years to come, doubling the national debt in just five years. This situation is not sustainable, but businesses can only guess how the federal government will restore order to its fiscal house, knowing full well that successful businesses will make an attractive tax target. In the face of such a threatening environment it is not surprising that companies are likely to make only the most critical investments.

Investment Key

Less investment affects all sectors of the economy.

Campbell and Nell 10 (Karen, sr policy analyst@Heritage Fdn., Guinevere, research programmer@Heritage Fdn., 25 February 2010, p. <http://www.heritage.org/Research/Reports/2010/02/The-Presidents-Health-Proposal-Taxing-Investments-Undermines-Economic-Recovery>) JT

Less investment, lower investment values, and lower wages hinder the ability of households to build wealth. A household’s stock of wealth (savings) is an important buffer in times of unforeseen expenses such as a sudden illness, injury, or job loss, and it is a source of income for retirement. The value of the investment portfolios of many households—not just the high-income households that directly pay the tax—are reduced by the tax on investment income. The dynamic results show that the stock of household wealth is an average of $274 billion less per year than what they otherwise could have been. Fewer investments reduce the stock of physical, human, and technological capital available in the U.S. economy. This causes the economic potential[[4]](http://www.heritage.org/Research/Reports/2010/02/The-Presidents-Health-Proposal-Taxing-Investments-Undermines-Economic-Recovery%22%20%5Cl%20%22_ftn4) of the economy to be lower than it could be. Taxing the investment income of high-income individuals is estimated to reduce the economic potential of the economy by an average $10.2 billion per year. That is $102 billion of real accumulated lost opportunities over 10 years. A lower U.S. economic potential also harms the ability of the government to borrow, because investors lend to the U.S. based on the expected potential of the U.S. economy. Thus a lower potential economy puts upward pressure on government interest rates in order to attract financing for the nation’s deficit. The interest rate of a 10-year U.S. Treasury bond is estimated to be 0.7 percent higher than without the tax. These higher interest payments must be paid by taxpayers on top of the debt principal that they are already liable for. These taxes would subtract even more from household disposable income. Aggregate real (inflation-adjusted) disposable income is estimated to be $17.3 billion less per year than it otherwise would be.

Business investment is driving economic growth and must be sustained.

Weller 10 (Christian, public policy@U of Massachusetts, Center for American Progress, 29 October 2010, <http://www.americanprogress.org/issues/2010/10/gdp_growth.html>) JT

Today’s release of the latest economic growth figures show that our economy is demonstrably on the mend, but the strength of the recovery remains to be seen. Gross domestic product grew at an annual rate of 2 percent between July and September this year, powered by business investment and consumption, the largest driving force behind continued economic expansion and strong enough to overcome less spending on real estate by households. Third quarter GDP growth accelerated slightly from the 1.7 percent increase in the second quarter of 2010 The quarterly change in GDP, the sum of all new products that were produced in the United States minus U.S. imports in a given quarter, is a crucial indicator of the economy’s strength. It shows whether consumers, businesses, the government, and foreigners are buying more U.S.-made goods and services. More domestic production can ultimately mean more income for people in the United States, more sales and profits for businesses, and more revenue for the government. A faster expansion is a good foundation for higher living standards. It is the rising tide that could lift all boats. Economic policy will play some role in determining the strength of economic growth, especially in the current situation, where the economy and the labor market are trying to recover from the worst recession since the Great Depression. The most relevant economic policy intervention to shake the grip of Great Recession was the American Recovery and Reinvestment Act of 2009. The Recovery Act made it easier for consumers, businesses, and the government to spend money by cutting taxes, raising unemployment and Social Security benefits, and helping struggling states and localities cope with shortfalls in their budgets due to falling tax revenue. In addition, stimulus spending focused on infrastructure projects, investments in green technologies, and new transportation efforts ensured there would be sustained economic growth over the course of 2009 and 2010. And that’s what happened. The private sector turned around in the summer of 2009—18 months after the recession started—and the recession officially ended. (The official business cycle dates are chosen by the business cycle dating committee of the National Bureau of Economic Research, a private economic research group in Cambridge, Massachusetts.) The overwhelming majority of the stimulus spending was intended to go to the private sector—households and businesses—because that’s where the greatest weaknesses of the economy were during the recession. There could be no strong, sustained recovery without a turnaround in the private sector. Short-term government spending is necessary in a recession to fill the hole left by the lack of consumption and investment, but it is not a sustainable way to boost economic growth over the medium term. The private sector has to take on that role of generating sustainable momentum. That’s why it is critically important to see sustained and hopefully strengthened expansions in business investment and consumer spending at this point.

\*Bonds Market

Spending Hurts Bond Market 1/2

Further spending upsets the bonds market

Higgs 10 (Robert, senior fellow @ Independent Institute, PhD in econ @ Johns Hopkins, Anti-War http://antiwar.com/radio/2010/07/03/robert-higgs-5/)JFS

But even though some of them [lawmakers] appreciate the need for them to retrench, particularly to stop adding so much debt every year until they reach the point where the capital markets rebel against them, that that will be the real constrain on them. Because at some point the people that buy these bonds will simply lose interest in buying any more of them and in fact will want to hold fewer of them, and when that turnaround comes, and I think we may be in the neighborhood of such a turnaround right now, these governments will not be able any longer to continue spending at the same rate that they’ve been spending without financing their expenditures in even more troublesome ways such as by outright inflation of the money stock. So, if they reach the point where the financial constraint really begins to bite, they’re going to have to reduce expenditures, and that will almost certainly have to include the enormous expenditures on maintenance of the U.S. empire.

Bond revolt coming now – reining in spending is the only way to prevent it

Robinson 11 (Jim, April 11, Staff Writer, IPE Real Estate, http://www.ipe.com/realestate/articleprint.php?id=40280)JFS

Investors have seriously underestimated the possibility that political gridlock in the US will spark the next global financial crisis, according to Nouriel Roubini, co-founder and chairman of Roubini Global Economics. Speaking at the recent INREV Conference in Venice, Roubini pointed to growing sovereign risk in many of the more advanced economies. "The bond-market vigilantes have already woken up in Greece, Ireland, Portugal, Spain and Italy, but they have not yet woken up in the US, Japan or the UK," he said. "Large budget deficits – and larger and rising stocks of public debt – are common to most advanced economies. Over the medium to long term, this is not sustainable, and painful fiscal austerity will be necessary to avoid a train wreck. "Things have already gone wrong in parts of peripheral Europe. If the US doesn't tackle its own fiscal problems, eventually a bond-market revolt could occur, spiking long rates and leading to significant economic and financial distress." Roubini – known commonly as 'Doctor Doom' and credited with having anticipated the credit crisis – said the US faced a welter of challenges, including surging oil prices, stubborn unemployment, anaemic economic growth and plummeting house prices. "In the short run, the US may be doing OK," he said. "Last year, growth was around 2.9%, and I predict it's going to be 2.8% this year. But even if US economic growth meets its potential, that's not great growth. In a typical recovery, you grow 5-6% for a few years because you have major slack in the labour market." The residential real estate sector, he added, is already facing a double-dip recession. He pointed to the fact that there are already more than 12m houses in the US "under water", or with negative equity. Even a 5% drop in prices – and Roubini is predicting a 10% fall this year – would be enough to drag another 8m houses under water. "That's 20m houses out of the 50m that have a mortgage, or 40%," he said. "That is a significant risk for the economy." But the greatest danger to the US economic recovery is political. "In the UK, there is meaningful fiscal consolidation," he said. "In the US, we're kicking the can down the road. There is gridlock in Congress, the two parties are completely divided, Democrats are against spending cuts, Republicans are against every kind of tax increase and the path of least resistance politically is therefore to kick the can down the road. "Next year is an election year – nobody is going to do anything serious about the budget. Whoever is going to be president in 2013, he or she is going to inherit a budget that is effectively already mostly decided." Even if the next president is lucky enough to have a "favourable Congress", he or she is unlikely to be in a position to tackle the deficit before 2014. "As we kick the can down the road and run a $1trn deficit a year for the next three years, something is going to snap in the bond market," Roubini added. "The vigilantes who are asleep at the wheel – if not in a coma – are going to wake up. The bond market revolt that occurred in Europe could occur in the US, crowding out their recovery."

Spending Hurts Bond Market 2/2

Spending further into debt causes bond holder revolt – won’t believe our commitment to pay bonds back

Jackson 11 (J.J., owner of Liberty Reborn, Government Bonds, May 24, http://governmentbonds.parttimecashmillionaire.com/2011/05/24/will-bond-holder-revolt-to-spurn-new-stimulus-plan-2/)JFS

Right now, and you probably did not know this, we are in the midst of a bond holder revolt where those people that the United States relies on to buy up its debt are not in a very buying mood. For people to not be willing to put their money into what has long been considered the most political system in the world by buying our bonds something must be seriously wrong. In fact, in order to encourage even a lukewarm response to piles of our children’s and grandchildren’s money being spent, interest rates have been going up on Treasury notes. This is of course very troubling to the central planners in Washington who thought that they could rely on people just continuing to gobble up insane commitments to keep spending more and more money that we simply do not have. As is typical, the bureaucrats and Washingtonians have guessed wrong and hoped that people would continue to make unwise investments. Now they are really worried. If no one is buying our debt, then that means that they do not have the money to spend. Well, unless they just kick it up a notch in the room where they keep the printing presses and ignore the lack of demand from government bonds. So here we have government promising even more of our money, because that money comes from you and I as citizens, to pay for other money they are spending of ours but do not have. All economists worth their salt are worried about this. Some politicians are too but only the few that have a brain inside their head. Most others are not and you can spot these politicians by looking for those who have Velcro strapped shoes because shoelaces are just too complicated for them. However do not worry. I am sure that Congress and our President have everything well in hand. They will simply do what they always do and create a brand new spending program to take care of this problem. Perhaps it will be called the Paying for Preferred Persons to Purchase Funds Trust. It will be known by the acronym of PPPPFT and will enable the poor to purchase all these great government backed bonds at no cost to them. The way this will presumably work, based on the way our government always seems to work, is the federal government will earmark billions of phantom dollars under PPPPFT to be spent sending checks to low income persons. These checks will be valid only for the purchase of Treasury bonds however and will be then sent back in by those receiving them in order to be exchanged. Why not just send them the bonds directly you ask? Why cut a check and mail it twice and then the bond certificates on top of that? Well, because the guy that runs the printing presses needs to be kept employed and the United States Post Office needs some help staying afloat that’s why. Problem solved! The poor get some “free” money to fund their retirement and liberals get guaranteed loyalty for many elections to come. Plus the government will also now be able to sell its debt and keep on spending like liberals love to do. Do not bother them with the fact that by doing such they would essentially be destroying the American economy and making the dollar (and these bonds) completely worthless regardless of any numbers printed on them. And if this were to be proposed do not count on most of those pretty faced media types to point out the problems with this either because they cannot do anything other that read that teleprompter before them and regurgitate what they are told to say. Besides, don’t you know they have better things to worry about?

Bond Market Key

Bond market is the key site for the next recession

Herold 10 (Thomas, Sep 9, CEO of Dream Manifesto, http://www.wealthbuildingcourse.com/financial-crash-bond-market.html)JFS

Have you ever stopped to consider what the largest investment market is in the United States? If you said the stock market, then you are wrong by a long shot. The correct answer is the bond market. The bond markets are so much larger than the stock markets as if the stock markets were only a few drops in the bond market’s proverbial bucket. Bond markets have long been held as sacrosanct, considered by most people to be far safer than the stock markets. The unfortunate truth is that the bond markets are likely to be where the next crash occurs. If this in fact proves to be the case, then it will be catastrophic for you personally, as well as for everyone who is heavily invested in bonds, especially for fixed income retirees who depend on these investments to survive. In the following paragraphs, you will read the disturbing reasons why the bond market is likely to be the next shoe to drop in the continuously unfolding economic crisis begun in the Great Recession.

Bond market crash drives up interest rates, kills retirement, and kills investor confidence

Herold 10 (Thomas, Sep 9, CEO of Dream Manifesto, http://www.wealthbuildingcourse.com/financial-crash-bond-market.html)JFS

The possible resulting collapse of U.S. bonds will be especially bad for the holders of U.S. Treasury bonds. Countless American corporations and banks hold these, believing them to be guaranteed. Fixed income retirees collect these in their retirement portfolios, believing them to be supremely safe. Once they were. But if you see the bond market crash as a result of U.S. government debt downgrades, these IOU pieces of paper also known as Treasury bonds will become pariah. Plummeting bond prices will be devastating for the retirees who depend on the income from these instruments and the gradual sales of them to finance their retirements. Banks have only recently come off of their sub prime real estate collapse and defaults too. Imagine them having to now weather a severe deterioration in what they up till now believed to be their most trustworthy assets. The consequential damage to the U.S. financial system will be catastrophic. You thought bank failures in the hundreds were bad. Imagine closing banks by the thousands. If the bond market crashes, this will only be one of the unfortunate results. The Bond Market Crash Impact on All Americans As bad as bankrupt retirees and rapidly failing banks sound, this is only the tip of the iceberg for the way that average middle class Americans will be affected by the collapsing bond market. You might not be immediately clear on why this would be the case. Your average American middle class person is not holding significant quantities of U.S. Treasury Bonds, after all. The relationship between Treasury Bond prices and rates are inversely related. Because treasury bond prices are high and stable, the government, and hence all Americans, are able to borrow money for ridiculously low interest rates. The government only has to pay between zero and point twenty-five percent interest on its massive debt now. But if the bond market prices plummet with the lack of demand to keep up with supply, the the interest rates will move the other direction, sharply higher. You might wonder how much higher they could go. A sudden precipitous plunge in U.S. Treasury bond prices could send interest rates up to double digits, according to some economists. The effects of this would be devastating and widespread in their immediate impact. In order to fight inflation, the rising costs of goods and services, as foreign investors fled the U.S. Treasuries market altogether, the Fed would be forced to raise interest rates to match. This would be necessary not only to fight off a sudden surge in inflation, but also a potentially crashing dollar value. The resulting rates that you pay for every form of debt, from cars to credit cards, to home mortgages, would skyrocket. Government services would have to be drastically reduced, as Washington was forced to spend the majority of its annual income on servicing the debt at the much higher interest rates. This is not as far fetched as it might seem. Both the financial editor of the prestigious Financial Times of London and the former head of the IMF have painted this scenario as a specter likely to face the U.S. and its tax paying citizens in the near future.

\*Dollar Decline

Spending Hurts Dollar

Further government spending leads to dollar decline and inflation

Lieberman 9 (Dan, Alternative Insight, April, http://www.alternativeinsight.com/The\_Economic\_Crisis\_Part1.html)JFS

The concept that government deficits lead to hyper-inflation is also challenged. Present government borrowing and deficits replace the private borrowing that is declining due to bankruptcies, foreclosures, failures to repay loans and other reasons. The total sum of all debt is not substantially increasing nor is demand for goods increasing. Increased government deficits might signal a dollar decline and a slight inflation increase due to the rise in prices of imported goods. Nevertheless, unless the government deficits greatly increase the sum of the total government and private debt, the inflation rate should be manageable. Note that the IMF forecasts Japan's debt-to-GDP-ratio will top 217 percent in 2009 and the debt ratio for the United States will only reach 81 percent. The latter might increase to 100 percent as government spending increases. Despite its huge government deficits, Japan has maintained a strong currency and negligible inflation. Also realize that the government in early 2009 has been borrowing at relatively low interest rates. The interest on total government marketable debt has declined from about 5% in January 2007 to about 3.0% in February 2009, a tremendous savings. Rolling over government AAA debt is no problem. Since rolling over public and private debt can be a huge problem, why weren't conservative observers more outspoken when public and private debt escalated to unsupportable values? More ominous are the Federal Reserve printing money and the growing interest in establishing a new reserve currency that replaces the dollar. These schemes could collapse the dollar and greatly increase inflation.

Government spending and large deficits weaken the dollar

**Arizona Business Gazette 11** (AZCentral, May 12, 2011, http://www.azcentral.com/business/abg/articles/2011/05/12/20110512abg-tyson0512.html)

These items are related. **Worries over government spending, large deficits and debts and continued Federal Reserve money-supply stimulus weaken the dollar**. A falling dollar contributes to rising commodity prices denominated in dollars, which stokes further inflationary fears. Well, that's the current script we're hearing. Let's start by doing some fact-checking on this script, and let's start with this CNBC headline: "Don't Like a Weak Dollar? Might as Well Get Used to It." That article stated: "Weakness in the U.S. dollar, which is causing everything to go up - including gas prices, food and [stocks](http://www.azcentral.com/business/abg/articles/2011/05/12/20110512abg-tyson0512.html) - is unlikely to go away soon as a selling frenzy hits the currency market. **The greenback is approaching pre-financial crisis lows and threatening to smash through its all-time low when measured against the world's predominant national currencies**."

The government cannot further their debt—the dollar will collapse

El-Erian 6/15 (Mohamed, CEO PIMCO, CNN World, 2011, http://globalpublicsquare.blogs.cnn.com/2011/06/15/america’s-dangerous-debt-ceiling-debate/)

As part of America’s system of checks and balances, Congress gets to do more than just approve the annual federal budget. It also sets a limit on how much debt the U.S. Treasury is allowed to issue. Beyond this ceiling, **the government can spend only from current revenues**. U.S. Treasury Secretary Timothy Geithner recently informed members of Congress that **the government will be in this situation** on or around August 2. Having already officially hit the ceiling, the Treasury is moving money around and tapping various pots of unused funds to pay its bills. In a few weeks, this “flexibility” will be used up. With the U.S. government now borrowing around 40% of every dollar it spends, **a truly binding debt ceiling would immediately force the government to reduce spending radically and in a disorderly fashion. Politicians across the political spectrum know that such a situation would unsettle an already fragile U.S. economy, severely weaken the dollar, and raise serious concerns about the country's ability to meet its debt-service obligations**, including to the many foreign creditors that the U.S. will need in the future. Yet, in today’s polarized environment in Washington, Republicans and Democrats are unwilling to compromise – or at least to compromise “too early.”

New spending weakens the dollar

Currency Trading 7 (August 7, 2007, http://www.currencytrading.net/features/50-factors-that-affect-the-value-of-the-us-dollar/)

Budget deficit and national debt: **The US government’s budget can affect the dollar’s value, too. If foreign investors see that the government is spending more money than it currently has, they know that it will be forced to borrow from future generations as well as from the private sector from foreign entities.** The US national debt currently stands at $9 trillion and is growing by over $1 billion per day.

Dollar Key

A weak dollar hurts the US economy

Reuters 8 (CNBC, June 9. 2008, http://www.cnbc.com/id/25063180/Fed\_s\_Fisher\_Weak\_Dollar\_Hurts\_US\_Economy)

**A weak dollar can create a "negative feedback loop" spurring inflation and sapping growth**, Dallas Federal Reserve Bank President Richard Fisher told CNBC, leaving the threat of currency intervention hanging. "When we've cut rates, since others have not moved in the same way...**if we had a weaker dollar as a result of that, then it feeds back into the price loop; raises prices here domestically, slows down the economy as consumption gets crimped**," Fisher said in a live interview.

A weak dollar hurts the economy

Delfeld 7 (Carl, Chartwell Advisor, Forbes, October 10, 2007, http://www.forbes.com/2007/10/17/dollar-currency-feldstein-pf-etf-in\_cd\_1017etfbriefing\_inl.html)

Here is my case for why a weaker dollar hurts America. First, **a weaker dollar translates into a cut in the real spending power of American consumers**--in effect, a reduction in real income. Second, a weaker dollar **weakens the role of the U.S. dollar as the world's reserve currency**. Why should investors **and** central banks around the world invest in US assets when their value is steadily declining? Third, the chances of a weaker dollar leading to a sharp reduction in America's trade deficit is highly unlikely since 40% of the current balance is due to oil imports that are denominated in U.S. dollars. An additional 20% is due to trade with China, which is, of course, controlling the value of its own currency. Fourth, a weaker dollar **is inflationary since it increases the cost of imports**. Fifth, business leaders know that discounting prices may bump near-term revenue and profits but at a real cost to long-term profitability, not to mention inflicting damage to the brand name. This is what we are doing to the brand of America by trying to increase exports by lowering their price in the global marketplace. Better to stand firm on price and sell into global markets on the basis of what is great about American products: superior quality, innovation and service. Sixth, investors seem to like a weaker dollar since the profits of American multinationals get a boost from foreign earnings being translated into U.S. dollars. Again this is short-term thinking and vastly overstated since most multinationals have sophisticated treasury departments that hedge currency exposures. What **a weaker dollar really does is to encourage American and international investors to invest in non-American markets. The more the dollar drops, the more global equities rise.** Many Asian currencies are hitting record highs against the U.S. dollar.

A weak dollar will have detrimental long term affects on the economy

El-Shenawi 6/15 (Eman, Al Arabiya News, 2011, http://english.alarabiya.net/articles/2011/06/15/153438.html)

“**A weaker dollar** allows for gains on the export front, but that **doesn’t help the US deficit** situation,” says John Sfakianakis, Chief Economist at Banque Saudi Fransi, referring to America’s largest current economic problem.  The US debt stands at $14.3 trillion, the last time the US national debt online real time clock was checked. (That’s nearly equal to the US gross domestic product.) It was heavily nourished in the aftermath of the 2007 global financial crisis, which initially flowed from the country’s subprime mortgage crisis.   “**Many are concerned with the US situation, this is creating problems for the long-term strength of the dollar**,” Mr. Sfakianakis says. “Over the short term I don’t expect the dollar to weaken, but **in the long term if the debt situation is not resolved, people will lose their confidence in the dollar** and it will lose its strength.”

**A2:** Spending Good-General

Budget deficits and stimulus fail

Boskin 10 [December 21. Michael J. is a Professor of Economics at Stanford ,WSJ, “Is The Deficit A Threat To A Future Recovery?” http://online.wsj.com/article/SB10001424052748704679204575646994256446822.html]

President Obama and congressional leaders meeting yesterday confronted calls for four key fiscal decisions: short-run fiscal stimulus, medium-term fiscal consolidation, and long-run tax and entitlement reform. Mr. Obama wants more spending, especially on infrastructure, and higher tax rates on income, capital gains and dividends (by allowing the lower Bush rates to expire). The intellectual and political left argues that the failed $814 billion stimulus in 2009 wasn't big enough, and that spending control any time soon will derail the economy. But economic theory, history and statistical studies reveal that more taxes and spending are more likely to harm than help the economy. Those who demand spending control and oppose tax hikes hold the intellectual high ground.Writing during the Great Depression, John Maynard Keynes argued that "sticky" wages and prices would not fall to clear the market when demand declines, so high unemployment would persist. Government spending produced a "multiplier" to output and income; as each dollar is spent, the recipient spends most of it, and so on. Ditto tax cuts and transfers, but the multiplier is assumed smaller. OpinionJournal.com Columnist John Fund on the tax debate within the Democratic caucus, and on the fight for key committee chairmanships in the House. Macroeconomics since Keynes has incorporated the effects of longer time horizons, expectations about future incomes and policies, and incentives (including marginal tax rates) on economic decisions. Temporary small tax rebates, as in 2008 and 2009, result in only a few cents per dollar in spending. The bulk (according to economists such as Franco Modigliani and Milton Friedman) or all (according to Robert Barro of Harvard) is saved, as people spread any increased consumption over many years or anticipate future taxes necessary to finance the debt. Empirical studies (such as those by my colleague Robert Hall and Rick Mishkin of Columbia) conclude that most consumption is based on longer-term considerations.In a dynamic economy, many parts are moving simultaneously and it is difficult to disentangle cause and effect. Taxes may be cut and spending increased at the same time and those may coincide with natural business cycle dynamics and monetary policy shifts.Using powerful statistical methods to separate these effects in U.S. data, Andrew Mountford of the University of London and Harald Uhlig of the University of Chicago conclude that the small initial spending multiplier turns negative by the start of the second year. In a new cross-national time series study, Ethan Ilzetzki of the London School of Economics and Enrique Mendoza and Carlos Vegh of the University of Maryland conclude that in open economies with flexible exchange rates, "a fiscal expansion leads to no significant output gains."My colleagues John Cogan and John Taylor, with Volker Wieland and Tobias Cwik, demonstrate that government purchases have a GDP impact far smaller in New Keynesian than Old Keynesian models and quickly crowd out the private sector. They estimate the effect of the February 2009 stimulus at a puny 0.2% of GDP by now. By contrast, the last two major tax cuts—President Reagan's in 1981-83 and President George W. Bush's in 2003—boosted growth. They lowered marginal tax rates and were longer lasting, both keys to success. In a survey of fiscal policy changes in the OECD over the past four decades, Harvard's Albert Alesina and Silvia Ardagna conclude that tax cuts have been far more likely to increase growth than has more spending. Former Obama adviser Christina Romer and David Romer of the University of California, Berkeley, estimate a tax-cut multiplier of 3.0, meaning $1 of lower taxes raises short-run output by $3. Messrs. Mountford and Uhlig show that substantial tax cuts had a far larger impact on output and employment than spending increases, with a multiplier up to 5.0.Conversely, a tax increase is very damaging. Mr. Barro and Bain Capital's Charles Redlick estimate large negative effects of increased marginal tax rates on GDP. The best stimulus now is to stop the impending tax hikes. Mr. Alesina and Ms. Ardagna also conclude that spending cuts are more likely to reduce deficits and debt-to-GDP ratios, and less likely to cause recessions, than are tax increases. These empirical studies leave many leading economists dubious about the ability of government spending to boost the economy in the short run. Worse, the large long-term costs of debt-financed spending are ignored in most studies of short-run fiscal stimulus and even more so in the political debate.Mr. Uhlig estimates that a dollar of deficit-financed spending costs the economy a present value of $3.40. The spending would have to be remarkably productive, both in its own right and in generating jobs and income, for it to be worth even half that future cost. The University of Maryland's Carmen Reinhart, Harvard's Ken Rogoff and the International Monetary Fund all conclude that the high government debt-to-GDP ratios we are approaching damage growth severely. The complexity of a dynamic market economy is not easily captured even by sophisticated modeling (an idea stressed by Friedrich Hayek and Robert Solow). But based on the best economic evidence, we should reject increased spending and increased taxes. If anything, we should lower marginal effective corporate and personal tax rates further (for example, along the lines suggested by the bipartisan deficit commission's Erskine Bowles and Alan Simpson). We should quickly enact an enforceable gradual phase-down of the spending explosion of recent years. That's what the president and congressional leaders should initiate. Then let the equally vital task of long-run tax and entitlement reform proceed.Mr. Boskin is a professor of economics at Stanford University and a senior fellow at the Hoover Institution. He chaired the Council of Economic Advisers under President George H.W. Bush.

**A2:** Spending Good–Econ

Spending does not stimulate the economy-empirically proven

Mitchell and Entin 8[**Daniel J**, Senior Fellow, Cato Institute; and **Stephen J** , Institute for Research on the Economics of Taxation, Cato Institute, http://www.cato.org/event.php?eventid=5657]

President-elect Obama and other politicians are urging a massive expansion in government spending, ostensibly to help the economy recover. This Keynesian endeavor is supposed to boost growth by "priming the pump" by means of circulating extra money through the economy. Yet the notion that bigger government leads to more growth is theoretically suspect: any money that the government "injects" into the economy with new spending (or tax rebates) must first be borrowed and diverted from private use. The economic pie gets sliced differently, but it is not any bigger. The real-world evidence is similarly unfavorable to Keynesianism. Huge increases in government spending under both Hoover and Roosevelt did not help the economy during the 1930s, and more recent Keynesian initiatives—Gerald Ford's rebates in the mid-1970s, Japan's stimulus efforts in the 1990s, and President Bush's rebates in 2001 and 2008—do not seem to have generated positive results.

Their economics are flawed – the best stimulus is for the government to get out of the way.

Taylor and Vedder 10 (Jason, econ@Central Michigan University, Richard, econ@Ohio University, CATO Policy Report, May/June 2010, 32(3), <http://www.cato.org/pubs/policy_report/v32n3/cpr32n3-1.pdf>) JT

But the real economic lesson to come out of the World War II era was not that the conscription of nearly a fifth of the labor force into grueling and dangerous working conditions abroad and the imposition of a command economy at home— complete with rationing, price controls, and government allocation of many aspects of life—could bring unemployment down. Soviet-style command economies had many problems, but unemployment was not typically one of them. Instead, the true lesson from the period can be ascertained from the events of 1945–1947 when the largest economic “stimulus” in American history was dramatically and quickly unwound, months before most people anticipated it (because the atomic bomb brought a sudden unexpected end to the war). No other episode more clearly supports the notion that the best economic stimulus is for the government to get out of the way.

**A2:** Spending Good-Investment

Stimulus fails -- taxation is counterproductive

Reidl 8 [Brian, Senior Policy Analyst at the Heritage Foundation, National Journal, “Is the deficit a threat to future recovery?” December 1, 2008. http://economy.nationaljournal.com/2008/12/is-the-deficit-a-threat-to-a-f.php#1184661]This year’s base budget deficit – even before adding any new stimulus package – is estimated at $1 trillion. At 8% of GDP, that is the highest budget deficit since World War II. If that is not enough Keynesian-deficit-spending stimulus, what is? 10% of GDP? 15%? 20%? The Keynesian gas paddle has already been pushed enough (with little to show for it), its time for a new approach.Furthermore, the problem with these spending stimulus proposals is that Congress does not have a vault of money waiting to be distributed. Thus, every dollar that Congress “injects” into the economy must first be taxed or borrowed out of the economy. No new spending power is created. It is merely transferred from one group of people to another.

This year’s base budget deficit – even before adding any new stimulus package – is estimated at $1 trillion. At 8% of GDP, that is the highest budget deficit since World War II. If that is not enough Keynesian-deficit-spending stimulus, what is? 10% of GDP? 15%? 20%? The Keynesian gas paddle has already been pushed enough (with little to show for it), its time for a new approach. Furthermore, the problem with these spending stimulus proposals is that Congress does not have a vault of money waiting to be distributed. Thus, every dollar that Congress “injects” into the economy must first be taxed or borrowed out of the economy. No new spending power is created. It is merely transferred from one group of people to another. If Congress funds new spending with taxes, it is redistributing existing income. If Congress borrows the money from domestic investors, investment will fall correspondingly. If its borrowed from foreigners, net exports will fall correspondingly (in order for the balance of payments to balance). No matter what happens, Congress cannot create new purchasing power out of thin air. Even redistributing from “savers” to “spenders ignores the fact that people already either bank their savings (where it is lent to others) or invest it. People aren’t storing their savings in their mattresses anymore, the money is already circulating through the economy. But if Congress insists on passing a “stimulus” package, they should acknowledge that the only real way to increase per-capita GDP is by increasing productivity. Reducing marginal tax rates will increase incentives to work, save, and invest, and thus help American workers create new wealth and aid the economy. Then, Congress and President-Elect Obama should focus on the $53 trillion tsunami of unfunded liabilities in Social Security and Medicare. Otherwise taxpayers will not be able to afford even today’s federal programs, much less the new spending the President-elect and Congress have planned.

Spending decreases investment

Leamer 8 [[Edward,](http://economy.nationaljournal.com/contributors/Leamer.php)  Professor of Management, University of California at Los Angeles An Undergraduate Error from a Nobel Prize WinnerIt is surprising indeed to see Krugman making an undergraduate error in thinking about the effect of a surge in federal spending on our future prosperity. This error helps to perpetuate the rampant neglect of the future that is going to make things very difficult for our children and grandchildren. Deficits really do matter.In a closed economy, with the US the only country in the world, the size of future US GDP and thus our future collective prosperity is determined by the level of investment. It is therefore true that for a closed economy in which we owe the government debt to ourselves, there is no collective cost to a deficit that does not affect the level of investment. That is Krugman’s world.

But in the real world the US is not alone and relies heavily on borrowing from foreign sources to finance current spending by consumers, business and government. While more spending by the federal government is not likely to pull down current investment, indeed could do the opposite, it seems cer...

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An Undergraduate, Cato Institute, “Error from a Nobel Prize Winner” http://www.cato.org/pub\_display.php?pub\_id=12788]

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**A2:** Spending Good-Multiple Reasons

**Budget deficit guts economic growth, causes unemployment**

**Edwards 2/16 [**Chris, US House of representatives, Cato Institute, “The Stimulus Bill and government spending” http://www.cato.org/pub\_display.php?pub\_id=12788]

Federal spending has soared over the past decade. As a share of gross domestic product, spending grew from 18.2 percent in fiscal 2001 to 24.7 percent by fiscal 2011. The causes of this expansion include the costs of overseas wars, growing entitlement programs, rising spending on domestic programs such as education, and the 2009 stimulus bill. Two years after passage of the $821 billion stimulus package, it appears to have been a very expensive failure of Keynesian fiscal policy.1 Note that the total Keynesian stimulus in recent years included deficit spending of $459 billion in FY2008, $1.4 trillion in FY2009, $1.3 trillion in FY2010, and $1.5 trillion in FY2011. Despite all that deficit spending, U.S. unemployment remains stuck at high levels and the recovery is sluggish compared to prior recoveries. Economists debate how much of a "sugar high" increased government spending can provide to the economy in the short-run. Obama administration economists think that the Keynesian "multipliers" from spending are large, but many macroeconomists think that they are small because added government spending mainly just displaces private-sector activities.In the long-run, there is little doubt that additional government spending reduces our standard of living because of the build-up of debt. Future taxpayers will bear the burden of the $821 billion stimulus plus hundreds of billions of dollars in related interest costs. Harvardâ€™s Robert Barro has calculated that the future damage caused by the 2009 stimulus bill substantially outweighed any short-term benefits it may have had.3Keynesian fiscal policy, which has dominated Washington in recent years, has pushed the nation closer to a financial and economic disaster in the years ahead. Keynesianism is an economic dead-end, and it should be abandoned.

**Deadweight losses outweigh the value of pump priming**

**Edwards 2/16 [**Chris, US House of representatives, Cato Institute, “The Stimulus Bill and government spending” http://www.cato.org/pub\_display.php?pub\_id=12788]

Policymakers should change their focus from short-term fiscal manipulations to long-term spending control. **The federal government will spend $3.7 trillion** this year financed by a huge extraction of resources from current and future taxpayers. **That extraction comes at a large cost**. **The resources consumed by the government cannot be used to produce goods in the private sector.** For example, the engineers working on a $1 billion government high-speed rail scheme are precluded from building goods to satisfy real consumer needs in the marketplace. Policymakers tout the jobs created by the $1 billion of spending, but they usually overlook the $1 billion of private activities that are displaced.The **private sector would actually lose more than $1 billion** in this example. That is because government spending and taxing creates "deadweight losses," which are costs caused by distortions to working, investment, entrepreneurship, and other productive activities. Economists provide a range of estimates for the size of deadweight losses. The CBO says that "typical estimates of the economic cost of a dollar of tax revenue range from 20 cents to 60 cents over and above the revenue raised."4 Economist Martin Feldstein concludes that **"the deadweight burden caused by incremental taxation ... may exceed one dollar per dollar of revenue raised**, making the cost of incremental governmental spending more than two dollars for each dollar of government spending."5 Thus, a $1 billion high-speed rail scheme would cost the private economy $2 billion or more.

**A2:** Spending Good-Taxes

**Spending causes tax distortions and diminishing returns which outweigh savings or pump priming**

**Edwards 2/16 [**Chris, US House of representatives, Cato Institute, “The Stimulus Bill and government spending” http://www.cato.org/pub\_display.php?pub\_id=12788]

When it intervenes in markets, the government uses a "leaky bucket" because of the damage it causes on both the tax and spending sides. Economist Michael Boskin explains: "**The cost to the economy of each additional tax dollar is about $1.40 to $1.50. Now that tax dollar ... is put into a bucket. Some of it leaks out in overhead, waste, and so** on. In a well-managed program, the government may spend 80 or 90 cents of that dollar on achieving its goals. Inefficient programs would be much lower, $.30 or $.40 on the dollar."6The larger the government grows, the leakier the bucket becomes because tax distortions rise rapidly as tax rates rise and spending is allocated to activities with ever lower returns.7 Figure 1 illustrates the consequences of the governmentâ€™s leaky bucket. On the left-hand side of the figure, tax rates are low and the government initially delivers important public goods such as crime reduction and the enforcement of contracts. Those activities create high rate of returns, so per-capita incomes initially rise as the government grows.As government expands further, however, it engages in less and less productive activities. The marginal return from government spending falls and then turns negative. On the right-hand side of the figure, average incomes fall as the government expands. Government in the United States is almost certainly on the right-hand side of this figure — it has expanded far beyond the optimal point that maximizes the nationâ€™s well-being. For evidence, see [www.downsizinggovernment.org](http://www.downsizinggovernment.org), which catalogs the ongoing failures of many federal government agencies.Policymakers should think about these realities when they are presented with new ideas for spending. For example, in his State of the Union address, President Obama promoted new government "investment" spending. But given how much the government already spends and the large distortions created by the tax system at the margin, it is extremely unlikely that the government could find new projects with sufficiently high returns to make them worthwhile.The sad reality is that United States is no longer a small-government nation, as revealed by data from the Organization for Economic Cooperation and Development.8 The OECD calculates that total federal, state, and local government spending in the United States in 2010 was 42 percent. For many years, America had about a 10 percentage point government size advantage compared to the OECD average, but that advantage has now shrunk to just 5 percentage points, as shown in Figure 2. Historically, Americaâ€™s robust economic growth and high living standards were built on our relatively smaller government than Europe and elsewhere. But if we continue down the current high-spending path, we will become just another sluggish welfare state. Projections by the Congressional Budget Office under its "alternative fiscal scenario," show that federal spending will climb by another 11 percentage points of GDP by 2035 unless we make major reforms.9 Such a spending expansion would doom young people to unbearable levels of taxation and an economy with few opportunities and little innovation. **We need major federal spending cuts**. We should cut entitlements, domestic spending, and defense. Iâ€™ve proposed cuts at www.downsizinggovernment.org to balance the federal budget by 2020.

Government spending increases taxes

CATO Institute 9 (CATO Handbook for Policymakers, <http://www.cato.org/pubs/handbook/hb111/hb111-4.pdf>) JT

Where will the money come from? If government spending is not cut, average working families will face huge tax increases that dwarf anything seen in decades. Tax increases would damage the economy and be strongly resisted by the public. As a consequence, policymakers need to begin identifying programs in the federal budget that can be cut, terminated, transferred to the states, or privatized.

Taxes have severe economic costs.

Conover 10 (Christopher, research scholar@Duke, Policy Analysis, No. 669, 13 October 2010, p. 2, <http://www.cato.org/pubs/pas/PA669.pdf>) JT

A well-established principle of public finance holds that taxes impose costs on society beyond the amount of revenue government collects. 1 When the government taxes Peter to pay Paul, Peter views his tax payment as a loss. Those tax payments do not represent a net welfare loss from a societal perspective because Paul experiences an offsetting gain. Taxes do impose costs on society at large, however, in that they encourage Peter not to engage in economic activities that would have benefited him and others. The loss of that economic output is what economists call the “excess burden” or “deadweight loss” of taxation. Virtually all taxes impose deadweight losses.

**A2:** Spending Good-Debt

**Spending cuts boost economic growth and reduces debt**

**Edwards 2/16 [**Chris, US House of representatives, Cato Institute, “The Stimulus Bill and government spending” http://www.cato.org/pub\_display.php?pub\_id=12788]

And Iâ€™ve suggested that Congress cap the annual growth in total federal outlays to help force ongoing efforts to cut costs.10Some economists argue that spending cuts would hurt the economy, but the Canadian reforms of the 1990s show that the opposite is true.11 In the early 1990s, overspending had pushed the size of government in Canada to more than 50 percent of GDP and debt was soaring. But the federal government reversed course and chopped 10 percent from total spending in two years — equivalent to Congress cutting spending by $370 billion. The government held spending at roughly the lower level for a few more years, and overall government spending in Canada fell by 10 percentage points of GDP.12As spending was cut, the Canadian economy boomed for 15 years until it was hit by the recent U.S.-caused recession.13 As spending came down, the Canadian government helped spur economic growth with pro-market reforms such as free trade, corporate tax cuts, and privatization. The Canadian model of spending cuts and microeconomic reforms to boost growth would be an excellent model for U.S. policymakers to follow.In sum, policymakers should reject the idea that added spending is good and beneficial for the economy. It isnâ€™t. In recent decades, the federal government has expanded into hundreds of areas that would be better left to state and local governments, businesses, charities, and individuals. That expansion is sucking the life out of the private economy and creating a top-down bureaucratic society. Cutting federal spending would spur economic growth and enhance personal freedom by dispersing excessive power from Washington.The 2009 stimulus bill included substantial aid to state and local governments. The view was that the states were hard hit by the recession and they needed emergency federal help. In recent years, news stories have suggested that state budgets have been radically slashed in devastating ways.**The reality is different. Overall state and local government spending has not been slashed. Most states did have to tighten their belts during the recession, but that is entirely reasonable as families and businesses had to do the same**. Furthermore, recent belt-tightening came after years of robust state spending growth. Figure 3 shows that total state and local government spending rose 55 percent between 2000 to 2008, based on Bureau of Economic Analysis data.14 State and local spending leveled out in 2009, and then it started growing again in 2010. It is true that a number of states, such as California, have dug themselves into deep fiscal holes, but overall state revenues and spending are now rising again as the economy expands. As a share of GDP, total state and local spending increased over the last decade — from 14.1 percent in 2000 to 15.3 percent in 2010, according to the BEA.Looking ahead, Congress should repeal any remaining stimulus funding to help reduce the federal deficit. Then Congress should start cutting the entire aid-to-state system, which costs federal taxpayers about $650 billion a year. The system is hugely bureaucratic, stifles state policy diversity, and encourages overspending by every level of government.15Some groups are pointing to large "budget gap" figures to suggest that the states have a short-term fiscal crisis. The Center on Budget and Policy Priorities, for example, claims that the states face a $125 billion budget gap, even though tax revenues are growing.16 But such "gaps" are speculative numbers, not hard data. If a state expects revenues and spending to rise 7 percent, but then a new forecast shows revenues rising only 3 percent, the state is said to have a 4 percent "gap" or "shortfall." But spending is still rising by 3 percent, which is not a crisis. Budget gap estimates are partly artifacts of faulty economic forecasting and an inability of states to respond flexibly to changing circumstances.**The real state budget crisis is not these short-term gaps, but the longer-term problem of soaring debt and unfunded obligations in state retirement plans**. State and local bond debt more than doubled over the last decade from $1.20 trillion to $2.42 trillion, according to the Federal Reserve Board.17 Unfunded obligations in state and local defined benefit pension plans are more than $3 trillion when realistic accounting methods are used.18 The states also have huge funding gaps in their retirement health plans of at least $1.4 trillion.19Defined benefit pension plans have become a unique luxury of the public sector. DB plans are available to 84 percent of state and local workers, but to just 21 percent of private workers.20 Furthermore, public sector plans are generally more generous than the remaining private-sector plans.21 The good news is that a number of states are starting to tackle the high costs of these government employee benefits.From a federal perspective, the thing to note is that the 50 states are in quite different fiscal positions. For example, a report by Moodyâ€™s shows that state-level debt varies from more than 8 percent of state GDP in Hawaii and Massachusetts to near zero in Iowa, Wyoming, and Nebraska.22 There are also large differences between the states in pension funding gaps.23 Part of these fiscal differences likely stem from the wide variations in public sector unionization between the states.24The states have chosen different paths, and they are free to do so in our federal system. Over time, we can hope that the spendthrift states can learn policy lessons from the more frugal states. The important thing is that federal policymakers avoid any further bail-outs of the states because that would simply reward the mismanaged states at the expense of the others. State policymakers have the power to solve their own fiscal problems without federal intervention.

A2: Spending Good-Inflation

Spending causes inflation

**Blogspot 09** [Blogspot, “Why deficit spending causes inflation” March 28th 2009, http://economicsreform.blogspot.com/2009/03/fiftyseven.html]

If the Government issues new debt (repayable in the future, unlike bank deposits which are repayable now) this causes a rise in prices (inflation) just as is the case with new bank deposits... Government debt is inflationary for the same reason that new bank deposits are inflationary, because (the store of) wealth has been transferred from elsewhere today. We do not "borrow from the future" just as we cannot lend to the past...Just like bank deposits, the Government will accept Treasuries in the payment of taxes. If people expect that Government debt can be exchanged for cash (notes and coins), if not now then certainly at maturity this will establish the value of Treasuries. If a person has no reason to doubt the credit-worthiness of the State, then a one-year treasury will be worth exactly what we would accept for the certain promise of actual cash a year from now. So, unless we have a reason to very much value money in the present over "future" money then Treasuries will have value. Since the Government can continue to issue new Treasuries when it needs to, there is never a reason to find out whether the Government has the ability to pay... If we assume that after a year, rather than receiving cash, the Government replaces your Treasury with a new (longer-dated) Treasury, plus some cash compensation (interest) then we see that the Government never needs to find the actual money. We know that the Government has the ability to create extra cash out of thin air so we have no reason to question their credit-worthiness. So why do people continue to accept the treasuries, rather than reject them in the knowledge that the Government does not have sufficient money? Why would someone hand over cash in this scenario? Because to not do so would be to lose out on the interest payments that come with "investing" in Treasuries... You get paid the annual interest rate for taking the (small) risk that the Government will default on its debt, each year. Since they can print the money this risk (of default) must surely be pretty small... If people expect a great deal of deflation *in the money supply* then they will be willing to accept a lower level of interest payment. If people expect inflation the Government will need to pay a higher level of interest so that people do not sell out of cash and "money" all together and purchase hard assets such as land. So why is Government debt inflationary... if we imagine a market with a person with cash. They are able to either spend it on property (such as land) or to put it into the bank. Now they have a third option which is to buy a promise of money from the Government (a Treasury)... So the choice has widened from "do nothing" or buy house, to "do nothing", buy Treasury or buy house. If they "trust" the Government they expect, a year (say) from now that the market will contain double the quantity of cash plus the house. So immediately the cash held in the present has become worth less than before. The Government will pay whatever rate that means a person such as this will always buy the Treasury...The Government in this way is similar to a bank in that if you asked for your money back prematurely, they would not be able to pay... It borrows from the market to pay you back. All of the people that the State borrows from expect that they will be repaid which increases the money supply because if we all think we are due a large payment of cash soon, we value liquid cash less highly. Cash is worth less (than before Government lending) because people think they can wait for the Treasury to pay out in the future. Each person would accept (for example) £120 a year from now in exchange for £100 liquid cash (they would buy the Treasury). And if a person selling a hard asset would also accept treasuries then we see that prices will increase. If the Government is competing to buy the house, the Government will pay sufficient interest to the seller that the trade goes to the State (and houses get more "expensive"). When the Government sells a Treasury the "original" money stays in the market... which drives up the price (of the house). The cash-holder will need to pay more since they are now competing against the State...Because the value of fiat money is derived from taxation, if Treasuries are acceptable in payment then they will have similar value to cash. For example if you have an obligation to pay a sum of taxation a year from now then the State will (it has been established) accept Government debt in payment, so then if you need to pay tax and expect the Government to continue to recognise its own debt in payment then Treasuries are an OK store of value. The value of fiat is derived from its ability to cancels a debt to the State, and treasuries provide the same function. It is similar to taxation... (pre-paid tax). Interest is the "reward" for paying taxes early... (you get a discount).Your (liquid) money loses value because if other people pay off their future taxes there will be more for you to pay. If you hold Treasuries it means you must (consequently) pay less taxes in the future which means that (since all wealth is measured this way) those who must still pay taxes in the future (who don't have Treasuries) are relatively less wealthy. Both cash and Treasuries offer protection from the State, if the Government issues Treasuries (supply goes up), they compete with the only other thing that performs the same function (cash) which means cash is less valuable (rising prices). If someone "feels" protected from the State (they own Treasuries) cash will be less valuable to them. Each unit now buys less protection from the State, the State asks for more (units) each year... because the market itself will exchange less for each unit because they now also have Treasuries. Cash is nothing more than a short-dated Treasury. We would rather have the cash now (than the Treasury) but the discount is not much... In a year or so's time they will be equivalent. Treasuries will be cash soon (or at least equivalent).

\*\*Answers to Answers

US Key

US key to the world

Wang 5/21 (Joy, Columnist Shanghai Daily, 2011, p. Shanghai daily, http://www.shanghaidaily.com/ nsp/Business, OST)

But there are still many uncertainties, such as debt crises in the European Union, political riots in North Africa and the earthquake in Japan. The situation in the United States was also crucial for recovery, participants said. "The US has passed the most difficult times with better employment and better finance," said Lawrence Summers, a professor at Harvard University and former director of the US National Economic Council.  "Now the world has the framework of the G20, which works pretty well, especially in dealing with the crisis. The emerging markets, or to some extent emerged markets, will have a profound influence on the rise of Asia." Li Lihui, president of the Bank of China, said the world's economy had recouped territory lost in the global financial crisis, and there were signs of the growing power of emerging markets. But the global economic order remained the same as before the crisis - dominated by the US. "What the US will do is crucial for the rest of the world," Li said. Quantitative easing policies in the US, due to end in June, led to floods of speculative money flowing into emerging markets. Ronald McKinnon, an economics professor at Stanford University, said it partly explained why inflation was so high in China.

Deficit spending destroys the global economy

Fitsnews 4/14 (writer for Fitsnews, 2011, p. Fitsnews, http://www.fitsnews.com/2011/04/14/imf-us-debt-threatens-global-economy/ OST)

The International Monetary Fund (IMF) – a.k.a. the “United Nations” of monetary policy- says that America’s failure to control its rampant deficit spending could be the undoing of the global economic recovery. According to the IMF’s most recent World Economic Outlook, the federal government not only lacks a “credible strategy” for dealing with its skyrocketing debt, but that it is continuing to expand deficit spending at a time when it should be contracting. That disturbing trend – which Washington politicians seem hopelessly incapable of reversing – is increasingly likely to result in the bond market losing confidence in America’s ability to ever get its fiscal house in order. That loss of confidence will mean higher interest rates – which of course will have disastrous consequences on the global economy. “As activity continues to pick up, large sovereign funding requirements will put upward pressure on interest rates, slowing the recovery of the private sector and lowering potential output,” the IMF report states. “This could cause abrupt increases in interest rates in the United States (from especially low levels) that could destabilize global bond markets, with particularly deleterious effects on emerging market economies.”

US is the economic linchpin of the world

AP 5/20 (AP, Associated press, 2011, p. google news, http://www.google.com/hostednews/**ap** /article, OST)

It would be a "moral disaster" if the U.S. were to default on its debts and was unable to pay its obligations, PMorgan Chase & Co. CEO Jamie Dimon said at an appearance in Colorado Thursday evening. The U.S. is the financial linchpin of the world, and the economic effects of the U.S. defaulting could be "potentially catastrophic," he said at a dinner for the University of Colorado Denver Business School. "It will dwarf Lehman," Dimon said, referring to the 2008 collapse of the investment bank Lehman Brothers, which contributed to the beginning of a global financial crisis.

Timeframe

Economic collapse is fast

Aguirre 5/18 (Fernando, author, 2011, p. economic crisis, http://economiccrisis.us/2011/05/preparing-economic-collapse/, OST)

How quickly does it happen? These events occur fast but there are signs: lack of investment, higher interest rates, unemployment. When banks start coming up with excuses so as to not give you your money right away when closing an account, that’s usually not a good sign. As for inflation and hyperinflation it happens right in front of your eyes. It actually happened to me that the price of an item I picked in a store almost doubled in price by the time I reached the cash register. Good for me the employee just placed the sticker with the new price over the old one (no time to remove them) Employees rushed around changing prices, several times a day, all day long during the ongoing crisis. It was fun to peel back the stack of stickers with the different prices and see how they had gone up in a matter of hours. Rioting happens fast, too. Once the banks close rioting is just minutes away.

Inflation from US economic collapse would crash the world economy- It happened to Argentina it could happen to the US.

Holland 10 (Ron, co-editor Swiss mountain vision newsletter, 12/22, p. lewrockwell, http://www.marketoracle.co.uk/Article25178.html, OST)

There are, as we have seen, parallels between Argentina and the road the US has taken. Following the 2008 meltdown, the entire world is in a tough situation. The US, predictably, has decided on currency depreciation to "solve" its problems. Germany, China and Russia express their displeasure. The United States, doubtless, will be blamed for the coming meltdown. Other countries fear quite rightly what they have seen before, a tidal wave of repudiation and currency depreciation that could dramatically change the world. They know the US will postpone the inevitable – but sooner or later the cumulative impact of profligacy, waste and corruption will become unstoppable. The US economy will likely implode, taking the current world order with it.

Flash crashes can happen without notice.

Bates 5/3 ( John, PHD computer science @ Cambridge, Technology Officer at Progress Software, p. Buisiness Insider, http://www.businessinsider.com/author/dr-john-bates ,OST)

Faster than a forest fire, the May 6th, 2010 flash crash was a breathtaking nearly-1000-point drop-then-surge on the Dow Jones Industrial Average that shocked traders and the general public to their core. Unlike Smokey the Bear, who can sniff out and fight fires before they start to flame, US regulators only became aware of the flash crash after it was over. The flash crash left scorch marks that have scarred the reputation of the bulwark U.S. stock market and singed investor confidence.

The potential for flash crashes will only increase in the future

Bates 5/3 ( John, PHD computer science @ Cambridge, Technology Officer at Progress Software, p. Buisiness Insider, http://www.businessinsider.com/author/dr-john-bates, OST)

And as energy and other asset classes outside equities - commodities, FX, derivatives - become increasingly automated there will be more flash crashes. Increased interdependence of asset classes will lead to cross asset flash crashes – a domino effect where the crashes 'splash' across asset classes, possibly wreaking havoc for market participants and regulators. As regulators said following the flash crash: "a complex web of traders and trading strategies" links the fragmented multitude of markets here in the U.S.

A2: Resilience 1/2

Global economy not resilient-emerging economies were equally hit by the recession

Didier 5/24 (Tatiana, Ph.D. Economics @ MIT. , Research economist for the world bank, 2011, p. world bank, http://blogs.worldbank.org/latinamerica/node/526, OST)

Pretty much like in any crisis of huge proportions, the real story of what happened during the global financial crisis is beginning to emerge after the dust has finally settled. For Latin America and the Caribbean, the story is slightly different than what has previously been reported. Yes, the region weathered the recessi­on well compared to other, emerging and developed, economies and resumed growth faster than many. But it didn't emerge from it largely unscathed as was initially suggested. Contrary to current perceptions, emerging economies were hit by the global crisis as hard as developed countries. In response to such a large financial and real shock, most of the world economy came to a halt when the crisis hit. As the world economy collapsed, both emerging and developed economies witnessed declines in growth rates of a similar magnitude when compared to their pre-crisis growth rates.

Their resilience card is exaggerated- Emerging economies were slightly better off not resilient

Didier 5/24 (Tatiana, Ph.D. Economics @ MIT. , Research economist for the world bank, 2011, p. world bank, http://blogs.worldbank.org/latinamerica/node/526, OST)

A faster recovery of industrial production in emerging economies can be partly explained by a recomposition of inventories, which were initially depleted and needed restocking once it became obvious that the world economy would eventually stop its freefall. Nevertheless, there has been significant heterogeneity among developing countries with those in Eastern Europe and Central Asia faring much worse than emerging Asian countries. The performance of Latin American countries was somewhere in between these two regions. More importantly, emerging economies were indeed more resilient this time around relative to their own past, though not so much relative to developed countries. During the global crisis, emerging economies were able to become more similar to developed countries and did not magnify the external shock. While in the past emerging economies would fall more than developed countries, with the financial system and the public sector amplifying the shock due to their weak stances, this time the two groups of countries fell similarly.

The modern economy is more diverse and thus more vulnerable than previously.

Belden 10 (Dave, Doctorate in sociology @ oxford, Editor of the tikkun, 4-18-2010, http://www.tikkun.org/tikkundaily/2010/04/18/why-krugman-is-wrong-about-our-economys-resilience/, OST)

One of the expected early effects of climate change is a spread of tropical diseases and a vulnerability to new diseases. In the case of pandemics, it is clear why a peasant society is more resilient than a modern economy. The Black Death killed about a third of Europe’s population, but civilization did not collapse. Each death removed a food producer, because almost everyone produced food, but each death also removed a food consumer. People made their own power with their own and their draft animals’ muscles, and with gathered wood and dung for fuel. They got their own water from wells and streams. No one was critical to the society’s functioning, It was a simple hierarchy and even a dead king could be quickly replaced.

A2: Resilience 2/2

The economy is resilient- this is just an upturn during the recession.

Economiccollapse.com 5/26 (Economic collapse blog, Writer, 5/26/2011. h ttp://the economic collapseblog.com, OST)

If you listen to Ben Bernanke, Barack Obama and the mainstream media long enough, and if you didn't know any better, you might be tempted to think that the economic crisis is long gone and that we are in the midst of a burgeoning economic recovery. Unfortunately, the truth is that the economic crisis is far from over. In 2010, more homes were repossessed than ever before, more Americans were on food stamps than ever before and a smaller percentage of American men had jobs than ever before. The reality is that the United States is an economic basket case and all of these natural disasters certainly are not helping things. The Federal Reserve has been printing gigantic piles of money and the U.S. government has been borrowing and spending cash at a dizzying pace in an all-out effort to stabilize things. They have succeeded for the moment, but our long-term economic problems are worse then ever. We are still in the middle of a full-blown economic crisis and things are about to get even worse.

Global economy fragile- Inflation

Reuters 5/9 (Sonali Paul, CNN reporter, 2011, p.Reuters**,** http://uk.reut ers.com/article/2011/0 5/09/bhpbilliton-idU KL3E 7G906620110509, OST)

Top global miner BHP Billiton sees the global economy remaining fragile in the near term and warned that economic growth could slow in the medium term, echoing recent comments from rival Rio Tinto . BHP Billiton Chairman Jacques Nasser said on Monday that moves by the United States and Europe eventually to raise interest rates to tame inflation could come when their economies remain vulnerable. "In the short term, although many economies are recovering, the world remains in a fragile state with persistent levels of unemployment and threats of inflation," BHP Chairman Jacques Nasser said at a business lunch. "For the medium term, we should be prepared for further downside as global monetary and fiscal tightening and economic restructuring take hold," he said. BHP plans to spend $80 billion over five years to expand iron ore, coal, copper and uranium production to meet soaring Asian demand, undeterred by day-to-day commodity price swings.

A2: Empirically Denied–Past Recessions

This recession is uniquely bad-spending will not sustain the economy

Steiner 9 [Craig, “stimulating the economy with deficit spending” January 8th 2009, Common sense American conservatism, http://www.craigsteiner.us/articles/37]

It should be mentioned that we've been practicing deficit/Keynesian spending since *1957*. For over 50 years the federal government has been borrowing and spending and creating an ever-larger national debt *every single year*. The last eight years the deficits of the federal government have been huge--and, with the exception of two years, have been *growing*. Recent deficits have been downright astronomical with a [real](http://www.craigsteiner.us/articles/32) deficit in fiscal year 2008 of over a trillion dollars. And even though the government has been increasing deficit/Keynesian spending, the economy (as measured by GDP) has been shrinking and unemployment has been rising. The massive spending that Obama wishes to try with his stimulus package has already been tried for the last eight years. We've been spending more and more and *losing* ground, not gaining it. Democrats *and* conservatives have rightly been bemoaning this massive deficit spending under President Bush. But now, as we contemplate a CBO-predicted deficit of $1.2 trillion (which will probably turn out to be over $2 trillion if historic accuracy is any indicator) even without Obama's stimulus package, we're supposed to believe an additional trillion in deficit spending is going to fix the economy? We have a credit crisis in this country and the solution is that we haven't borrowed and spent *enough*? And let us not forget that even if deficit spending was the solution to the Great Depression, the national debt at the beginning of the Great Depression was 16.34% of GDP. In 1940, after a decade of deficit spending and as the Great Depression was giving way to World War II, our national debt was still only 42.37%. Today, at the *beginning* of our crisis, our national debt ($10.6 trillion) is 73.6% of GDP ($14.4 trillion). Our relative debt level before the current crisis is almost twice what our debt level was after the Great Depression! In the 1930's we weren't constrained by an already-overwhelming debt. Today, we *are* constrained by a massive pre-existing debt. This comes back to the fact that even Keynes thought that deficit spending should be counter-cyclical with the business cycle: When the economy is contracting excessively, the government should try to stimulate it with deficit spending. When the economy is expanding, the government should try to moderate the growth with government surpluses (raising taxes or reducing government spending); this moderates the booming economy and also serves the purpose of paying off the debt that was generated from when the government was engaging in deficit spending. But we haven't done the "surplus" half of that. Even if we assume that Keynesian theory is correct, it is foolish to believe we can constantly engage in deficit spending and then engage in even bigger deficit spending during a recession--even Keynes did not suggest *that*. Our government has been constantly charging daily expenses to its credit card... and when an economic crisis comes about, Obama's proposal is to charge even more to the credit card. And don't forget that in about a decade Social Security is expected to [start running deficits](http://www.craigsteiner.us/articles/15)--at that point there will be even more pressure on the federal government to service its existing debt *and* pay increasing amounts in Social Security benefits. We have debt as far as the eye can see and the situation is not sustainable. It's certainly not helped by heaping on *more* debt. Looking back at the end of the Great Depression, what changed during the World War II years wasn't so much spending. It wasn't even necessarily the war. It was confidence; or, rather, a reduction in the *lack* of confidence. People stopped focusing on the bad news of the recession and started focusing on the single-minded goal of winning the war. Instead of focusing on the bad news of the economy (which had been pretty much continuous for a decade), people were focusing and were motivated to win a vital national goal that motivated them. And while I don't have newspapers from the 1930's or 1940's, I'll bet there was a massive shift from reporting bad economic news to reporting either good war-time/victory news... or bad news of military defeats that further inspired America to work even harder to win. More recently the media in America has been predicting that we were in a recession--or were about to be in one--since at least 2005, even when we were still experiencing growth. We Americans have been hearing predictions of bad economic news for nearly four years even though a recession only began, according to the experts, a year ago. Not surprisingly there are those that wonder whether or not the media actually *inflames* the economy with bad news; and 46% of Americans believe the media actually *tries* to make the economic news look worse than it is. The economy is going to improve only when Americans are confident enough to start spending money. That's going to happen when one or more of the following happens: Time passes and eventually things pick up in spite of the bad news. Something happens that gets more attention than economic news for a prolonged period of time. The media stops hyping bad news. Increased government spending won't accomplish any of the above. It'll just get us further in debt. And we already have too much.

A2: Emperically Denied—Past Spending

Spending now will put us in more debt and interfere with future investment

CBO 9 [Congressional Budget Office, July 27th, “Federal debt and the risk of a fiscal crisis”http://www.cbo.gov/ftpdocs/116xx/doc11659/07-27\_Debt\_FiscalCrisis\_Brief.pdf]

Over the past few years, U.S. government debt held by the public has grown rapidly—to the point that, compared with the total output of the economy, it is now higher than it has ever been except during the period around World War II. The recent increase in debt has been the result of three sets of factors: an imbalance between federal revenues and spending that predates the recession and the recent turmoil in financial markets, sharply lower revenues and elevated spending that derive directly from those economic conditions, and the costs of various federal policies implemented in response to the conditions. Further increases in federal debt relative to the nation’s output (gross domestic product, or GDP) almost certainly lie ahead if current policies remain in place. The aging of the population and rising costs for health care will push federal spending, measured as a percentage of GDP, well above the levels experienced in recent decades. Unless policymakers restrain the growth of spending, increase revenues significantly as a share of GDP, or adopt some combination of those two approaches, growing budget deficits will cause debt to rise to unsupportable levels. Although deficits during or shortly after a recession generally hasten economic recovery, persistent deficits and continually mounting debt would have several negative economic consequences for the United States. Some of those consequences would arise gradually: A growing portion of people’s savings would go to purchase government debt rather than toward investments in productive capital goods such as factories and computers; that “crowding out” of investment would lead to lower output and incomes than would otherwise occur. In addition, if the payment of interest on the extra debt was financed by imposing higher marginal tax rates, those rates would discourage work and saving and further reduce output. Rising interest costs might also force reductions in spending on important government programs. Moreover, rising debt would increasingly restrict the ability of policymakers to use fiscal policy to respond to unexpected challenges, such as economic downturns or international crises. Beyond those gradual consequences, a growing level of federal debt would also increase the probability of a sudden fiscal crisis, during which investors would lose confidence in the government’s ability to manage its budget, and the government would thereby lose its ability to borrow at affordable rates. It is possible that interest rates would rise gradually as investors’ confidence declined, giving legislators advance warning of the worsening situation and sufficient time to make policy choices that could avert a crisis. But as other countries’ experiences show, it is also possible that investors would lose confidence abruptly and interest rates on government debt would rise sharply. The exact point at which such a crisis might occur for the United States is unknown, in part because the ratio of federal debt to GDP is climbing into unfamiliar territory and in part because the risk of a crisis is influenced by a number of other factors, including the government’s long-term budget outlook, its near-term borrowing needs, and the health of the economy. When fiscal crises do occur, they often happen during an economic downturn, which amplifies the difficulties of adjusting fiscal policy in response. If the United States encountered a fiscal crisis, the abrupt rise in interest rates would reflect investors’ fears that the government would renege on the terms of its existing debt or that it would increase the supply of money to finance its activities or pay creditors and thereby boost inflation. To restore investors’ confidence, policymakers would probably need to enact spending cuts or tax increases more drastic and painful than those that would have been necessary had the adjustments come sooner.

\*\*Impact

Impact – Environment

Growth solves the environment

Riley 6 [Geoff, Eaton College, September, “Cost and benefits of economic growth” Macroeconomics. http://tutor2u.net/economics/revision-notes/a2-macro-economic-growth-costs-benefits.html]

The advantages and disadvantages of economic growth are fiercely debated by economists, environmentalists and other commentators. In this note we consider some of the economic and social costs and benefits from expanding levels of production and consumption. In particular we focus on the idea of sustainable growth. According to the UK government, ‘a healthy economy leads to higher living standards and greater prosperity for individuals. It also helps businesses to be profitable, which generates employment and income’. This quote highlights some of the benefits of growth – developed further below: Improvements in living standards: Growth is an important avenue through which better living standards and lower rates of poverty can be achieved. This is particularly true for countries who regard growth as a key route for poverty reduction among their population. According to a report published in August 2004 by the [Asian Development Bank](http://www.adb.org/) (ADB), rapid growth in many of the countries in the Asian region has reduced the number of people living on less than $1 a day fell to 22% of the region's population in 2002. That compares with 34% in 1990 and shows "considerable progress in the fight against poverty." Rising Employment: Growth stimulates higher employment. As we can see from the chart below, the sustained growth in the British economy since 1993 has helped to bring about a large rise in total employment, the number of people in work has risen from 2.53 million at the start of 1993 to nearly 29 million thirteen years later. This is a very impressive employment creation record, much better than most other countries in the European Union. Potential environmental benefits – richer countries have more resources available to invest in cleaner technologies. And, as nations move to later stages of development, energy intensity levels start to fall. Much depends on how many resources an economy is willing to devote to environmental improvement and protection. Over the last thirty years, the ratio of energy consumption per unit of GDP has fallen quite significantly. The reduction in energy intensity is a reflection of improvements in production technologies and also a gradual switch towards a low carbon economy. Much more progress needs to be made. Organisations such as the [Carbon Trust](http://www.carbontrust.co.uk/default.ct) sponsor research into low carbon technologies and many environmental groups believe that greater investment should be made in alternative sources of energy.

Growth solves ecological collapse

Zey 94 (Michael, Ph.D in sociology, executive director of the Expansionary Institute “Seizing the Future,” p. 35-36 AQB)

The human imagination knows no bounds when it applies itself to the problems of pollution and industrial waste. In fact, a whole new field, geoengineering, has evolved to tackle these environmental conundrums. On the drawing board sit imaginative plans such as that of Melvin Prueitt, a researcher at Los Alamos National Laboratory. His scheme involved cleaning the air of Lose Angeles with ninety-five towers that utilize a complex technology to suck in L.A.’s impure air, “scrubbing” it, and releasing clean air back into the city’s atmosphere. He claims that this method alone could clean and recycle half of L.A.’s air daily. Princeton University professor Thomas H. Stix possesses an even bolder plan. He suggests that laser beams strung across mountain passes could “process” the Earth’s atmosphere: The beams would break up chlorofluorocarbons before they reach the stratosphere. Other proposals suggests “injecting” 50,000 tons of propane into the stratosphere to reduce ozone loss. These examples demonstrate that even if growth does initially cause society some environmental problems, the solution must be more, not less, growth. Technology and research, both elements of progress, become the solutions to the negative byproducts of progress. As some environmentalists and biologists stated in a recent Harper’s magazine article, “humanity is the only savior of the environment.”

Impact – Overpop

Economy solves overpopulation

Schultz 5 (T Paul, Yale University - Economic Growth Center; Institute for the Study of Labor, Fertility and Income, http://papers.ssrn.com/sol3/papers.cfm?abstract\_id=838227, October 2005, OST)

There is an inverse association between income per adult and fertility among countries, and across households this inverse association is also often observed. Many studies find fertility is lower among better educated women and is often higher among women whose families own more land and assets. What do we know about the social consequences of events and policies that change fertility, if they are independent of parent preferences for children or the economic conditions which account for much of the variation in parent lifetime fertility? These effects of exogenous fertility change on the health and welfare of children are assessed from Kenyan household survey data by analysis of the consequences of twins, and the effect of avoiding unanticipated fertility appears to have a larger beneficial effect on the body mass index or health status of children in the family than would be expected due to variation in fertility which is accounted for by parent education and household land.

Impact – Disease

Economic growth is key to disease prevention.

Robinson 9 (Andrew, Director Disaster Management in Australia,” 12 June 2009, p. <http://www.physorg.com/news163993567.html>) JT

There are concerns that the financial crisis has already hit tuberculosis control, which has global ramifications, says Robertson.“There are already indications that funding for TB diagnosis and management is decreasing in [developing countries](http://www.physorg.com/tags/developing%2Bcountries/) and a surge of new cases there may flow onto the US and other countries,” he says.Healthcare in developed countries will also suffer if budgets are cut and incomes fall. Fewer people are accessing private health services in the USA, which will increase the burden on public health services.Resources for disease surveillance are often cut back during difficult economic times, jeopardising the systems we rely on to identify and deal with emerging diseases - including the current swine flu epidemics.The 1995 economic crisis in Mexico led to 27,000 excess deaths in that country alone - but the effect of this far greater, global downturn is currently “impossible to quantify,” according to Robertson.

Growth checks disease spread

Meier and Fox 8 (Benjamin and Ashley, Sociomedical Studies@Columbia, Sociomedical Sciences@Columbia, May 2008, Human Rights Quarterly, 30(2), <http://muse.jhu.edu.ezproxy.cul.columbia.edu/journals/human_rights_quarterly/v030/30.2.meier.pdf>) JT

The public health advancements arising from economic development have been reserved predominantly for the developed world. In the more than 200 years since the industrial revolution, the developed world has seen dramatic improvements in health.2 Among developed nations, maternal and infant mortality rates have dropped dramatically,3 life expectancies at birth have nearly tripled,4 and the size of nations' respective populations have nearly quadrupled.5 In what is now the developed world, the eradication of absolute poverty and its attendant health conditions were instrumental in raising health outcomes. The reductions in infectious diseases at the beginning of the twentieth century, though often mistakenly attributed solely to advancements in medical technologies, resulted largely from broad improvements in economic development, higher standards of living, and the creation of social welfare programs.6 Advances in nutrition, sanitation, and technologies have allowed [End Page 263] for these unparalleled improvements in the human condition, heralding the rapid decline of malnourishment, infection, and poor nutrition that riddled pre-industrial Europe.7 It is these public health advancements from economic development that have been reserved for the developed world. While the entire world has seen an upward trend in life expectancy at birth and other health indicators over the course of the past century, vast international public health inequalities persist, with developing countries continuing to experience high rates of infectious illnesses, shortened lifespan, and diminished quality of life, generating a vicious cycle of destitution and disease. Although there continue to be global improvements in living standards, health, and well-being,8 absolute poverty and its associated maladies remain the primary reasons for the failure of developing states to improve the health of their peoples.9 As put forward by the World Health Organization (WHO): "Poverty wields its destructive influence at every stage of human life, from the moment of conception to the grave. It conspires with the most deadly and painful diseases to bring a wretched existence to all those who suffer from it."10 At the end of the twentieth century, 1.2 billion people worldwide (20 percent of the global population) continued to live on less than $1/day purchasing power parity (PPP).11 Adjusting this poverty line to a scantly less impecunious state of less than $2/day PPP more than doubles the number of those living in poverty to 2.8 billion people.12 The health consequences of this extreme poverty remain dire: 14 percent of the global population (826 million) is undernourished, 16 percent (968 million) lacks access to safe drinking water, and 40 percent (2.4 billion) lacks basic sanitation.13 [End Page 264] Globally, the two leading causes of disease burden in 2001 were perinatal conditions and lower respiratory infections (affecting 90 million and 86 million disability-adjusted life years respectively), both of which constitute poverty-related illnesses that are practically non-existent in high-income countries.14 Widespread poverty, enabling damaging underlying determinants of health, has led to these injurious public health consequences throughout the developing world.15 With nearly one-third of all deaths worldwide arising from these avoidable causes,16 the endurance of underlying determinants of ill-health, namely the persistence of inequitable poverty, has stymied attempts to prevent this unnecessary sickness and death.

Impact – Poverty

Growth solves poverty

Norton 2 (Seth, Business@Wheaton, *CATO Journal*, 22(2), Fall 2002, p. 271, <http://www.cato.org/pubs/journal/cj22n2/cj22n2-5.pdf>) JT

The more relevant issue is the role of economic growth in reducing poverty. The trickle-up contention and the jaundiced view of trickledown—the trickle is just a small trickle—rest strongly on the contention that it is the “quality of growth” and the redistribution of the benefits of growth, not growth itself, that leads to the elimination of poverty. The results documented in Tables 2 and 3 challenge that assertion. For example, suppose the poor countries of the world experienced average economic growth of 5 percent per annum. After 5 years, the compounded income would result in an increase of about 27.62 percent. Ignoring the effect of the other income group, the impact of the rich stratum’s income growth would decrease the death rate (“Death by 40”) by about 3.76 percent, whereas an increase in the income of the poor stratum would reduce the death rate by about 2.55 percent. 4 Thus, in the ceteris paribus sense, the poverty reduction by growth of the richest class’s income would generate a greater effect than the poverty reduction attributable to the growth of poor class’s income. However, incomes of the rich and poor do not grow in a ceteris paribus sense. The incomes of the rich and the poor actually grow together as Table 1 clearly documents. More importantly, the data show that poverty falls as the rich get richer. Thus, economic growth should enhance the well-being of the poor as well as the rich.

Economic growth reduces poverty.

Lozada 11 ( Carlos, editor for Washington Post’s Outlook section, 13 June 2011, p. <http://www.nber.org/digest/oct02/w8933.html>) JT

According to the author, his paper represents "the first attempt to construct a world income distribution by aggregating individual-country distributions." Using income data covering 97 countries, Sala-i-Martin estimates five income shares for each country from 1970 to 1998. He then integrates the individual country data to form a single picture of global income distribution. He also incorporates 28 additional countries for which there are no individual income share data available, bringing the total in his sample to 125 nations, or roughly 88 percent of the global population in 1998. Drawing on these data, the author first highlights the poverty and inequality experiences of the nine most populous countries in the world: China, India, the United States, Indonesia, Brazil, Pakistan, Japan, Bangladesh, and Nigeria. These cases reveal differing insights into the relationship between income growth and income inequality. In China, for instance, poverty rates plummeted in 1970-98, but inequality increased. In Indonesia, extreme poverty virtually disappeared and income inequality declined at the same time, countering the popular notion that growth and inequality must go together. Finally, Nigeria offers a cautionary tale: as in much of Africa, Nigerian per capita income dropped over the last thirty years, and extreme poverty rose from 45 percent of the population in 1970 to 70 percent in 1998. However, inequality also increased so drastically that the richest Nigerians were actually better off in 1998 than in 1970. Sala-i-Martin finds that, on a global level, the number of people living in extreme poverty (income of less than $1 per day at the prices of 1985) and poverty (less than $2 per day) declined significantly during the period under study. In 1970, roughly 40 percent of the global population subsisted under the $2 poverty line, while about one-sixth lived under the $1 line. The picture was much the same in 1980, but "things changed dramatically in the 1990s" the author writes, when China, India, and Indonesia began growing rapidly. By 1998, less than 20 percent of the world population was beneath the $2 dollar level, while, less than 7 percent was below the $1 level. "The world, therefore," explains Sala-i-Martin, "has had an unambiguous success in the war against poverty rates during the last three decades." Even in absolute terms, from 1976 to 1998, the number of people living under $1 per day declined by 235 million between 1976 and 1998, while the number of people living on less than $2 per day declined by 450 million.

Impact – Hunger

Growth solves oceans

Trinidad, White, Gleason, and Pura, 2 (Anabelle, policy advisor@Costal Resource Management Project, Alan, deputy chief of policy@Costal Resource Management Project, Mary, consultant@Tetra Tech, Leo, policy research assistant@Costal Resource Management Project, Over Seas, 5(2), February 2002, p. <http://www.oneocean.org/overseas/200202/overfishing.html#abbie>) JT

Human population growth that doubles in about 35 years is a major factor, but the endless influx of people to coastal areas reflects not only the country’s weak population program - it also reflects the failure of other economic sectors to provide sustained employment. The economic context and availability of alternative employment determine who decides to fish. A weak economy and the lack of economic opportunities result in unemployment and increased poverty. Poverty increases the number of fishers - landless and having nowhere to go, the unemployed are pushed to the coastal zone and many turn to fishing for a living. As their numbers increase, poor fishers become a major factor in the mass destruction of fish habitats through the use of destructive fishing methods and the application of too much fishing effort. Lack of law enforcement then enters the equation because most destructive fishing practices have long been illegal! And, without instruments to limit access, the influx of fishers continues.

That solves hunger

Craig 3 (Robin, law@Indiana U, McGeorge Law Review, 34(2), Winter 2003, p. Hein Online) JT

The world's oceans contain many resources and provide many services that humans consider valuable. "[O]ccupy[ing] more than [seventy percent] of the earth's surface and [ninety-five percent] of the biosphere,"'17 oceans provide food; marketable goods such as shells, aquarium fish, and pharmaceuticals; life support processes, including carbon sequestration, nutrient cycling, and weather mechanics; and quality of life, both aesthetic and economic, for millions of people worldwide.'8 Indeed, it is difficult to overstate the importance of the ocean to humanity's well-being: "The ocean is the cradle of life on our planet, and it remains the axis of existence, the locus of planetary biodiversity, and the engine of the chemical and hydrological cycles that create and maintain our atmosphere and climate."'19 Ocean and coastal ecosystem services have been calculated to be worth over twenty billion dollars per year, worldwide.2° In addition, many people assign heritage and existence value to the ocean and its creatures, viewing the world's seas as a common legacy to be passed on relatively intact to future generations.2 Traditionally, land-bound humans have regarded the ocean as an inexhaustible resource and have pursued consumptive and extractive uses of the seas, such as fishing, with little thought of conservation.22 In the last two or three centuries, however, humanity has overstressed the world's oceans, proving that the ocean's productivity is limited.23 Degradation of the marine environment is becoming increasingly obvious: Scientists have mounting evidence of rapidly accelerating declines in once-abundant populations of cod, haddock, flounder, and scores of other fish species, as well as mollusks, crustaceans, birds, and plants. They are alarmed at the rapid rate of destruction of coral reefs, estuaries, and wetlands and the sinister expansion of vast "dead zones" of water where life has been choked away. More and more, the harm to marine biodiversity can be traced not to natural events but to inadequate policies.24

Impact – Warming

Growth solves warming

Riley 6 (Geoff, Prof at Eton College, Sept, http://tutor2u.net/economics/revision-notes/a2-macro-economic-growth-costs-benefits.html AQB)

Potential environmental benefits – richer countries have more resources available to invest in cleaner technologies. And, as nations move to later stages of development, energy intensity levels start to fall. Much depends on how many resources an economy is willing to devote to environmental improvement and protection. Over the last thirty years, the ratio of energy consumption per unit of GDP has fallen quite significantly. The reduction in energy intensity is a reflection of improvements in production technologies and also a gradual switch towards a low carbon economy. Much more progress needs to be made. Organisations such as the Carbon Trust sponsor research into low carbon technologies and many environmental groups believe that greater investment should be made in alternative sources of energy. “We now expect to live on average 30 years longer, to work almost half the amount of time we used to every year, and to enjoy an array of new goods and services, including air travel, antibiotics, computers and televisions. Economic growth and rising living standards has also meant a cut in rates of carbon emissions and natural resource depletion never possible in the 20th century”

Impact – Hegemony

Growth key to heg

Dymski 2 (Gary, Prof of Economics at UC Riverside, Journal of the Japanese Society for Political Economy, April p 6-7 AQB)

What set of forces could simultaneously transform Minskian financial cycles, generating a higher level of microeconomic pain (higher business and bank failure rates) and a longer period of macroeconomic expansion, and also soften Kaleckian labor constraints? United States’ global hegemony may be this missing factor. Today, the U.S. economy has unassailable global power. As noted above, this global power emanates both from the military/political sphere and from the economic sphere, especially due to the preeminence of Wall Street and the “New Economy.” U.S. global dominance is paralleled by weaknesses elsewhere: Latin America had its Lost Decade in the 1980s, while Japan’s economy has been mired in its own Lost Decade of the 1990s; and Europe has stagnated due to the transition in Eastern Europe and the policies implemented to meet European Monetary Union criteria. The two economic bases of U.S. strength have been badly shaken in the recent past. Wall Street has not recovered momentum since the 1998 Russia/Brazil crisis; and in early 2000 the New Economy began a long period of retrenchment. Other problems of the U.S. economy during the 2001 recession—manufacturing slowdown, low household savings, and huge trade deficit—are all linked to the strong dollar. The overvaluation of the dollar thus appears to be the obstacle to correcting this situation (Godley and Izurieta 2001, Krugman 2001). This analysis rests on the heroic, and contradictory, assumptions that the dollar is the ultimate positional asset in the neoliberal order, and that its value can be manipulated at will. The roots of global excess demand for the dollar is a half-century old. The dollar-based Bretton Woods system created this demand in the immediate post-war period, due to the near-total dominance of U.S. manufacturing. The Marshall Plan initially channeled dollars to Europe, while the Korean War accomplished this in Japan. By the 1960s, European and Japanese industry had reestablished its productive capacity, and the U.S. dollar became increasingly overvalued; in consequence, the current account slipped into deficit even while U.S. companies were buying foreign competitors. This led to a debate about the dollar shortage. An outflow of dollars is sustainable only if the rest of world is willing to hold them. The well-known essay by Despres, Kindleberger, and Salant (1966), cited above, replaced the trade-surplus rationale for the dollar shortage with a rationale based on the U.S.’s superior financial and investment markets.

Economic growth is the linchpin – All other forms of heg are stable leaving the future of hegemony balanced on the economy.

Peng 9 (Dr. Yuan Peng, Director of CICIR’s Institute for American Studies, April 11 http://www.cicir.ac.cn/english/newsView.aspx?nid=86 AQB)

When studying US economic hegemony it is important to not only understand the current US economic situation, but also to grasp fully the US comprehensive strength and the future trend of its hegemony. If we divide the US hegemony into hegemony of military, hegemony of politics, hegemony of economy, hegemony of science and culture, the economic hegemony should be the most changeable and also the most decisive element to the future of the US. The military hegemony will stay unchallenged; the basis for its scientific hegemony is solid to a large extent; and the political hegemony, though facing great challenges, is still far from fully declination. Therefore among the four kinds of hegemony, the future of economic hegemony is the most dimmed one. If the economic hegemony is at risk, it will weaken the military hegemony and science and technological hegemony, which, combined with a declining political hegemony, will cause a decline in the comprehensive hegemony of the US; if it successfully keeps its solid economic hegemony, with the support of its strong military capacity and scientific and cultural hegemony, the US will continue to dominate the world, even if the political hegemony is challenged. All in all, how the US economic hegemony goes will greatly impact the other countries in the world.[1] People have different opinions on the current economic situation and US hegemony. The financial crocodiles George Soros and Warren Buffet, as well as Wallerstain, the master of World System Theory, believe the US is truly declining. Even before the financial crisis, they had claimed that the economic bubble would burst and reckoned that decline is an inevitable trend for the US. On the other hand, strategists like Henry Kissinger, Zbigniew Brzezinski and the Newsweek Editor- Fareed Zakaria, embrace the hope that the US still holds a card to maintain or even revitalize its hegemony, although they admit the advent of “the post-America time” (Fareed Zakaria), or “power shift” (Henry Kissinger). The conclusions come from their deep awareness of the whole international system and the law of history. People in this school have a strong ideology and argue that, given the obvious edges of the US in today’s world, the hegemony of the US is still as solid as a rock. Anne-Marie Slaughter, the former Dean of the Woodrow Wilson School of Public and International Affairs, is a typical representative of this argument.

Impact – Hegemony

NW

**Khalilzad**, **’95** Former RAND Fellow, Current US Ambassador

[Zalmay, “Losing the Moment?” The Washington Quarterly, Vol. 18, No. 2, pg. 84, Spring, Lexis]

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

History proves that economic growth prevents empire collapse.

Subacchi 8(Paola, research director on international economics at Chatham House, Oct 30 http://www.foresightproject.net/publications/articles/article.asp?p=3522 AQB)

What does the current financial crisis mean for the standing of the US in the world? Will it mark the end of US hegemony and superpowerdom? For many commentators the crisis represents "a true global watershed" between a world dominated by the American brand, epitomised, in Francis Fukuyama's words, by capitalism and liberal democracy, and the post-American world in which the US is no longer the world's only superpower and economic hegemon. For Peer Steinbrück, Germany's finance minister, it is not even a matter of time: "The United States is no longer a financial superpower", he said in a recent interview. Large empires, from ancient Rome to Great Britain, declined at least in part as a result of economic weakness. Financial meltdown and recession in the US may act as a catalyst to the ongoing shift of the world economic order by dramatically rupturing the credibility of and respect for the American model. Such a shift has been prophesised for some time. China's rapid economic growth and the potential for other emerging market economies to expand substantially over the next three to five decades, due to their large population, strong economic expansion and integration in the world economy, seem to indicate the emergence of a new world order. New players could use their recently acquired economic might to gain influence and challenge established powers, notably the US. Can the crisis accelerate this "shift of power"?

Impact – Space

Growth key to space

Elhefnawy 8 (Nader, Prof at University of Miami, Sept 29, http://www.thespacereview.com/article/1220/1 AQB)

Most discussions of cutting the cost of space development revolve around the price of space launch. This is, of course, understandable, given that this very high cost is a key bottleneck for any space development scheme. Nevertheless, that emphasis also happens to be narrow. Particularly where manned space flight is overly concerned, cheaper must go hand in hand with safer and more reliable. (A manned vehicle with a failure rate of one every fifty launches is not nearly good enough, at any price.) The reduction of the needed payload size to accomplish a given task, which has greatly helped to widen access to satellites, is just as important. No less important is the expansion of the economic base that would have to support such endeavors, a point which rarely gets much attention. There is an obvious reason why that approach is often ignored: the common claim that the limits to growth on Earth mandate a turn to the exploitation of space. (Such arguments are not exclusive to the writers of the 1970s. John S. Lewis posits that the failure to do so will mean “civilization collapses to subsistence agriculture by 2030” in his 1996 book Mining the Sky.)

Economic growth is key to expanding space exploration

Elhefnawy 8 (Nader, prof @ u of Miami, *The Space Review*, Sep 29-8, http://www.thespacereview.com/article/1220/1 OST )

No less important is the expansion of the economic base that would have to support such endeavors, a point which rarely gets much attention. There is an obvious reason why that approach is often ignored: the common claim that the limits to growth on Earth mandate a turn to the exploitation of space. (Such arguments are not exclusive to the writers of the 1970s. John S. Lewis posits that the failure to do so will mean “civilization collapses to subsistence agriculture by 2030” in his 1996 book Mining the Sky.) However, this is far from being the only reason. The plain truth is that relying on terrestrial economic expansion to endow us with the resources for eventual space expansion will mean admitting the most exciting things are further off than we would like, outside the time frame of “meaningful” discussions of what public policy should be or what private business can do. Besides, it makes for a less compelling and attractive story than the idea of a technological revolution just over the horizon that opens up the heavens to all of us—especially if one is a market romantic when it comes to these matters (see “Market romanticism and the outlook for private space development”, The Space Review, September 2, 2008)

Nonetheless, that is what one would have to assume given the state of the art. Additionally, however, while space launch costs (and other, related costs) may drop in real terms in the coming decades, it is safe to say that any viable future spacefaring society will also see them drop markedly in relative terms. The United Nations predicts the rise of Gross World Product (GWP) to about $140 trillion by 2050, more than twice today’s level, and this is still rather conservative next to some previous periods of comparable length. A repeat of the growth of 1950–1990, for instance, would likely result in a GWP in the $250–350 trillion range. And of course, if one goes in for that sort of thinking, the growth we could realize if the predictions of futurists like Ray Kurzweil pan out would absolutely explode those numbers. Of course, some caution is in order. Given the challenges the world now faces, including tight energy supplies, ecological degradation, and financial instability (and the huge uncertainties involved in not just space, but other technologies like molecular engineering and robotics), it is easy to picture even the modest numbers supplied by the UN proving overoptimistic.

Growth is key to technological innovation

San Diego Union-Tribune, August 4, 2002

Michael Zey, professor at Montclair State University and noted futurologist, said there is no question that economic cycles feed interest and resources in innovation, with movies and television shows closely mirroring our perceptions of the future. When the economy is on an upswing, mainstream science fiction tends to be more positive about technological advances, such as the 1950s space exploration movies. "Optimism is the basis of creativity and innovation," Zey said. "When people perceive the economy as positive, they tend to look at the future more brightly." As the economy struggles, the vision of the future becomes more pessimistic, concentrating on the ills of innovation.

Impact – War

Their impact takeouts are wrong – third world countries, poverty, infrastructure, and civil war are all reasons why economic crisis could cause war

Strauss-Kahn 9 (Dominique, Manging Director of the IMF, International Monetary Fund, http://www.imf.org/external/np/speeches/2009/102309.htm)JFS

Let me stress that the crisis is by no means over, and many risks remain. Economic activity is still dependent on policy support, and a premature withdrawal of this support could kill the recovery. And even as growth recovers, it will take some time for jobs to follow suit. This economic instability will continue to threaten social stability. The stakes are particularly high in the low-income countries. Our colleagues at the United Nations and World Bank think that up to 90 million people might be pushed into extreme poverty as a result of this crisis. In many areas of the world, what is at stake is not only higher unemployment or lower purchasing power, but life and death itself. Economic marginalization and destitution could lead to social unrest, political instability, a breakdown of democracy, or war. In a sense, our collective efforts to fight the crisis cannot be separated from our efforts guard social stability and to secure peace. This is particularly important in low-income countries. War might justifiably be called “development in reverse”. War leads to death, disability, disease, and displacement of population. War increases poverty. War reduces growth potential by destroying infrastructure as well as financial and human capital. War diverts resources toward violence, rent-seeking, and corruption. War weakens institutions. War in one country harms neighboring countries, including through an influx of refugees. Most wars since the 1970s have been wars within states. It is hard to estimate the true cost of a civil war. Recent research suggests that one year of conflict can knock 2-2½ percentage points off a country’s growth rate. And since the average civil war lasts 7 years, that means an economy that is 15 percent smaller than it would have been with peace. Of course, no cost can be put on the loss of life or the great human suffering that always accompanies war. The causality also runs the other way. Just as wars devastate the economy, a weak economy makes a country more prone to war. The evidence is quite clear on this point—low income or slow economic growth increases the risk of a country falling into civil conflict. Poverty and economic stagnation lead people to become marginalized, without a stake in the productive economy. With little hope of employment or a decent standard of living, they might turn instead to violent activities. Dependence on natural resources is also a risk factor—competition for control over these resources can trigger conflict and income from natural resources can finance war. And so we can see a vicious circle—war makes economic conditions and prospects worse, and weakens institutions, and this in turn increases the likelihood of war. Once a war has started, it’s hard to stop. And even if it stops, it’s easy to slip back into conflict. During the first decade after a war, there is a 50 percent chance of returning to violence, partly because of weakened institutions.

Economic downturn breeds wars

Mead 9 (Henry , Sr fellow in U.S. Foreign Policy at the Council on Foreign Relations, *The New Republic*, 2/4/09, http://www.tnr.com/politics/story.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8&p=2) ET

So far, such half-hearted experiments not only have failed to work; they have left the societies that have tried them in a progressively worse position, farther behind the front-runners as time goes by. Argentina has lost ground to Chile; Russian development has fallen farther behind that of the Baltic states and Central Europe. Frequently, the crisis has weakened the power of the merchants, industrialists, financiers, and professionals who want to develop a liberal capitalist society integrated into the world. Crisis can also strengthen the hand of religious extremists, populist radicals, or authoritarian traditionalists who are determined to resist liberal capitalist society for a variety of reasons. Meanwhile, the companies and banks based in these societies are often less established and more vulnerable to the consequences of a financial crisis than more established firms in wealthier societies. As a result, developing countries and countries where capitalism has relatively recent and shallow roots tend to suffer greater economic and political damage when crisis strikes--as, inevitably, it does. And, consequently, financial crises often reinforce rather than challenge the global distribution of power and wealth. This may be happening yet again. None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises. Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born? The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

Impacts – A2: War – Goldstein

Goldstein’s argument is logically flawed- explains a nation state level argument in the context of systemic level factors

Cashman 2k (Greg, poli-sci @ Salisbury state U, *What causes war?: an introduction to theories of international conflict* , pg. 68) ET

Goldstein’s explanation for the link between K-waves and war is that increasing production produces a great demand for these resources. This competition occurs during a period when production increases have made increased supplies of war material available to the military sector, drastically increasing the probability of war. (This is essentially a lateral pressure argument without the emphasis on population growth.) Since war is a costly endeavor, states prefer to engage in it when the resources are relatively plentiful. War is most likely to occur, then, near the end of the long-wave upswing. Note, however, that Goldstein falls back on nation-state- level argument ( the presence of economic wherewithal) to help explain a theory based on systemic-level factors (K-waves).

Goldstein’s theory of upswing causing war is empirically wrong- 4 of the last 10 wars were in a downswing and only 2 were in an upswing

Cashman 2k (Greg, poli-sci @ Salisbury state U, *What causes war?: an introduction to theories of international conflict* , pg. 68) ET

What does this have to do with Modelski’s long-cycle theory? Goldstein argues that the hegemonic cycle and economic long-wave cycle, though they are not in phase with each other, operate in conjunction with each other. Thus, hegemonic decline does not by itself lead to war; it is only dangerous when it coincides with an expansionary phase of the economic cycle. Economic expansion by itself is not dangerous either; it must be accompanied by hegemonic stagnation. For example, the economic expansion of the 1960s was not associated with major wars because of the strong hegemonic position of the United States. Goldstein predicts new economic upswings to coincide with the continuation of American hegemonic decline between 2000 and 2030 Jack levy reexamines the issue, matching Goldstein’s data on economic production cycles against the ten general wars of the last 5 centuries. He is interested not in peaks of war severity, but in war initiation. When the production cycle alone is considered (after all, Goldstein’s theory is based on the rise and fall of production, rather than on prices or other variables), Levy discovers a picture at odds with Goldstein’s theory. Four of the ten wars were begun during the middle or end of a production downswing phase, and two occurred at the beginning of an upswing- rather than near the end of the upswing, as Goldstein’s theory suggests. Many of the wars broke out near the transition from downswing to upswing, so that the causalities associated with them belonged in the upswing phase even though the wars might have begun in the downswing- explaining why Goldsttein found an association between K-waves and severity of war, but not between k- waves and war initiation.

\*\*\*Aff\*\*\*

No Impact – Resilience

The economy is resilient and has been able to overcome other disasters previously no reason it can’t do so again.

Fox News 4/11 (Fox news network, “gas pains hurting the economy”, 4/11/2011, p. Fox, http://www.foxnews.com/on-air/cost-of-freedom/transcript/bulls-bears/gas-pains-hurting-economy ,OST)

The larger issue is that the economy is resilient and it's kind of been implied. You go back to hurricane Hugo, which at the time was the most costly hurricane -- about $10 billion in 1989 dollars, by the way. This estimate so far -- no one knows exactly for sure - is probably about $5 billion, maybe $5 to $6 billion in damage. And in the time hurricane Hugo occurred in 1989, we still saw consecutive quarterly increase in GDP. Same thing with Katrina -- in the third quarter of 2005 when Katrina hit, the GDP was about $12.6 trillion. In the next quarter, it was $12.7 trillion. So there could be a bump in the road, if you will, as far as the growth rate, which I think Julian talked about. But as far as the overall economy, it will be a blip. That's not to minimize, of course, the damages. I think Toby brings up an excellent point on potentially some of the crop prices, but overall, I think we'll get through this. And if you look back on a chart of the GDP years from now, you'll kind of question if anything happened.

US econ resilient- 9/11, recession, and price deflations prove

Dawson 4 (Michael, Deputy Assistant Secretary for Critical Infrastructure Protection and Compliance Policy, 1.8.4, *Press Room*, http://www.ustreas.gov/press/releases/js1091.htm ) ET

Fortunately, we are starting from a very strong base. The American economy is resilient. Over the past few years, we have seen that resilience first hand, as the American economy withstood a significant fall in equity prices, an economic recession, the terrorist attacks of September 11, corporate governance scandals, and the power outage of August 14-15. There are many reasons for the resilience of the American economy. Good policies - like the President’s Jobs and Growth Initiative - played an important part. So has the resilience of the American people. One of the reasons are economy is so resilient is that our people are so tough, so determined to protect our way of life.

American financial system resilient- people and empirics prove

Dawson 4 (Michael, Deputy Assistant Secretary for Critical Infrastructure Protection and Compliance Policy, 1.8.4, *Press Room*, http://www.ustreas.gov/press/releases/js1091.htm ) ET

Like the economy as a whole, the American financial system is resilient. For example, the financial system performed extraordinarily well during the power outage last August. With one exception, the bond and major equities and futures markets were open the next day at their regular trading hours. Major market participants were also well prepared, having invested in contingency plans, procedures, and equipment such as backup power generators. The U.S. financial sector withstood this historic power outage without any reported loss or corruption of any customer data. This resilience mitigates the economic risks of terrorist attacks and other disruptions, both to the financial system itself and to the American economy as a whole. Although we are starting from a strong base, the fact remains that terrorists continue to target the U.S. economy and U.S. financial institutions. Therefore, we must continue our vigilant efforts to protect our critical financial infrastructure.

No Impact – A2: US Key

Link turn- If the US economy crashes the rest of the world improves

Fullermoeny.com 7 (Fullermoeny.com, Writer for fullermoeny.com, 2007, http://www.fullermoney.com/x/articles.html?id=173, OST)

As you may have observed, the old adage: "If the US sneezes the rest of the world catches a cold", has been updated. We now hear: "If the US sneezes the rest of the world goes shopping." Fullermoney has long maintained that a greater degree of economic uncoupling was inevitable, due to globalisation, the transfer of technology, and not least because most of the world has abandoned its moribund economic systems in favour of capitalism. The only surprise is that it took so long. The consequence is that we now live in an increasingly multipolar world. Obviously capitalism will not prevent recessions from time to time, but it should help to mitigate them. Currently, the overwhelmingly capitalist portion of the global economy remains synchronised in a period of economic expansion. This should continue at least through 2008, assuming that there is no severe exogenous shock.

Other economies exist separately of the US

Fullermoeny.com 7 (Fullermoeny.com, Writer for fullermoeny.com, 2007, http://www.fullermoney.com/x/articles.html?id=173, OST)

Asia has the most to gain because of its large and generally well educated populations. The biggest of all - in China and India - certainly have the potential to lead global GDP growth, more often than not, for a very long time. And if this outlook changes significantly in coming years, I suspect it would be due to forfeiture in terms of governance. Developed Asia will do best by providing what China and increasingly India most need, rather than via direct competition. They are certainly capable of doing the former, as niche player Singapore continues to prove. Japan continues to perform way below its economic potential but certainly has the capability to transform its economy for the better. Economically speaking, Eastern Europe is a scaled-down version of China and India for developed Europe. Germany is already benefiting from a small shift to a more capitalistic than socialistic system and France will probably follow this lead. The UK made a similar shift during the Thatcher years, and while the public sector has become too large during the last ten years, the overall environment remains entrepreneurial.

Other countries have varied economies that aren’t affected by US downturns

Fullermoeny.com 7 (Fullermoeny.com, Writer for fullermoeny.com, 2007, http://www.fullermoney.com/x/articles.html?id=173, OST)

Commodity exporting countries are prime beneficiaries of the synchronised global economic expansion. Historically, however, they have varied considerably in terms of governance. Stable, developed countries such as Australia and Canada can only continue to benefit from the commodity supercycle. South America's potential is enormous but too often deferred by governance. Those countries which do not adopt the policies of Hugo Chavez should do very well. We can probably say the same for Africa. As for Russia, even if one does not endorse all of President Putin's governance, which I do not, he is popular and the country is more stable than for a long time. Russia certainly has industrial resources in abundance and they will remain one of the best long-term investment themes. Sadly, the USA remains higher risk than it should be, for myriad reasons, both political and economic. However the USA's greatest strength is that it remains a great place to do business. As for the Fed and short-term rates, I maintain that Bernanke would prefer to sit tight. However a weaker stock market, should it occur, would bring forward the likelihood of a rate cut. Despite the USA's economic problems, I continue to expect multinational companies to outperform, due to the soft US dollar and overall strength of the global economy.

The US isn’t key to the global economy

Lehman Brothers 7 (Associate, 5-4-2007, p. 5, http://www.fullermoney.com/content/2007-05-10/Lehman+Global+Weekly-4th+May[1].pdf, OST)

The US plays a special role in the global economy and markets. There appears to be a “CNN effect” where US news affects the world out of proportion to its share of GDP and market capitalizations. And yet today, with a visible weakening in US growth, the global economy and markets remain strong. Will the “American flu” spread? A recent IMF study argues—correctly, in our view—that contagion effects are not as great as they appear on the surface (“Decoupling the Train?” WEO April 2007). It is true that foreign economies often go into recession at about the same time as the US (Figure 1). However, foreign growth appeared unaffected around two recent US slowdowns. Moreover, the synchronized recessions of the past have often been the result of common factors or shocks rather than US contagion effects. Oil shocks, inflation-fighting central banks and the popping of the IT bubble in 2000 were global, not US-specific, shocks.

No Impact – A2: US Key

The US isn’t key to the global economy

Lehman Brothers 7 ( Lehman Brothers Corporation, Associate, 5-4-2007, p. 5, http://www.fullermoney.com/content/2007-05-10/Lehman+Global+Weekly-4th+May[1].pdf, OST)

In the current period there are a number of reasons to expect decoupling of US and global growth. First, the energy shock hurts consumers in the US (and other consuming nations) but it transfers spending power to oil producers who have been relatively quick to spend the windfall, boosting their economies and the economies of their trading partners. Second, the main shock to the US economy, a collapse in home demand, is almost purely a US problem—only a few other countries face serious housing risks and the US housing industry is a low-import sector. Third, the sources of strength overseas are also country specific. Euro-area reform at first weakened growth but now supports it, Japan is emerging from a unique deflation problem, China is determined keep the juggernaut going to move workers into the manufacturing sector, and many emerging market economies such as Brazil are reaping the rewards of more disciplined policy

No Impact – A2: Timeframe

Markets don’t crash overnight.

Niemann 11 (Ulli, Fachhochschule Kiel, Owner at Southland Investments, p. the ETFbully, http://www.theetfbully.com/2011/02/sunday-musings-looking-ahead-to-the-next-crash/**,**OST)

Again, markets generally don’t crash overnight. As we’ve seen in the past, sharp corrections are preceded by a slow deterioration in prices. If you follow the trends, and especially my Trend Tracking Indexes (TTIs), you should have ample warning that a directional change has occurred and that it’s time to stand aside. Right now, market direction is clearly bullish and, who knows, we may very well get to the S&P;’s 1,500 level, which Grantham refers to as bubble territory. Ride the bull for as long as it lasts, but remain aware that a directional turnaround is lurking on the horizon.

\*\*Internal Link Turns

Spending Good-Econ 1/2

Spending key to econ

Waldman 10 (Paul, Sen. Corres. Prospect, The American Prospect, September 28, 2010, http://prospect.org/cs/articles?article=a\_million\_here\_a\_million\_there)

Republicans are right when they point out that federal spending increased significantly during the first two years of the Obama administration, mostly due to the stimulus bill Democrats passed in 2009 as a response to the Great Recession. Where they're wrong is in describing that increase as something qualitatively different from what we've seen in the past. In fact, **our federal budget has been rising steadily for the last half-century**. There are some very good reasons why. First, our population keeps growing, by thousands every day, creating more demands on government. Second, the **increasing complexity of modern life brings our society a steady stream of new challenges, some of which have to be met by government**. Before the widespread adoption of the automobile, we didn't need an interstate highway system. But when that need became apparent, President Dwight Eisenhower stepped up and spent the money. Those roads then needed to be maintained. That meant more government spending -- spending that virtually no one thinks wasn't a good idea. **Another reason spending keeps increasing is that both parties have types of spending that they would like to see continue to climb**. For instance, Republican members of Congress don't think defense spending should ever be reduced; in other words, we should always spend more than we did the year before forever and ever. And we certainly do; according to White House [budget documents](http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/defense.pdf), we spent $636 billion on the Department of Defense in 2009, we're spending $688 billion in 2010, and we'll spend $718 billion in 2011. That doesn't even include the Homeland Security budget or the military costs spread around other departments like the Department of Energy. Politicians can fulminate all they want about the $2 million earmark or the silly sounding $150,000 research project. **But the truth is that government spending is going to continue to rise, because neither Democrats nor Republicans really want government to get smaller** -- at least not badly enough to cut it in a meaningful way. It can rise at a slower or faster rate, depending on the decisions we make (the biggest source of future spending is Medicare and Medicaid, a problem the Affordable Care Act begins to tackle). But no matter who wins the election this year, or in 2012, or in any other year, it's going to keep growing.

**Federal spending is crucial to stabilize economy**

**Jacobson and Schmitt 9** [M. Allen and Jason N, Jacobson and Schmitt advisors, Madison Magazine, “Federal spending is needed before deflationary psychology sets in”, http://www.jandsadvisors.com/sites/default/files/madisonmag\_20091.pdf ]

Capitalism does a wonderful job of orchestrating human economic activity in a way that harnesses self-interest for the common good of society. Yet, it can fall victim to this same self-interest when inflationary order psychology becomes too widespread. In these situations government intervention is usually needed. When inflationary psychology becomes the problem, it is in your self-interest to borrow and buy now because the cost will likely be higher next year. First-time homeowners want to buy a house ASAP since they may not be able to afford one later. If enough people do this, it drives prices higher. Companies build excess inventories, expecting prices to be higher when they have to replenish their stock. The U.S. Federal Reserve Bank had to raise interest rates to twenty percent in the late seventies to stop inflation from spiraling out of control. If not stopped, money will eventually lose all value and only real assets will have value. The textbook example of this is the Weimar Republic in Germany in 1923, when you had to take a cart full of money to the store to return with a bag full of groceries. In contrast, when deflationary psychology becomes too widespread, it will be in your self-interest to save or pay down debt and defer major purchases because they will likely cost less next year, and you might be laid off. Businesses will cut production and prices, as well as lay off employees, to avoid building inventory that they may end up selling at a loss. Therefore the economy spirals downward. Government then needs to step in with increased spending to help maintain employment and incomes, while providing low interest rates to make debt more bearable. If not, eventually only money will have value and real assets (i.e., property, stocks and commodities) will be worth pennies on the dollar. The textbook example of this is the Great Depression of the United States. We are fortunate that in this period of deflationary psychology we have the opportunity to learn from the mistakes of the U.S. in the thirties and Japan in the nineties of doing too little too late. During the Great Depression, the only real stimulus package was gearing up for WWII almost ten years after the crash of 1929. Even the Works Progress Administration didn’t start until 1936. It is generally agreed that infighting between political parties and cronyism between business and government kept Japan from responding promptly and adequately to their banking crisis and the ensuing deflationary pressures. It is encouraging that the current economic instability is being addressed in almost every major country. And some are more prompt than others. China, for example, recently announced they were expanding a stimulus package of more than $500 billion. Since their economy is about one-fifth the size of ours, that translates to a $2.5 trillion spending package in the United States. Federal spending needs to help offset the fall off in private spending before deflationary psychology gets too firmly embedded. It will be a wasted opportunity if federal stimulus spending isn’t as productive as possible and doesn’t move us toward our national economic goals such as energy independence and combating global warming. Yet, the most important consideration is that it quickly injects money and jobs into the economy.

Spending Good-Econ 2/2

**Spending cuts kill econ -- Increase unemployment, hurts banks, oil prices, and destabilizes world economy**

**Varner 5/25 [**Bill, United Nations, Bloomberg, “U.S. Spending Cuts Might Imperil Global Recovery” <http://www.bloomberg.com/news/2011-05-25/u-s-spending-cuts-might-imperil-global-recovery-un-says.html>]

Government spending cuts by the U.S. and other Western nations might threaten the global economic recovery, the [United Nations](http://topics.bloomberg.com/united-nations/) said as it forecast 2.8 percent growth in the [U.S. economy](http://topics.bloomberg.com/u.s.-economy/) next year. “If austerity measure are too drastic and come too soon given the stage of the recovery, economic growth and employment could suffer and the still fragile banking sector could weaken further,” the UN’s midyear economic analysis said. “A fall out in one part of the developed country financial system may still have ripple effects worldwide.” The cautionary comments come as the Obama administration and the Congress debate proposals to cut U.S. spending in an effort to reduce the [budget deficit](http://topics.bloomberg.com/budget-deficit/) and slow the growth of the national debt. European nations, such as the U.K., are imposing government spending cutbacks. In a different situation, [Japan](http://topics.bloomberg.com/japan/)’s economy, hurt by the earthquake and tsunami, will pick up with major reconstruction spending in 2012, the report said. The U.S. recovery from the recession will continue to be “mild,” and risks to the U.S. expansion are growing, UN chief economist Rob Vos said in an interview. Aside from fiscal austerity, risks to U.S. economic recovery include “sustained elevated commodity and oil prices, a further worsening of its public finances and continued weakness in the housing market and financial sector,” the report said. The U.S. economy expanded by 2.9 percent in 2010, the UN said, and unemployment stands at 9.0 percent. Vos said the 2011 forecast was raised to 2.6 percent, from 2.2 percent, following 3.1 percent fourth quarter growth that was greater than UN economists expected. U.S. unemployment will average 8.2 percent in 2012, the UN said. It will take up to five more years to reach pre-recession unemployment levels of about 5 percent, he said. The strength of the economies of [Brazil](http://topics.bloomberg.com/brazil/), [China](http://topics.bloomberg.com/china/), [India](http://topics.bloomberg.com/india/) and other Asian and Latin America nations caused the UN to upgrade its forecast of global economic growth for 2010 and 2011. The world economy will expand 3.3 percent this year, up from the January forecast of 3.1 percent, while the 2012 forecast has been raised to 3.6 percent from 3.5 percent. [China’s economy](http://topics.bloomberg.com/china%27s-economy/) will grow by 9.1 percent this year and 8.9 percent in 2012, the UN said, with India expanding by 8.1 and 8.2 percent and Brazil by 5.1 and 5.3 percent. Forecasts were downgraded for Japan following the March 11 earthquake and tsunami and for North Africa in the midst of political unrest in Egypt, Libya and [Tunisia](http://topics.bloomberg.com/tunisia/). Japan’s economy will expand by 0.7 percent this year, before reconstruction spurs a recovery to 2.8 percent growth in 2012, the UN said. The forecast for North Africa was revised down by 4.3 percentage points to 0.7 percent expansion this year and by 0.7 percentage points to 5.0 percent growth in 2012. “The global recovery is still fragile and could suffer setbacks if public debt problems and continued financial sector fragility in developed economies are not adequately addressed, global commodity process continues to surge and trigger belt- tightening policy responses,” the UN said. The price of oil will average $99 per barrel this year and $90 in 2012, according to the report.

Spending cuts hurt the economy--new spending primes the pump

Jacob 5/27 (Jijo, International Business Times, 2011, http://www.ibtimes.com/articles/153332/20110527/us-economy-fiscal-consolidation-growth-gdp-slow-pace-policy-rates.htm)

The U.S. Commerce Department has already painted a bleak picture of [GDP](http://www.ibtimes.com/topics/detail/379/gdp/) growth, but **the recovery will face tougher headwinds if fiscal consolidation efforts set in**, analysts have said. U.S. Department of Commerce said on Thursday **the economy grew at a rate of 1.8 percent in the first quarter, confirming fears that the headwinds still persisted.** Economists had expected the economy to expand at a higher pace. The economy had expanded 3.1 percent in the fourth quarter. Analysts at Capital Economics said **the shift towards fiscal consolidation is another reason to suspect that the US economic recovery will remain muted.** "**We expect** [**GDP**](http://www.ibtimes.com/topics/detail/379/gdp/) **growth to slow from 2.5% this year to 2.0% in 2012. In an environment where fiscal policy is being tightened**, perhaps quite aggressively, we doubt the Fed will be in any hurry to tighten monetary policy and we continue to expect official interest rates to remain near zero until at least 2013," Capital Economics analysts wrote in a note. According to the analysts, **the lackluster recovery in the past few months heavily hinged on an unprecedented mix of monetary and fiscal stimulus. But there are clear signs that there is gong to be a new phase of fiscal consolidation.**

Spending Good-Pump Priming 1/2

**Deficits save the economy – The push consumption through pump priming**

**Galbraith 8** [James K. Professor of Economics, University of Texas, National Journal,” Is the deficit a threat to future recovery” http://economy.nationaljournal.com/2008/12/is-the-deficit-a-threat-to-a-f.php#1184661]

No. The question is grossly misconceived. Right now and for the immediate future, the budget deficit is the only source of demand that can fuel a recovery. Our present problem is not that it is too big, but that it is too small. Far too small. In principle, economic growth can come from household consumption, business investment, government spending, or exports. This is a tautology, indisputable and known to everyone who has ever opened a textbook. Household consumption depends on incomes and on credit. The collapse of credit, rooted in the decline of housing values, is at the root of the crisis. In parts of California home values have fallen 50 percent already, which would place them far below the debt owed on the homes in most cases. Quite apart from the fact that the banking sector is in deep trouble, borrowing power has collapsed. For this reason, rescuing the banks, though necessary, has not and will not produce recovery. Business investment depends on the expectation of profit. **But with consumption falling, there can be no expectation of profitability** for the time being. **So business investment will follow consumption down.** Thanks to a low dollar, exports were the one bright spot in the growth picture for most of 2008. But the flight to quality that rescued the dollar will clobber the competitiveness of American exports. For these reasons, the entire private sector, across the entire country and indeed the world, is pulling the economy downward at the present time. This is an unprecedented event in my professional lifetime. Previous deep recessions, for example in 1974 and 1981, were caused by external shocks or policy shocks**. This one is driven by an internal collapse of the credit system,** the first in almost eighty years. In normal times, after a passage of time, as cars and appliances age and people are born, married, move around and die, pent-up demand grows in the household sector. Once that has happened, a sharp fall in interest rates is normally sufficient to kick-start the resumption of sales of durable goods, home construction and then a general credit expansion. There should be no expectation of this for the foreseeable future, because of the condition of the banks and the vast excess inventory of housing. These are not normal times and the normal mechanics of a credit recovery cannot be counted on. Meanwhile, as consumption, investment and exports decline, so will tax revenues. The government budget deficit is destined to rise, by a lot, on this account alone. This is helpful: a falling tax burden in a progressive tax structure keeps money in private pockets. **But it is a weak device to promote expansion, since tax savings will be used first to try to pay down debt, a slow process**. A major tax cut, focused on working Americans such as by remitting the payroll tax, would help sustain after-tax incomes and provide funds to pay mortgages and buy cars. But even these effects are uncertain in a debt deflation.

Spending Good-Pump Priming 2/2

**Deficits key to maintaining economic activity**

**Galbraith 8** [James K. Professor of Economics, University of Texas, National Journal,” Is the deficit a threat to future recovery” http://economy.nationaljournal.com/2008/12/is-the-deficit-a-threat-to-a-f.php#1184661]

Finally, there are those who have argued, in times past, that projected future deficits might have a **psychological** or other effect, detectable in statistical data, on long term interest rates and therefore on private business investment. But whatever the merits of the statistical case, there is no risk under present conditions that something so remote and ethereal as a psychological fear of deficits in the distant future is going to drive up the long-term interest on public debt. We are in a full- fledged flight to safety! That is a flight to cash and to Treasury bonds and bills, not merely here but worldwide, as witnessed by the rising dollar. Right now and for the foreseeable future Uncle Sam can borrow, for whatever term, on whatever scale, for practically nothing. In fact, he has suddenly become a creditor to much of the world -- notably the European Central Bank -- because of a worldwide shortage of dollar assets! Finally, there is the question of whether it is possible to go too far. The answer is yes. Maybe my diagnosis is wrong. Maybe private credit will recover faster than I think likely. But even allowing for this possibility, action now should be on a grand scale. It is far easier to trim back tax relief in an expansion, than it will be to repeat the political effort of passing a large expansion package if the first one is too small. For this reason, the conditions call for error on the side of action, not of caution. "Wait-and-see," in an emergency, is the worst possible advice. Official Washington and many economists have for many years "known" that Americans save too little, spend too much, and that governments should work toward balanced budgets. It is hard to unlearn these convictions when conditions change. But we now see the consequences of a forced-draft attempt by beleaguered households to reduce spending and pay down debt: it is a decline in economic activity bordering on collapse. In these circumstances, large budget deficits are essential, and preoccupation with budget balance is counterproductive. In very simple terms, it means reducing incomes in the private sector, just when it is most necessary that those incomes be supported, through public spending and tax relief. Those who hang on to simple views of economic virtue in present times need to rethink: time is short and action is needed.

**Spending aids infrastructure, private businesses, and employment**

**Galbraith 8** [James K. Professor of Economics, University of Texas, National Journal,” Is the deficit a threat to future recovery” http://economy.nationaljournal.com/2008/12/is-the-deficit-a-threat-to-a-f.php#1184661]

In these conditions, only government spending can pull the economy out of the ditch. Government must spend. It must do so by as much as necessary in order to maintain a high level of employment. Aid to states and localities, an infrastructure fund, increased social security benefits, foreclosure relief, loans or grants to industry, a green jobs program -- all can be useful in coping with the crisis. All will, of course, add to the public budget deficit. There is no harm in seeking out wasteful or unnecessary programs to cut as the President-elect proposes. The war in Iraq is a huge waste of money with minor benefits to employment. Missile defense is a vast waste of construction, engineering and scientific resources with no benefit to security. Bridges to nowhere and roads to the wilderness add nothing to the value of the national capital stock. But the point of cutting waste and boondoggles is not to reduce the deficit, but to release real resources for better uses. The obligation to use those resources, and to deploy the public funds necessary to ensure that they are used, remains. Will the projected future deficit "crowd out" future private investment as so many claim? This is absolutely improbable. To the contrary, a successful program of public expenditure will create profit opportunities that will encourage private businesses, many of which will otherwise close, to stay open and eventually to expand. A general improvement of economic conditions can only lower, not raise, the presently prohibitive risk premiums on interest rates being charged private borrowers! There is no way that present or future public spending, even in very large volumes, would under these conditions raise long term interest rates generally by enough to offset the positive effects of an increase in activity and a reduction of risk. Quite the contrary! Public spending will crowd in, not crowd out, private investment. Whether they know it or not, those who argue a "crowding out" model are working from a mental construct under which the economy is always operating at or near full employment, and under which there is a fixed supply of credit resources, a pool which government and the private sector must share. This is not the case! We are far below full use of available resources now and will certainly fall very much farther in the months ahead, whatever the new administration does. And there is no fixed pool of credit! The entire purpose of the capitalist banking system under the Federal Reserve Act, ever since 1913, has been to create an "elastic currency" not subject to fixed limits to the supply of finance. With due respect to those who continue to have reservations about "crowding out", please stop. This is a moment when an unfamiliarity with the most basic economic and financial facts can be very dangerous to national well-being.

Spending Good-Short Term

Increased deficit stimulates consumer and business activity-outweighs short-term loss

Regalia 8 [Martin, Vice President and Chief Economist, U.S. Chamber of Commerce, National Journal,” Is the deficit a threat to future recovery?” December 1, 2008. http://economy.nationaljournal.com/2008/12/is-the-deficit-a-threat-to-a-f.php#1184661]

It isn’t often that I agree with Paul Krugman, but I find myself in general agreement with his recent article on stimulus and the deficit. In these unusual times, a significant stimulus package is necessary to get the economy moving quickly and, as such, will swell the deficit in the short run. I am not overly concerned about negative effects stemming from a temporary increase in the deficit, especially in such an unusual time period. There are a couple of reasons for my response: first, much of the expected short run increase in the deficit is from asset acquisitions in the stabilization legislation that should result in cash inflows when the assets are sold; and, second, more rapid longer-run economic growth will generate more tax revenue. While we don’t disagree about negative effects of short-run deficits, I expect that we might have some disagreement about the composition of a stimulus package. I would like to see more pro-growth tax cuts and less government transfer payments (i.e. refundable tax credits for those who don’t pay taxes). We would likely disagree on the type of government spending to be included in a stimulus package, but we both agree on the need for, and the benefit of, more spending on necessary infrastructure.

Short term deficits promote economic growth and outweigh costs

Rogers 10 [Diane Lee, Christian Science Monitor, “Deficit Spending can be fiscally responsible. Here’s how” November 10소, 2011, http://www.csmonitor.com/Business/Economist-Mom/2010/1122/Deficit-spending-CAN-be-fiscally-responsible.-Here-s-how/(page)/2]

The [Bipartisan Policy Center’s (BPC) debt reduction plan](http://www.bipartisanpolicy.org/projects/debt-initiative/about) was unveiled on Wednesday morning and is a good example of why pursuit of “fiscal responsibility” need not be in conflict with other economic goals, contrary to how opponents of fiscal hawkish policies like to portray them.First, additional deficit spending can be fiscally responsible. How is that not an oxymoron? Because the fiscal outlook is only unsustainable if the debt grows faster than the economy. There are two variables in that comparison, both affected by policy choices. The debt grows each year by the size of the annual deficit, the difference between spending and revenues. But how the particular spending and revenue policies affect economic activity in turn affect how fast the economy grows. In other words, exactly how we spend and how we tax matters beyond how much we are spending and how much we are taxing (collecting in revenue), in determining what is winning this race between the debt and the economy.In Wednesday’s [New York Times](http://www.csmonitor.com/tags/topic/The%2BNew%2BYork%2BTimes%2BCompany), [David Leonhardt makes the point](http://www.nytimes.com/2010/11/17/business/economy/17leonhardt.html) that all else constant, a stronger economy reduces the budget deficit–that “one way to trim [the] deficit” is to “cultivate growth.” In an economy with high unemployment, even deficit-financed policies can produce an economic benefit (greater economic activity with more income to tax and less need for government safety net spending) that outweighs the economic cost (increase in the deficit which may increase borrowing costs and reduce national saving), provided that the deficit spending has high (and fast) economic “bang per buck.” Short-term deficit-financed stimulus is most likely to produce that high “bang per buck” when the policies follow the “three Ts” of being timely, (well) targeted, and temporary in nature.As David explains, the plan put together by the BPC debt reduction task force actually includes a temporarily large increase in the deficit with a major new fiscal stimulus (emphasis added):“Some politicians and economists present a false choice: reduce unemployment or stabilize the debt,” argues a new [bipartisan deficit plan](http://www.bipartisanpolicy.org/projects/debt-initiative/about) that will be released Wednesday, the second such plan to come out in the last week. As [Alice Rivlin](http://topics.nytimes.com/top/reference/timestopics/people/r/alice_m_rivlin/index.html?inline=nyt-per), a Democrat who oversaw the writing of the plan with [Pete Domenici](http://topics.nytimes.com/top/reference/timestopics/people/d/pete_v_domenici/index.html?inline=nyt-per), a Republican, put it: “We can do both. We can put money in people’s pockets in the short run and trim government spending in the long run.” The plan calls for a one-year payroll tax holiday for employers and workers, costing $650 billion. But remember that’s a one-time sum, while the needed deficit cuts will be hundreds of billions of dollars a year. Relative to those cuts, a payroll tax holiday — or more spending on roads and bridges, as [President Obama](http://topics.nytimes.com/top/reference/timestopics/people/o/barack_obama/index.html?inline=nyt-per) favors — is a rounding error. And, of course, putting people back to work has its own benefits.

A2: Spending Bad – A2: Bonds

Bond revolt unlikely because of structural issues and doesn’t hurt economy

Fontevecchia 11 (Agustino, Staff Writer, Forbes, April 20th, http://blogs.forbes.com/afontevecchia/2011/04/20/roubini-on-us-downgrade-bond-market-revolt-wont-happen/)JFS

It is not every day that perma-bear Nouriel Roubini sounds relatively optimistic on macroeconomic matters.  Yet the renowned NYU economist said that “a bond market revolt is not at all easy to engineer in the United States” as “there is no safer asset destination on the planet than the United States, which has the third-longest-running system of government in the world, despite being a young nation.” With the Dow Jones Industrial Average and the S&P 500 suffering their worst one-day performance in over a month on April 18, there is no doubt that S&P’s landmark downgrade rattled markets.  That was no more than a “knee-jerk risk-off wave” that will “pass as people begin to recognize that this rating move will make little if any difference.” Writing along with RGE Monitor’s Arnab Das, Roubini explains that it is natural that after a massive leveraged asset bubble a country’s public debts would rise substantially, as Keynesian consumption-smoothing mechanisms, financed by borrowing against future revenues and growth, are deployed to redistribute resources among economic actors.  “But the flip side of this short-term recovery may be reduced post-recovery potential and actual growth: The larger public debt portends a future rise in taxes on wealth and/or income, which in turn weighs on growth and thereby on fiscal balance,” wrote the economist. (Read Heather Struck’s take Key Question For S&P: Can U.S. Be More Like Europe?). Interestingly, Roubini says that the downgrade could actually be positive for U.S. bond markets.  “Unlike other debtor countries, the United States actually benefits from risk aversion, even domestic risk aversion, through a stronger dollar and lower bond yields, so the market impact will likely be transitory,” explained the NYU academic. (Read Steve Schaefer’s take,Geithner To S&P: Look At Our Borrowing Costs).

A2: Spending Bad – A2: Dollar

The dollar is resilient.

Amadeo 4/11( Kimberly, M.S. @ Sloan School of Business M.I.T, economist, p. about, http://useconomy.about.com/od/criticalssues/p/dollar\_collapse.htm ,OST)

Several conditions must be in place before the dollar could collapse. First, there must be an underlying weakness. Second, there must be a viable currency alternative for everyone to stampede into. Third, a triggering event would need to occur. The first condition does exist. The dollar declined 40% against the euro between 2002 and 2011. Why? The U.S. debt more than doubled during that time period, from $5.9 trillion to $14 trillion. This increases the chance the U.S. will let the dollar's value slide, allowing it to repay the debt with cheaper money. Is There a Viable Alternative to the Dollar?: The dollar became the world's reserve currency when President Nixon abandoned the gold standard in the 1970s. The dollar is used for 43% of all cross-border transactions, and 61% the world's central bank foreign currency reserves are in dollars. The next most popular currency? The euro, which comprises only 30% of reserves. Although it is increasing rapidly, it is still less than half the amount held in dollars. China and others have argued for a new global currency. However, replacing the dollar would be a massive undertaking, would require great global resolve and not happen quickly.

\*\*Impact Turns

Growth Bad – Enviro 1/2

Economic growth causes extinction

Nadeau 95 (“spaceship earth Homo economicus and the Environmental Crisis”, http://docs.google.com/gview?a=v&q=cache:JQ2B0zSVoeAJ:www.earthscape.org/p3/ES15351/NADEAU\_CH\_1.pdf+nadeau\_ch\_1.pdf&hl=en&gl=us, CH)

In physics, in the years following , attempts to understand the non- linear dynamics of living systems would reveal a relationship between parts (organisms) and whole (ecosystem) in which the stability of the whole is mediated and sustained by interactions within and between the parts. In biology, the old mechanistic model of evolution as a linear pro- gression from “lower” atomized organisms to more complex atomized organisms would be displaced by a model in which all parts (organisms) exist in interdependent and interactive relation to the whole (life). In envi- ronmental science, researchers would not only discover that all parts (organisms) exist in embedded relation to the whole (ecosystem or bios- phere) and that the interactions within and between parts function as self- regulating properties of the whole. They would also reach the dire con- clusion that continued disruptions of the complex web of interactions between these parts by human economic activity could eventually threaten the survival of our species

Economic growth destroys the environment-despite regulations

Rose 11 [Suzanne, staff writer, Helium “The costs of economic growth on the environment” February 14th, http://www.helium.com/items/2092185-the-costs-of-economic-growth-on-the-environment]

Economic growth has a variety of effects on the environment. Unfortunately, much of it is negative. It is important for people to be aware of the way growth in the economy can affect the environment so that they can control the extent to which damage occurs. Economic growth often requires raw ingredients, which come from nature. Sometimes these are exploited to an unhealthy extent. For instance, companies may perform strip mining to reach minerals under the earth. They may farm the land in an irresponsible way that strips it of its nutrients instead of allowing for sustainability. They may take more ingredients than are being produced, leading to an eventual loss of the resource. Unfortunately, even companies from countries with strict regulations such as the United States can do damage to the environment in other areas of the world. Some will outsource work or products to other areas because it is cheaper or because there is less regulation. Their factories may harm the environment without the watchful eye of government regulation. As economic growth occurs, natural areas are often the victims. Companies may need to clear away pristine lands in order to make room for factories, roads, buildings and other products of growth. The loss of natural areas can upset the balance of the entire ecosystem. Animals may be displaced and even become extinct. Natural resources may disappear, even those with unknown and important potential. Economic growth is often accompanied by pollution. Even relatively clean factories operating under regulations will usually produce some waste materials. These may affect the environment through the land, air and water. Pollution will often do much more damage than is anticipated, especially if some sort of accident occurs. Pollution can also come from the new products that people can now attain because of economic growth. For instance, more individuals might purchase cars when their country sustains economic growth. Prior to that they may have used cleaner forms of transportation such as walking, bicycle riding or public transportation. With more cars will be more pollution.

Growth Bad – Enviro 2/2

New Technology from growth causes environmental destruction
Asici 11 [Ahmet Atl, Istanbul Technical University - Faculty of Management, “Economic growth and its impact on environment” April 2011, MPRA Paper No. 30238, pages 3-4,, http://mpra.ub.uni-muenchen.de/30238/1/MPRA\_paper\_30238.pdf ,]

The question of how human activity interacts with environment can be traced back to the times of Malthus. In his famous 1798 book, titled as, “An Essay on the Principle of Population” Malthus proved that the growth of population will eventually reach the limit of resource base in the absence of technological progress. As many argue, technological progress In 1970 FDI flows constituted only 2.3% of GDP on average in middle-income countries; it increases to 7.3% in 2008. 4 helps to escape from Malthusian trap by offsetting the geometrically increasing pressure from population. However, there is another channel which, given the state of technology and population, negatively contributes to environment; economic growth and resulting prosperity. In early 1970s, a debate between Commoner, Ehrlich and Holdren (1971) gave rise to the development of a formula, called as IPAT (Commoner et al. 1971), which summarizes the impact of human activity on the environment. This formula states that total impact (I) on environment is a function of population (P), affluence (A) and technology (T). Population growth negatively contributes to environment through increased land and resource uses, and pollution. Affluence measured by income or consumption per capita is another factor degrading environment. The last item in the IPAT equation is the technology, and it represents how resource intensive the production of affluence, that is, how much environmental impact is involved in creating, transporting and disposing of the goods and services used. Improvements in the technology which increases the efficiency could reduce resource intensiveness, thereby reducing the technology multiplier in the equation. IPAT formulation later gave rise to similar formulations called as ImPACT, STIRPAT (York et al. 2003).

Growth Bad – Population

Economic growth causes unstable population increase

Krugman Brown and Pimental 97 [Paul, Lester, David, Huppi.com “Myth” Growth is good”, 1997. http://www.huppi.com/kangaroo/L-growth.htm]

And they are not wrong; the benefits of growth are not a myth. Our economy is structured to thrive only when it grows. But that, critics argue, is the problem. It is a fact that a consumption-based economy cannot continue to grow forever in a world of limited resources. It is also a fact that our economy is designed (albeit unwittingly) to stagnate and even deteriorate when growth is not possible. So the only real question is: when will trouble strike? Environmentalists say trouble is striking already. At the heart of our problems is the population explosion. The population explosion has become so critical that economists and politicians can no longer ignore the potentially devastating effects it will have on the economy, society and the environment. The effects on the environment have drawn the most attention, as a growing population pulls more resources out of the land and water and turns them into waste. What is driving the population explosion? Essentially, the economy. In the 18th century, Thomas Malthus made the first observation that populations tend to expand rapidly, and the only thing keeping them in check is the limited food supply. Malthus wrote that populations grow geometrically (2, 4, 8, 16), whereas the food supply grows only arithmetically (1, 2, 3, 4). Malthus predicted that when the population reached the limit of the available food supply, deadly competition for survival would break out, and society would deteriorate. This has not only been observed at various times in human history, but among animal populations as well. Although Malthus would later become notorious for his cruel proposals on welfare policy, his basic theories on population dynamics are nonetheless accepted as valid by almost all population scientists today. However, the disaster Malthus predicted did not happen. He underestimated the results of the Industrial Revolution (which greatly boosted food production) and the Scientific Revolution (which greatly boosted individual survival). Thus, his native British population was actually growing faster in 1901 than in 1801, shortly after he made his dire predictions. And the population even enjoyed a higher standard of living. In other words, human population size has been checked for the last few hundred thousand years by its low technology and food-gathering capability. For example's sake, let's suppose that early humans could exploit only 5 percent of the earth's finite, exploitable resources. The Industrial and Scientific Revolutions increased that capability, raising their exploitation of resources to 25, 50, 75 percent. The population exploded because science and technology made it easier to harvest the rest of the world's resources, not because they were creating new ones. This is an important distinction to make, because many people mistakenly put their faith in science's ability to solve the world's shortages. However, not all the science in the world will make the planet grow. Malthus, living in the 18th century, had no idea of the quantity of the world's resources, or what percentage of it the population was consuming. Not surprisingly, his predictions were inaccurate. Today, however, scientists have a superb measure of the world's resources and our usage of them. In fact, the population chart above is based on this knowledge. The reason why that chart shows population growth slowing down in the last half of the 21st century is because the limits of many of our resources will have been reached by that time, and populations will no longer be expanding, but competing for what's left.

Extinction

Daily Mail 10 (6-19, http://www.dailymail.co.uk/sciencetech/article-1287643/Human-race-extinct-100-years-population-explosion.html)

As the scientist who helped eradicate smallpox he certainly know a thing or two about extinction. And now Professor Frank Fenner, emeritus professor of microbiology at the Australian National University, has predicted that the human race will be extinct within the next 100 years. He has claimed that the human race will be unable to survive a population explosion and 'unbridled consumption.’ Fenner told The Australian newspaper that 'homo sapiens will become extinct, perhaps within 100 years.'

Growth Bad – Global Warming

**Growth leads to global warming-destruction of forests, disease, and pollution**

Asici 11 [Ahmet Atl, Istanbul Technical University - Faculty of Management, “Economic growth and its impact on environment” April 2011, MPRA Paper No. 30238, pages 3-4,, http://mpra.ub.uni-muenchen.de/30238/1/MPRA\_paper\_30238.pdf ,]

It is the mad rush for rapid economic growth led by industrialization in emerging economies like India, China , Brazil, Russia (BRIC hereafter) are having a negative impact on the ecological management. It is evident that rapidly growing economies are causing severe pollution problems in the form of emissions of various forms of gases like the CO2. Higher emissions in these countries are a resultant of higher energy consumption. Higher rate of growth of population, rapid industrialization, trade in energy intensive products, increase in number of vehicles as a result of a very high economic growth are the major driving forces towards higher energy consumption. The economic growth exhibited specially by China and India are exuberant during post 1990s. The higher growth levels have placed these two economies in the different League of Nations altogether. China and India together contributes world’s 30% of GDP in US $ constant PPP as on 2003 (World Bank, 2004). In 2006, China is growing at over a growth rate of 10%, India at 9%, while Russia and Brazil at a rate of 7% and 4% respectively (see Fig. 1). In this context, environmental economists opine that there are environmental costs and damages associated with rapid economic growth which results in expanding of economic activities. This ever increasing consumption demand would have global side effects such as high emissions leading to global warming, greenhouse effects and destruction of forests. The environmental degradation can also add to the problems of imposing higher costs on the poor by increasing the expenditure of health related issues. According to United Nations report, world’s poorest 20% of population take this burden which is a resultant of environment degradation. It is also said to have responsible for world’s 80% of the diseases due to pollution in the form of water, air and land due to rapid industrialization (United Nations Report, 1999-00).

Global warming leads to extinction- highest probability

Roach 4 (John, http://news.nationalgeographic.com/news/2004/01/0107\_040107\_extinction.html , *National Geographic*, July 12.4) ET

As global warming interacts with other factors such as habitat-destruction, invasive species, and the build up of carbon dioxide in the landscape, the risk of extinction increases even further, they say. In agreement with the study authors, Pounds and Puschendorf say taking immediate steps to reduce greenhouse gas emissions is imperative to constrain global warming to the minimum predicted levels and thus prevent many of the extinctions from occurring. "The threat to life on Earth is not just a problem for the future. It is part of the here and now," they write.

Growth Bad- War

Economic growth and an increase of resources causes conflict – history proves

Meir Kohn 5 (11-?- 5, Economic Development and the Evolution of Government in Pre-Industrial Europe, P1, Dartmouth College, Dpt of Economics, http://papers.ssrn.com/sol3/papers.cfm?abstract\_id=866986) LE

In pre-industrial Europe, government and the economy developed together, each influencing the other. The development of each was shaped by competition. Governments competed for territory, principally by means of war. Their success depended primarily on their ability to mobilize resources. So governments that could tap the resources of thriving economies had an advantage over governments that could not. Of course, whether or not an economy thrived depended to no small extent on the nature and conduct of its government. This nexus of government, war, and economy generated a sort of cycle. A period of peace allowed economies to develop and grow. This economic growth increased the resources available to governments, enabling them to embark on military adventures. War and the means used to finance it depressed economic activity and eventually starved governments of resources. This made it impossible for them to continue fighting. Peace then returned and the economy slowly recovered. This set the scene for another cycle. Economic growth and war were both self-limiting. It is this political-economic cycle much more than the demographic-economic cycle of Malthus that has been the main obstacle to sustained economic progress.

Economic growth ensures famine through resource depletion—this will spark global resource wars.

Milbrath 89 (Lester, Professor Emeritus of Political science and Sociology at SUNY-Buffalo, Envisioning a Sustainable Society, pp. 343-344, AD: 7-6-9)

Trying to solve our nested set of ecological/economic problems only with technological fixes is like treating an organic failure with a bandage. The key difficulties, which will be ignored by that strategy are that biospheric systems will change their patterns and there will be an increasing squeeze on resources. As global human population continues to grow, and these new people demand economic growth to fulfill their needs, there will be unbearable pressure for resources. Soils will be depleted. Farmland will be gobbled up into urban settlements. Water will become scarce, more polluted, and very high priced. Forests will be depleted faster than they can regenerate. Wilderness will nearly disappear. The most easily extracted mineral deposits will be exhausted. We will search the far corners of the globe, at very high economic and environmental cost, for more minerals and possible substitutes for those that are being depleted. Fossil fuels, especially petroleum, will constantly diminish in supply and rise in price. Worst of all, biospheric systems will react to our interference by no longer working the way we have counted on. International competition for scarce mineral and fuel resources could become intense and bloody. The highly developed nations are likely to try using their money and/or military power to garner the bulk of the resources for their own use. (It is difficult to imagine that a big power would allow its supply of critical fuels or minerals to be cut off without putting up a fight.) At best, those actions will only postpone the inevitable adjustment. The poorest nations (usually those with the densest populations) will be unable to maintain even subsistence levels—they are likely to suffer widespread famine and disease. All of this frantic activity will have devastating impacts on the ecosphere. Climate change will debilitate every ecosystem and economy. Ultraviolet radiation will increase, as will acid rain and toxic poisoning of our air, soil, and water. In addition, we can expect more and more soil depletion, loss of crop land, mismanagement of water resources, oil spills, devastating accidents (Bhopal, Chernobyl), deforestation, spreading deserts, extinction of species, loss of wildlife, and air and water pollution. With disrupted biospheric systems and severe resource shortages, I cannot imagine that it will be possible to sustain growth in material throughput. We may be able to grow in nonmaterial ways (increasing knowledge, artistic output, games, and so forth), but material growth cannot continue. Our endeavor not to change will have failed to forestall change; instead, we will become victims of change.

Growth Bad- War – Long Waves

Economic growth breeds war- best empirical evidence throughout history

Goldstein 87 (Joshua S, Poli- Sci @ MIT *, Journal of Conflict Resolution,* Vol 31, No 4, Dec. 1987, http://www.jstor.org/stable/174156 , P. 591- 92) ET

Why should an upturn in economic growth lead, about a decade later, to an upturn in great power war? My answer is based on the cost of wars. The biggest wars occur only when the core countries can afford them, which is after a sustained period of economic growth (Farrar, 1977; Vayrynen, 1983). When treasuries are full, countries will be able to wage big wars; when they are empty, countries will not wage such wars.21 Thus, when the growth of production accelerates, the war-supporting capacity of the system increases, and bigger wars ensue. Throughout history, wars have cost money. In preindustrial times, most European wars were fought by mercenaries hired by monarchs. A favorite phrase in this era was "money is the nerves of war." If the mercenaries were not paid, they would not fight-or, worse, they would turn on their masters. Braudel (1972) describes fifteenth- to seventeenthcentury European wars as moving in surges-the economy recovered from one war and was in turn drained by the next.22

High growth wars are the most frequent and largest scale

Goldstein 87 (Joshua S, Poli- Sci @ MIT*, Journal of Conflict Resolution,* Vol 31, No 4, Dec. 1987, http://www.jstor.org/stable/174156 , P. 590) ET

The lagged correlations reported here suggest a new theory of the long wave, based on a two-way causal relationship between economic and political variables. Sustained economic growth both promotes (enables) war and is disrupted by war. Figure 10 illustrates the cyclical sequence of production and war in this theory. Faster growth gives rise to increased great power war severity. Higher war severity in turn dampens long-term economic growth. Lower growth leads to less severe war, which in turn allows faster economic growth. This sequence takes roughly 50 years-one long wave-to complete. While war and economic growth are the driving variables, prices react to war, and real wages react to war and prices.

High growth wars are the most severe

Goldstein 87 (Joshua S, Poli- Sci @ MIT *, Journal of Conflict Resolution,* Vol 31, No 4, Dec. 1987, http://www.jstor.org/stable/174156 , P. 592-93) ET

This effect of economic growth on the severity of war may be augmented by a "lateral pressure" effect (North and Lagerstrom, 1971; Choucri and North, 1975; Strickland, 1982). During production upswings, the great powers grow more rapidly-heightening competition for world resources and markets, and raising the stakes for international competition and conflict. Kondratieff himself (I928/ 1984: 95) attributes the correlation of major wars with long wave upswings to a process much like lateral pressure: The upward movement in business conditions, and the growth of productive forces, cause a sharpening of the struggle for new markets-in particular, raw materials markets.. .. [This] makes for an aggravation of international political relations, an increase in the occasions for military conflicts, and military conflicts themselves. Lasswell (1935/1965: 121) likewise argues that "prosperity expands markets, intensifies contact, sharpens conflict and war."

Growth Bad – A2: War

Growth doesn’t stop wars- 20th century shows

Ferguson 6 (Nial, prof @ Harvard, *Foreign affairs,* 10.6.6) ET

It might have been expected that such prosperity would eliminate the causes of war. But much of the worst violence of the twentieth century involved the relatively wealthy countries at the opposite ends of Eurasia. The chief lesson of the twentieth century is that countries can provide their citizens with wealth, longevity, literacy, and even democracy but still descend into lethal conflict. Leon Trotsky nicely summed up the paradox when reflecting on the First Balkan War of 1912-13, which he covered as a reporter. The conflict, Trotsky wrote, "shows that we still haven't crawled out on all fours from the barbaric stage of our history. We have learned to wear suspenders, to write clever editorials, and to make chocolate milk, but when we have to decide seriously a question of the coexistence of a few tribes on a rich peninsula of Europe, we are helpless to find a way other than mutual mass slaughter." Trotsky later made his own contribution to the history of mass slaughter as the people's commissar for war and as the commander of the Red Army during the Russian Civil War.

And economic decline doesn’t cause war- empirics prove

Ferguson 6 (Nial, prof @ Harvard, *Foreign affairs,* 10.6.6) ET

Nor can economic crises explain the bloodshed. What may be the most familiar causal chain in modern historiography links the Great Depression to the rise of fascism and the outbreak of World War II. But that simple story leaves too much out. Nazi Germany started the war in Europe only after its economy had recovered. Not all the countries affected by the Great Depression were taken over by fascist regimes, nor did all such regimes start wars of aggression. In fact, no general relationship between economics and conflict is discernible for the century as a whole. Some wars came after periods of growth, others were the causes rather than the consequences of economic catastrophe, and some severe economic crises were not followed by wars.

Growth Bad - Disease

Economic growth causes disease spread

Hamburg 8 (Margaret, FDA commissioner, October 2008, p. <http://healthyamericans.org/assets/files/GermsGoGlobal.pdf>) JT

Globalization, the worldwide movement toward economic, financial, trade, and communications integration, has impacted public health significantly. Technology and economic interdependence allow diseases to spread globally at rapid speeds. Experts believe that the increase in international travel and commerce, including the increasingly global nature of food handling, processing, and sales contribute to the spread of emerging infectious diseases. 47 Increased global trade has also brought more and more people into contact with zoonosis -- diseases that originated in animals before jumping to humans. For example, in 2003, the monkeypox virus entered the U.S. through imported Gambian giant rats sold in the nation’s under-regulated exotic pet trade. The rats infected pet prairie dogs, which passed the virus along to humans. 48 International smuggling of birds, brought into the U.S. without undergoing inspection and/or quarantine, is of particular concern to public health experts who worry that it may be a pathway for the H5N1 “bird flu” virus to enter the country. Lower cost and efficient means of international transportation allow people to travel to more remote places and potential exposure to more infectious diseases. And the close proximity of passengers on passenger planes, trains, and cruise ships over the course of many hours puts people at risk for higher levels of exposure. If a person contracts a disease abroad, their symptoms may not emerge until they return home, having exposed others to the infection during their travels. In addition, planes and ships can themselves become breeding grounds for infectious diseases.

Disease causes extinction

South China Morning Post 96 (Avi Mensa, 1-4-1996, “Leading the way to a cure for AIDS,” P. Lexis)

Despite the importance of the discovery of the "facilitating" cell, it is not what Dr Ben-Abraham wants to talk about. There is a much more pressing medical crisis at hand - one he believes the world must be alerted to: the possibility of a virus deadlier than HIV. If this makes Dr Ben-Abraham sound like a prophet of doom, then he makes no apology for it. AIDS, the Ebola outbreak which killed more than 100 people in Africa last year, the flu epidemic that has now affected 200,000 in the former Soviet Union - they are all, according to Dr Ben-Abraham, the "tip of the iceberg". Two decades of intensive study and research in the field of virology have convinced him of one thing: in place of natural and man-made disasters or nuclear warfare, humanity could face extinction because of a single virus, deadlier than HIV. "An airborne virus is a lively, complex and dangerous organism," he said. "It can come from a rare animal or from anywhere and can mutate constantly. If there is no cure, it affects one person and then there is a chain reaction and it is unstoppable. It is a tragedy waiting to happen."That may sound like a far-fetched plot for a Hollywood film, but Dr Ben -Abraham said history has already proven his theory. Fifteen years ago, few could have predicted the impact of AIDS on the world. Ebola has had sporadic outbreaks over the past 20 years and the only way the deadly virus - which turns internal organs into liquid - could be contained was because it was killed before it had a chance to spread. Imagine, he says, if it was closer to home: an outbreak of that scale in London, New York or Hong Kong. It could happen anytime in the next 20 years - theoretically, it could happen tomorrow.The shock of the AIDS epidemic has prompted virus experts to admit "that something new is indeed happening and that the threat of a deadly viral outbreak is imminent", said Joshua Lederberg of the Rockefeller University in New York, at a recent conference. He added that the problem was "very serious and is getting worse". Dr Ben-Abraham said: "Nature isn't benign. The survival of the human species is not a preordained evolutionary programme. Abundant sources of genetic variation exist for viruses to learn how to mutate and evade the immune system." He cites the 1968 Hong Kong flu outbreak as an example of how viruses have outsmarted human intelligence. And as new "mega-cities" are being developed in the Third World and rainforests are destroyed, disease-carrying animals and insects are forced into areas of human habitation. "This raises the very real possibility that lethal, mysterious viruses would, for the first time, infect humanity at a large scale and imperil the survival of the human race," he said.

Growth Bad - Poverty

Economic growth creates poverty

New Economics Foundation 6 (January 2006, http://www.neweconomics.org/sites/neweconomics.org/files/Growth\_Isnt\_Working\_1.pdf, p. 16-17) JT

The 1980s were widely described as ‘the lost decade for development’. Almost the entire developing world was plagued by the debt crisis; interest rates were exceptionally high; commodity export prices were collapsing; aid fell ever further below the 0.7 per cent of national income level to which developed countries had committed themselves in 1970; and most developing countries were going through the painful initial phase of the structural adjustment process initiated by the IMF and the World Bank. It seemed things could hardly get worse. Against this background, the 1990s were supposed to herald a new and more favourable environment for development. Aid levels were meant to benefit from a peace dividend flowing from the end of the cold war; the debt crisis was over in most middle-income countries; and debt cancellation was available for poor countries. Interest rates had fallen back to more normal levels, and, after a decade of structural adjustment, developing countries were poised to enjoy the promised economic recovery meant to result from their painful sacrifices in the 1980s. The World Trade Organisation was established in 1993, to create the more open international trading system seen as necessary for growth; and the World Bank rediscovered its mission to reduce poverty. Markets were freer and more deregulated; states were smaller; economies were more open; and macroeconomic policies were tighter. All in all, if the mainstream economic story is to be believed, the stage was perfectly set for growth-led poverty reduction. The reality, however, is very different: performance in terms of growth-led poverty reduction was much worse in almost every respect in the 1990s than in the 1980s – the so-called ‘lost decade for development’. Measured at PPP, global growth actually fell slightly, from 1.7 per cent pa in 1981–90 to 1.6 per cent pa in 1990–2001. (See Figure 6.) While data are not available on this basis prior to 1980, the real growth rate of the global economy at market exchange rates had already slowed down by nearly half, from 3.2 per cent pa to 1.7 per cent pa, between 1960–70 and 1970–81, slowing further to 1.5 per cent in 1981–90, and further still to just 1.3 per cent pa in 1990–2001 Worse still, global growth also appears to have become much more anti-poor between the 1980s and the 1990s. Based on the $2-a-day poverty line, the proportion of growth contributing to poverty reduction fell from nearly 5 per cent in the 1980s to just under 3.5 per cent in the 1990s. This represents a decline from one-eighth more than the initial share of the poor in GDP to one-eighth less. Adjusting for population growth further worsens performance in the 1990s and accentuates the deterioration between the 1980s and the 1990s. On this measure, the share of poverty reduction in growth fell from 5.5 per cent (one-quarter more than the share of the poor in initial GDP) to 3.1 per cent (one-fifth less) (see Figures 7 and 8).

Ongoing global poverty outweighs nuclear war- only our ev is comparative

Spina 2k (Stephanie Urso, Ph.D. candidate in social/personality psychology at the Graduate School of the City University of New York, Smoke and Mirrors: The Hidden Context of Violence in Schools and Society, p. 201)

This sad fact is not limited to the United States. Globally, 18 million deaths a year are caused by structural violence, compared to 100,000 deaths per year from armed conflict. That is, approximately every five years, as many people die because of relative poverty as would be killed in a nuclear war that caused 232 million deaths, and every single year, two to three times as many people die from poverty throughout the world as were killed by the Nazi genocide of the Jews over a six-year period. This is, in effect, the equivalent of an ongoing, unending, in fact accelerating, thermonuclear war or genocide, perpetuated on the weak and the poor every year of every decade, throughout the world.

Growth Bad – Hunger

Growth causes massive starvation

Trainer 3 (Ted, Sociology@New South Wales, 29 May 2003, p. http://billtotten.blogspot.com/2005/05/our-economic-system-why-it-must-be.html) JT

Most of the, waste, human suffering and ecological destruction in the world is due to the working of market forces. It is easy to show this. In a market system what is produced and who gets it at what price is determined by who is prepared to pay most for what. The result is that in a market system scarce things go to those who can pay more. In other words those who own resources will sell them for the highest price they can get, and richer people can pay higher prices. Poor people have little or no "effective demand". Thus need or justice is totally irrelevant and will not influence the outcome. In a market system it does not matter how desperately something is needed, it will go to whoever can pay most for it. This is why 1/3 of the world's grain production, more than 500 million tonnes, is fed every year to animals in rich countries, while around 800 million people are hungry. It is why the rich countries take 3/4 of the world's resource output and consume resources at a per capita rate that is 15-20 times that of the poorest half of the world's people. Even worse is the fact that market forces ensure that the wrong things are developed. For example in the Third World where there is obviously an urgent need for development of farms and factories to produce things for the majority of people who are very poor, very little development of these occurs while almost all the investment goes into developing farms and factories to export to rich countries. Why? Simply because these are the purposes that will yield most return on investment. Investors will never maximise their profits developing industries to produce what is most needed, because the most urgent needs are felt by poor people and it is always much more profitable to produce what relatively rich people want.

Food shortages lead to World War III

**Calvin 98.** (William, theoretical neurophysiologist @ U Washington, “The Great Climate Flip-Flop”, *Atlantic Monthly*, Vol. 281, No. 1, January, p. 47-64)

The population-crash scenario is surely the most appalling. Plummeting crop yields would cause some powerful countries to try to take over their neighbors or distant lands -- if only because their armies, unpaid and lacking food, would go marauding, both at home and across the borders. The better-organized countries would attempt to use their armies, before they fell apart entirely, to take over countries with significant remaining resources, driving out or starving their inhabitants if not using modern weapons to accomplish the same end: eliminating competitors for the remaining food. This would be a worldwide problem -- and could lead to a Third World War -- but Europe's vulnerability is particularly easy to analyze. The last abrupt cooling, the Younger Dryas, drastically altered Europe's climate as far east as Ukraine. Present-day Europe has more than 650 million people. It has excellent soils, and largely grows its own food. It could no longer do so if it lost the extra warming from the North Atlantic.