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**Unique link – The status quo is making cuts now but reigning in transportation spending is key to solving the deficit**

**Fraser, 2012** – (2/2/12, Alicia Acosta, Director of the Thomas A. Roe Institute for Economic Policy Studies, former Deputy Director of the Oklahoma Office of State Finance, “Will Transportation Reauthorization Be Another Big Spending Boondoggle?,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/02/transportation-program-reauthorization-another-big-spending-problem) Idriss

The picture for the future continues to look bleak. Gas tax revenues have not grown to keep pace with transportation needs, let alone the burgeoning wants of Congress and the vast collection of special-interest groups and their lobbyists. The most recent forecast by CBO[6] projects that the trust fund will run out of money sometime in 2013 with a deficit of $12 billion and cumulative deficits of $136 billion through 2022. Even this may be a conservative estimate given the way CBO projected both taxes and spending.[7] Transportation Goals vs. Wasteful Spending The federal government is projected to run deficits in the trillion-dollar range through the end of the decade, reaching $1.5 trillion in 2022. **Transportation spending is one contributor to this gloomy outlook.** As a first step toward the larger goal of solving the nation’s spending and debt crisis, Congress should make the transportation program live within its means. It should reserve the program exclusively for improving mobility and safety and decreasing congestion. This means Congress should strip out or trim wasteful programs like the enhancement program, transit, and Amtrak. Gone should be plans for quaint cobblestones, hiking trails, tourist attractions and archaeology, streetscapes and flower planting projects, and the excess spending they represent. Eliminate Waste and Reduce Spending The current reauthorization bills (S. 1813 and H.R. 7) contain some important reforms. For example, both versions put an end to the corruptive and wasteful practice of earmarks. The Senate version would allow states the flexibility to spend enhancement program money on roads as opposed to projects like a road museum. The House version would start to remove Amtrak’s wasteful subsidy and require operational improvements.

**Balanced budget key to stopping a global recession and collapse of U.S. leadership**

**Bergsten, 2009** – (December 2009, C. Fred, Director of the Institute for International Economics, former Assistant Secretary of the Treasury for International Affairs, and former Assistant for International Economic Affairs to the National Security Council, “The Dollar and the Deficits,” Foreign Affairs, Lexis Nexis) Idriss

A first step is to recognize the dangers of standing pat. For example, the United States' trade and current account deficits have declined sharply over the last three years, but absent new policy action, they are likely to start climbing again, rising to record levels and far beyond. Or take the dollar. Its role as the dominant international currency has made it much easier for the United States to finance, and thus run up, large trade and current account deficits with the rest of the world over the past 30 years. These huge inflows of foreign capital, however, turned out to be an important cause of the current economic crisis, because they contributed to the low interest rates, excessive liquidity, and loose monetary policies that—in combination with lax financial supervision—brought on the overleveraging and underpricing of risk that produced the meltdown. It has long been known that large external deficits pose substantial risks to the US economy because foreign investors might at some point refuse to finance these deficits on terms compatible with US prosperity. Any sudden stop in lending to the United States would drive the dollar down, push inflation and interest rates up, and perhaps bring on a hard landing for the United States—**and the world economy at large.** But it is now evident that it can be equally or even **more damaging** if foreign investors do finance large US deficits for prolonged periods. US policymakers, therefore, must recognize that large external deficits, the dominance of the dollar, and the large capital inflows that necessarily accompany deficits and currency dominance are no longer in the United States' national interest. Washington should welcome initiatives put forward over the past year by China and others to begin a serious discussion of reforming the international monetary system. If the rest of the world again finances the United States' large external deficits, the conditions that brought on the current crisis will be replicated. To a large extent, the US external deficit has an internal counterpart: the budget deficit. Higher budget deficits generally increase domestic demand for foreign goods and foreign capital and thus promote larger current account deficits. But the two deficits are not "twin" in any mechanistic sense, and they have moved in opposite directions at times, including at present. The latest projections by the Obama administration and the Congressional Budget Office (CBO) suggest that both in the short run, as a result of the crisis, and over the next decade or so, as baby boomers age, the US budget deficit will exceed all previous records by considerable margins. The Peterson Institute for International Economics projects that the international economic position of the United States is likely to deteriorate enormously as a result, with the current account deficit rising from a previous record of six percent of GDP to over 15 percent (more than $5 trillion annually) by 2030 and net debt climbing from $3.5 trillion today to $50 trillion (the equivalent of 140 percent of GDP and more than 700 percent of exports) by 2030. The United States would then be transferring a full seven percent ($2.5 trillion) of its entire economic output to foreigners every year in order to service its external debt. This untenable scenario highlights a grave triple threat for the United States. If the rest of the world again finances the United States' large external deficits, the conditions that brought on the current crisis will be replicated and the risk of calamity renewed. At the same time, increasing US demands on foreign investors would probably become unsustainable and produce a severe drop in the value of the dollar well before 2030, possibly bringing on a hard landing. And even if the United States were lucky enough to avoid future crises, the steadily rising transfer of US income to the rest of the world to service foreign debt would seriously erode Americans' standards of living. Hence, new record levels of trade and current account deficits would likely levy very heavy costs on the United States whether or not the rest of the world was willing to finance these deficits at prices compatible with US prosperity. Washington should seek to sharply limit these external deficits in the future—and it is encouraging that the Obama administration has indicated its intention to move in that direction, opting for future US growth that is export-oriented, rather than consumption-oriented, and rejecting the role of the United States as the world's consumer of last resort. Balancing the budget is the only reliable policy instrument for preventing such a buildup of foreign deficits and debt for the United States. As soon as the US economy recovers from the current crisis, it is imperative that US policymakers restore a budget that is balanced over the economic cycle and, in fact, runs surpluses during boom years. Measures that could be adopted now and phased in as growth is restored include containing the cost of medical care, reforming Social Security, and enacting new taxes on consumption. The US government's continued failure to responsibly address the fiscal future of the United States will imperil its global position as well as its future prosperity. The country's fate is already largely in the hands of its foreign creditors, starting with China but also including Japan, Russia, and a number of oil-exporting countries. **Unless the United States quickly achieves and maintains a sustainable economic position, its ability to pursue autonomous economic and foreign policies will become increasingly compromised.**

**Global economic decline causes extinction**

**Auslin and Lachman, 09** – (3/6/09, Michael, Resident Scholar at the American Enterprise Institute, Desmon, Resident Fellow at the American Enterprise Institute, “The Global Economy Unravels, Forbes, http://www.aei.org/article/100187)

Conversely, global policymakers do not seem to have grasped the downside risks to the global economy posed by a deteriorating domestic and international political environment. If the past is any guide, the souring of the political environment must be expected to fan the corrosive protectionist tendencies and nationalistic economic policy responses that are already all too much in evidence. After spending much of 2008 cheerleading the global economy, the International Monetary Fund now concedes that output in the world's advanced economies is expected to contract by as much as 2% in 2009. This would be the first time in the post-war period that output contracted in all of the world's major economies. The IMF is also now expecting only a very gradual global economic recovery in 2010, which will keep global unemployment at a high level. Sadly, the erstwhile rapidly growing emerging-market economies will not be spared by the ravages of the global recession. Output is already declining precipitously across Eastern and Central Europe as well as in a number of key Asian economies, like South Korea and Thailand. A number of important emerging-market countries like Ukraine seem to be headed for debt default, while a highly oil-dependent Russia seems to be on the cusp of a full-blown currency crisis. Perhaps of even greater concern is the virtual grinding to a halt of economic growth in China. The IMF now expects that China's growth rate will approximately halve to 6% in 2009. Such a growth rate would fall far short of what is needed to absorb the 20 million Chinese workers who migrate each year from the countryside to the towns in search of a better life. As a barometer of the political and social tensions that this grim world economic outlook portends, one needs look no further than the recent employment forecast of the International Labor Organization. The ILO believes that the global financial crisis will wipe out 30 million jobs worldwide in 2009, while in a worst case scenario as many as 50 million jobs could be lost. What do these trends mean in the short and medium term? The Great Depression showed how social and global chaos followed hard on economic collapse. The mere fact that parliaments across the globe, from America to Japan, are unable to make responsible, economically sound recovery plans suggests that they do not know what to do and are simply hoping for the least disruption. Equally worrisome is the adoption of more statist economic programs around the globe, and the concurrent decline of trust in free-market systems. The threat of instability is a pressing concern. China, until last year the world's fastest growing economy, just reported that 20 million migrant laborers lost their jobs. Even in the flush times of recent years, China faced upward of 70,000 labor uprisings a year. A sustained downturn poses grave and possibly immediate threats to Chinese internal stability. The regime in Beijing may be faced with a choice of repressing its own people or diverting their energies outward, leading to conflict with China's neighbors. Russia, an oil state completely dependent on energy sales, has had to put down riots in its Far East as well as in downtown Moscow. Vladimir Putin's rule has been predicated on squeezing civil liberties while providing economic largesse. If that devil's bargain falls apart, then wide-scale repression inside Russia, along with a continuing threatening posture toward Russia's neighbors, is likely. Even apparently stable societies face increasing risk and the threat of internal or possibly external conflict. As Japan's exports have plummeted by nearly 50%, one-third of the country's prefectures have passed emergency economic stabilization plans. Hundreds of thousands of temporary employees hired during the first part of this decade are being laid off. Spain's unemployment rate is expected to climb to nearly 20% by the end of 2010; Spanish unions are already protesting the lack of jobs, and the specter of violence, as occurred in the 1980s, is haunting the country. Meanwhile, in Greece, workers have already taken to the streets. Europe as a whole will face dangerously increasing tensions between native citizens and immigrants, largely from poorer Muslim nations, who have increased the labor pool in the past several decades. Spain has absorbed five million immigrants since 1999, while nearly 9% of Germany's residents have foreign citizenship, including almost 2 million Turks. The xenophobic labor strikes in the U.K. do not bode well for the rest of Europe. A prolonged global downturn, let alone a collapse, would dramatically raise tensions inside these countries. Couple that with possible protectionist legislation in the United States, unresolved ethnic and territorial disputes in all regions of the globe and a loss of confidence that world leaders actually know what they are doing. The result may be a series of small explosions that coalesce into a big bang.

**Heg is key to global stability and solves all major impacts**

**Thayer, 06** – (Bradley, Professor of Strategic Studies and Associate Professor of Defense and Strategic Study at Missouri State University, Former Research Fellow at the International Security Program at the Harvard Belfer Center of Science and International Affairs, “In Defense of Primacy,” The National Interest Nov/Dec)

A grand strategy based on American primacy means ensuring the United States stays the world's number one power‑the diplomatic, economic and military leader. Those arguing against primacy claim that the United States should retrench, ei­ther because the United States lacks the power to maintain its primacy and should withdraw from its global commitments, or because the maintenance of primacy will lead the United States into the trap of "imperial overstretch." In the previous issue of The National Interest, Christopher Layne warned of these dangers of pri­macy and called for retrenchment.1 Those arguing for a grand strategy of retrenchment are a diverse lot. They include isolationists, who want no foreign military commitments; selective engagers, who want U.S. military commitments to centers of economic might; and offshore balancers, who want a modified form of selective engagement that would have the United States abandon its landpower presence abroad in favor of relying on airpower and seapower to defend its in­terests. But retrenchment, in any of its guis­es, must be avoided. If the United States adopted such a strategy, it would be a profound strategic mistake that would lead to far greater instability and war in the world, imperil American security and deny the United States and its allies the benefits of primacy. There are two critical issues in any discussion of America's grand strategy: Can America remain the dominant state? Should it strive to do this? America can remain dominant due to its prodigious military, economic and soft power capa­bilities. The totality of that equation of power answers the first issue. The United States has overwhelming military capa­bilities and wealth in comparison to other states or likely potential alliances. Barring some disaster or tremendous folly, that will remain the case for the foreseeable future. With few exceptions, even those who advocate retrenchment acknowledge this. So the debate revolves around the desirability of maintaining American pri­macy. Proponents of retrenchment focus a great deal on the costs of U.S. action­ but they fall to realize what is good about American primacy. The price and risks of primacy are reported in newspapers every day; the benefits that stem from it are not. A GRAND strategy of ensur­ing American primacy takes as its starting point the protec­tion of the U.S. homeland and American global interests. These interests include ensuring that critical resources like oil flow around the world, that the global trade and monetary regimes flourish and that Washington's worldwide network of allies is reassured and protected. Allies are a great asset to the United States, in part because they shoulder some of its burdens. Thus, it is no surprise to see NATO in Afghanistan or the Australians in East Timor. In contrast, a strategy based on re­trenchment will not be able to achieve these fundamental objectives of the United States. Indeed, retrenchment will make the United States less secure than the present grand strategy of primacy. This is because threats will exist no mat­ter what role America chooses to play in international politics. Washington can­not call a "time out", and it cannot hide from threats. Whether they are terror­ists, rogue states or rising powers, his­tory shows that threats must be confront­ed. Simply by declaring that the United States is "going home", thus abandoning its commitments or making unconvinc­ing half‑pledges to defend its interests and allies, does not mean that others will respect American wishes to retreat. To make such a declaration implies weak­ness and emboldens aggression. In the anarchic world of the animal kingdom, predators prefer to eat the weak rather than confront the strong. The same is true of the anarchic world of interna­tional politics. If there is no diplomatic solution to the threats that confront the United States, then the conventional and strategic military power of the United States is what protects the country from such threats. And when enemies must be confront­ed, a strategy based on primacy focuses on engaging enemies overseas, away from .American soil. Indeed, a key tenet of the Bush Doctrine is to attack terrorists far from America's shores and not to wait while they use bases in other countries to plan and train for attacks against the United States itself. This requires a phys­ical, on‑the‑ground presence that cannot be achieved by offshore balancing. Indeed, as Barry Posen has noted, U.S. primacy is secured because America, at present, commands the "global com­mon"‑‑the oceans, the world's airspace and outer space‑allowing the United States to project its power far from its borders, while denying those common avenues to its enemies. As a consequence, the costs of power projection for the United States and its allies are reduced, and the robustness of the United States' conventional and strategic deterrent ca­pabilities is increased.' This is not an advantage that should be relinquished lightly. A remarkable fact about international politics today‑-in a world where Ameri­can primacy is clearly and unambiguous­ly on display--is that countries want to align themselves with the United States. Of course, this is not out of any sense of altruism, in most cases, but because doing so allows them to use the power of the United States for their own purposes, ­their own protection, or to gain greater influence. Of 192 countries, 84 are allied with America‑-their security is tied to the United States through treaties and other informal arrangements‑and they include almost all of the major economic and military powers. That is a ratio of almost 17 to one (85 to five), and a big change from the Cold War when the ratio was about 1.8 to one of states aligned with the United States versus the Soviet Union. Never before in its history has this coun­try, or any country, had so many allies. U.S. primacy‑-and the bandwagon­ing effect‑has also given us extensive in­fluence in international politics, allowing the United States to shape the behavior of states and international institutions. Such influence comes in many forms, one of which is America's ability to cre­ate coalitions of like‑minded states to free Kosovo, stabilize Afghanistan, invade Iraq or to stop proliferation through the Pro­liferation Security Initiative (PSI). Doing so allows the United States to operate with allies outside of the where it can be stymied by opponents. American‑led wars in Kosovo, Afghanistan and Iraq stand in contrast to the UN's inability to save the people of Darfur or even to conduct any military campaign to realize the goals of its charter. The quiet effec­tiveness of the PSI in dismantling Libya's WMD programs and unraveling the A. Q. Khan proliferation network are in sharp relief to the typically toothless attempts by the UN to halt proliferation. You can count with one hand coun­tries opposed to the United States. They are the "Gang of Five": China, Cuba, Iran, North Korea and Venezeula. Of course, countries like India, for example, do not agree with all policy choices made by the United States, such as toward Iran, but New Delhi is friendly to Washington. Only the "Gang of Five" may be expected to consistently resist the agenda and ac­tions of the United States. China is clearly the most important of these states because it is a rising great power. But even Beijing is intimidated by the United States and refrains from openly challenging U.S. power. China proclaims that it will, if necessary, re­sort to other mechanisms of challenging the United States, including asymmetric strategies such as targeting communica­tion and intelligence satellites upon which the United States depends. But China may not be confident those strategies would work, and so it is likely to refrain from testing the United States directly for the foreseeable future because China's power benefits, as we shall see, from the international order U.S. primacy creates. The other states are far weaker than China. For three of the "Gang of Five" cases‑‑Venezuela, Iran, Cuba‑it is an anti‑U.S. regime that is the source of the problem; the country itself is not intrin­sically anti‑American. Indeed, a change of regime in Caracas, Tehran or Havana could very well reorient relations. THROUGHOUT HISTORY, peace and stability have been great benefits of an era where there was a dominant power‑‑Rome, Britain or the United States today. Schol­ars and statesmen have long recognized the irenic effect of power on the anarchic world of international politics. Everything we think of when we con­sider the current international order ‑ free trade, a robust monetary regime, increas­ing respect for human rights, growing de­mocratization‑‑is directly linked to U.S. power. Retrenchment proponents seem to think that the current system can be maintained without the current amount of U.S. power behind it. In that they are dead wrong and need to be reminded of one of history's most significant lessons: Appalling things happen when international orders collapse. The Dark Ages fol­lowed Rome's collapse. Hitler succeeded the order established at Versailles. With­out U.S. power, the liberal order cre­ated by the United States will end just as assuredly. As country and western great Rai Donner sang: "You don't know what you've got (until you lose it)." Consequently, it is important to note what those good things are. In addition to ensuring the security of the United States and its allies, American primacy within the international system causes many positive outcomes for Washing­ton and the world. The first has been a more peaceful world. During the Cold War, U.S. leadership reduced friction among many states that were historical antagonists, most notably France and West Germany. Today, American primacy helps keep a number of complicated rela­tionships aligned‑-between Greece and Turkey, Israel and Egypt, South Korea and Japan, India and Pakistan, Indonesia and Australia. This is not to say it fulfills Woodrow Wilson's vision of ending all war. Wars still occur where Washington's interests are not seriously threatened, such as in Darfur, but a Pax Americana does reduce war's likelihood, particularly war's worst form: great power wars. Second, American power gives the United States the ability to spread de­mocracy and other elements of its ideol­ogy of liberalism. Doing so is a source of much good for the countries concerned as well as the United States because, as John Owen noted on these pages in the Spring 2006 issue, liberal democracies are more likely to align with the United States and be sympathetic to the American worldview.3 So, spreading democracy helps maintain U.S. primacy. In addition, once states are governed democratically, the likelihood of any type of conflict is significantly reduced. This is not because democracies do not have clashing inter­ests. Indeed they do. Rather, it is because they are more open, more transparent and more likely to want to resolve things amicably in concurrence with U.S. lead­ership. And so, in general, democratic states are good for their citizens as well as for advancing the interests of the United States. Critics have faulted the Bush Admin­istration for attempting to spread democ­racy in the Middle East, labeling such an effort a modern form of tilting at windmills. It is the obligation of Bush's crit­ics to explain why democracy is good enough for Western states but not for the rest, and, one gathers from the argument, should not even be attempted. Of course, whether democracy in the Middle East will have a peaceful or sta­bilizing influence on America's interests in the short run is open to question. Per­haps democratic Arab states would be more opposed to Israel, but nonetheless, their people would be better off. The United States has brought democracy to Afghanistan, where 8.5 million Af­ghans, 40 percent of them women, voted in a critical October 2004 election, even though remnant Taliban forces threat­ened them. The first free elections were held in Iraq in January 2005. It was the military power of the United States that put Iraq on the path to democracy. Wash­ington fostered democratic governments in Europe, Latin America, Asia and the Caucasus. Now even the Middle East is increasingly democratic. They may not yet look like Western‑style democracies, but democratic progress has been made in Algeria, Morocco, Lebanon, Iraq, Ku­wait, the Palestinian Authority and Egypt. By all accounts, the march of democracy has been impressive. Third, along with the growth in the number of democratic states around the world has been the growth of the glob­al economy. With its allies, the United States has labored to create an economically liberal worldwide network character­ized by free trade and commerce, respect for international property rights, and mo­bility of capital and labor markets. The economic stability and prosperity that stems from this economic order is a glob­al public good from which all states ben­efit, particularly the poorest states in the Third World. The United States created this network not out of altruism but for the benefit and the economic well‑being of America. This economic order forces American industries to be competitive, maximizes efficiencies and growth, and benefits defense as well because the size of the economy makes the defense burden manageable. Economic spin‑offs foster the development of military technology, helping to ensure military prowess. Perhaps the greatest testament to the benefits of the economic network comes from Deepak Lal, a former Indian foreign service diplomat and researcher at the World Bank, who started his ca­reer confident in the socialist ideology of post‑independence India. Abandoning the positions of his youth, Lal now recog­nizes that the only way to bring relief to desperately poor countries of the Third World is through the adoption of free market economic policies and globaliza­tion, which are facilitated through Amer­ican primacy.4 As a witness to the failed alternative economic systems, Lal is one of the strongest academic proponents of American primacy due to the economic prosperity it provides.

### UQ – Econ High

**Econ on the rise now – assumes their alt causes**

**National Post, 2012** – (2/22/12, Andrew Coyne, “Andrew Coyne: Fears cuts will trigger recession are unfounded,” National Post, http://fullcomment.nationalpost.com/2012/02/22/andrew-coyne-deficits-dont-help-the-economy/)

Last November, Paul Krugman met Larry Summers in Toronto for a public debate. The issue: whether America faced a “lost decade” of economic stagnation, much as Japan endured through the 1990s (not that the 2000s were any great shakes). It was a very weird debate. Both the Nobel laureate economist and the former Treasury secretary agreed for much of the night: the American economy was dead in the water. Moreover, both were quite sure it would remain in that condition, absent another massive dose of fiscal stimulus, i.e. even larger deficits. They differed only in their estimation of whether the American political system could produce it. At more or less exactly that moment, as we now know, the American economy was stirring to life. The weeks since then have been filled with news of one indicator after another flashing green: retail sales, manufacturing shipments, employment, GDP, the works. The Dow Jones this week touched 13,000 for the first time in four years, even in the shadow of a possible war in the Middle East or currency crisis in Europe. That’s a gain of roughly 1,000 points since the lost decade debate. Logically, you would think both Krugman and Summers would find this troubling. I don’t think either man would deny the evidence that the economy is growing — **even Krugman is no longer predicting a Third Depression** (or is it the Fourth?). Yet you may search in vain for any acknowledgment that it has done so without the elixir of life they were so determined to prescribe.

### UQ – Econ Improving

**Econ stabilizing and improving, assumes recent May reports – prefer our evidence, it’s future predictive and cites ongoing trends**

**Kiplinger, 6/1/12** – (Last updated on June 1st 2012, Kiplinger is a website that provides coverage of economic activity for the United States, “GDP,” note: page updates periodically to account for new economic developments, http://www.kiplinger.com/businessresource/economic\_outlook/)

The disappointing 2% increase in GDP we expect for 2012 will mark the third straight year that a solid rebound from the Great Recession has run out of steam. Growth will improve slightly in the second half of this year after a springtime slowdown, as job creation picks up, Europe embraces sweeping reforms to avert a financial crisis, and some of the fundamental strengths in U.S. economic prospects overcome the caution that is discouraging spending, hiring and investment. The economy started slowing significantly in March after ending 2011 with a surge of growth and adding jobs at solid pace in January and February. March job creation fell sharply, while consumer spending and industrial output were flat and orders sank for big-ticket durable goods (those lasting three years or more), a signal of waning business investment. Though most of those measures improved in April, the news in May turned negative, especially the report that job creation slowed again for the third month in a row. **Still, there’s no serious risk of falling into another recession. Absent a major financial crisis or a new war in the Middle East** that drives gasoline prices over $5 a gallon, **the U.S. economy should continue growing slowly this year and a bit faster in 2013.** Though **consumers, business managers and investors are** cautious about current conditions, they’re **more positive about future economic prospects.** Moreover, despite a recent drop, consumer confidence is up sharply from 2011 and at a level associated with moderate growth. Corporate CEOs and small business owners expect expanding sales and more hiring later in the year. An up-and-down stock market so far in 2012 doesn’t reflect the fact that corporate profits are strong and expected to keep rising.

**Job growth will continue, their evidence doesn't account for productivity needs**

**Kiplinger, 6/1/12** – (Last updated on June 1st 2012, Kiplinger is a website that provides coverage of economic activity for the United States, “GDP,” note: page updates periodically to account for new economic developments, http://www.kiplinger.com/businessresource/economic\_outlook/)

Job growth isn’t likely to stall, despite the anemic 69,000-job increase in May -- the third straight month of weak employment gains after solid job growth in January and February. But business managers are increasingly wary that financial turmoil in Europe will contribute to a global economic slowdown, leading them to cut back their hiring plans. We now expect about 2 million net new jobs this year, or an average of 165,000 a month for the rest of 2012, only slightly better than the net gain of 1.8 million jobs in 2011. But with the economy growing around 2%, there’s no prospect for a more robust pickup. Moreover, with so much slack in the labor market, wages are stagnant and will rise less than 2% this year, probably lagging inflation. Less income means less money to spend, which translates into slower growth. Two million new jobs might seem high, based on what happened in May, but even that disappointing month showed some strength in the labor market. Service sector hiring surged by 93,000, including 33,000 in health care, and manufacturers added 12,000 workers. What hurt were losses of 28,000 in construction, 9,000 in restaurants and bars, and 13,000 in government. Looking at the second half of this year, we think construction and hospitality will show modest increases. What’s more, although business leaders are cautious about adding more workers, they’re not worried enough to halt hiring or reduce payrolls, and **low growth in productivity since 2010 means that many businesses that expand will need to hire.** Unemployment, now 8.2%, will likely end the year near 8%. The jobless rate won’t fall much because the improving economy will lure more people into the workforce after the past several very tough years for would-be workers. U.S. GDP, which will grow about 2% this year, needs to grow at least 2.5% a year to work down the ranks of the unemployed.

### UQ – Fiscal Discipline

**Shift toward fiscal discipline checking spending now**

**Bloomberg, 2012** – (2/26/12, Caroline Salas Gage, “Bernanke Pessimism Drives Credit With Forced Government Cutbacks,” Bloomberg, http://www.bloomberg.com/news/2012-02-27/bernanke-pessimism-drives-easy-credit-with-forced-government-spending-cuts.html)

The potential drag from fiscal restraint contributed to the rationale behind policy makers’ reduced forecasts for growth this year and in 2013, according to the minutes of their Jan. 24-25 meeting. They also decided to extend their commitment to keep interest rates near zero through at least late 2014 instead of mid-2013 to provide “more accommodative financial conditions,” the minutes said. Bush-era tax cuts and expanded unemployment benefits are set to expire at the end of the year, and a deficit-reduction law requiring $1 trillion of cutbacks also kicks in if lawmakers can’t agree on a new plan. The Fed may keep rates low for longer because the budget-balancing measures slated for 2013 -- including those automatic cuts, known as sequestration -- threaten to weigh on expansion, said Ward McCarthy, chief financial economist at Jefferies & Co.

### Link – Generic (Infrastructure)

**Government infrastructure improvement won’t boost job growth and causes massive spending**

**Utt, 2011** – (12/13/11, Ronald, Ph.D. in Economics from Indiana University and Herbert and Joyce Morgan Senior Research Fellow for the Thomas A. Roe Institute for Economic Policy Studies, “Infrastructure ‘Crisis’ is About Socialism,” The Heritage Foundation, http://www.heritage.org/research/commentary/2011/12/infrastructure-crisis-is-about-socialism)

We constantly hear that America has an infrastructure crisis and that calamity will result if we don't address it. Inevitably the solution involves the investment of vast sums of taxpayer money. Not surprisingly, most estimates of how extensive the crisis is, and how much it will cost to fix, come from what Washington euphemistically calls "stakeholders": the trade associations whose members would benefit financially from the prescribed remedy. Sen. John Kerry's bill to create a federal infrastructure bank cites the American Society of Civil Engineers' estimate that **$2.2 trillion** in infrastructure spending is needed over the next five years to bring us up to an "adequate" condition. At $400 billion per year, the engineers would have us spend on infrastructure about what we spend each year on all of the federal, nonsecurity, discretionary programs — an amount equal to 20 percent of all federal tax collections in FY 2011. Is it really this bad? With the American economy still struggling, the infrastructure stakeholders have rebranded their effort as a jobs program. But **there is little evidence to suggest it will provide the promised boost.** However, this rebranding effort has had some success in influencing disparate organizations: In November members of Occupy DC rallied at the 89-year-old Key Bridge "to highlight their contention that repairing aging infrastructure will create jobs," and House Republicans renamed their highway bill the American Energy and Infrastructure Jobs Act. Infrastructure is defined as long-lived physical assets that provide a flow of valuable services to people over time. It includes such things as residential housing, roads, power plants, telephone poles, railroads, manufacturing facilities, office buildings, hotels, shopping centers, transit systems, water supply and treatment systems, airports, airplanes, cars, public housing, trucks, farms and buses, to name just a few. All of the above are of considerable value, obviously. But not all of them belong on the infrastructure crisis lists. And the fact that the Occupy DC people chose a bridge — not a car dealer, a shopping center, pizza parlor or freight railroad — to protest disrepair and poor service suggests that **the real crisis is not one of infrastructure** per se, **but of the parts that are government-owned and operated** with a degree of mismanagement familiar to the millions of Russians and East Europeans who decided to junk such a system in the late 1980s. As such, our infrastructure crisis is really a crisis of monopoly socialism.

**Their studies are biased and infrastructure spending does not create new jobs but offsets others and increases the deficit**

**Goff and Boccia, 2012** – (2/28/12, Emily, Research Associate at the Thomas A. Roe Institute for Economic Policy Studies, Romina, Research and Coordinator for Domestic and Economic Policy, ”Infrastructure Spending Would Not Create Jobs, Revive Economy,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/02/president-obamas-2013-budget-delivers-tax-hikes-more-spending-more-debt)

The President’s “job-creating infrastructure investments,” or spending on the transportation budget, cover $50 billion to “jumpstart” transportation projects in 2012, and a six-year, $476 billion proposal for surface-transportation projects, including high-speed rail. This would amount to a $135 billion increase in spending, which the President proposes to pay for with phony war savings. As taxpayers painfully learned during the past few years, stimulus spending does manage to rack up deficits and debt, but it does little to grow the economy and create jobs. Ditto infrastructure “investing.” After reviewing a series of studies on the relationship between infrastructure spending and economic activity, former Heritage Foundation analyst Ronald Utt concluded that any impact of increased infrastructure spending on jobs would be modest and delayed. An influential study commissioned by the U.S. Department of Transportation suggesting that $1 billion of federal highway spending would produce the equivalent of 47,576 jobs for one year should be viewed with caution. As Utt explained: Regardless of how the federal government raised the additional $1 billion, it would shift resources from one part of the economy to another, in this case to road building. **The only way that $1 billion of new highway spending can create** 47,576 **new jobs is if the $1 billion appears out of nowhere as if it were manna from heaven.**[13] Moreover, Utt also explained why an infrastructure bank is not truly a bank, but another means of using taxpayer dollars to fund transportation projects: [T]he common meaning of a “bank” describes a financial intermediary that borrows money at one interest rate and lends it to credit-worthy borrowers at a somewhat higher interest rate…the Obama proposal is not a bank, and it relies entirely on congressional appropriations—thus, on **deficit finance and taxpayer bailouts.** (emphasis in original)[14]

### Link – Military

**Extending military spending saps the federal budget – F-35 proves**

**IBT, 2012** – (4/7/12, Joseph Lazzaro, “Cut U.S. Defense Spending Now – Don’t Fund The F-35,” International Business Times, http://www.ibtimes.com/articles/325200/20120407/defense-spending-economy-jobs-unemployment-infrastructure-gdp.htm?page=all)

Something else that's truly problematic, if not scary or frightening: the United States' needless militarism and purchase of unnecessary arms and weapon systems. The needless purchase of planes, ships, tanks, and related items offered by defense contractors boggles the mind. Consider this: the Pentagon -- which has been massively overfunded for 20 years -- now wants the F-35 Joint Strike Fighter. The cost per plane? Steady yourself -- this you will not believe -- a staggering $112.5 million per plane! And that's without an engine! Oh, you said you want to fly the plane? Well, add another $22 million for the engine. In other words **each plane will cost $134.5 million.** That's one hundred thirty four and a half million dollars per plane. And, as you might sense, the F-35 is the U.S. Department of Defense's most expensive weapons program, with the total cost of the program projected at $1.51 trillion! The notion that the United States would spent a gargantuan $134.5 million for each plane amid federal revenue scarcity (due to low income taxes on upper income groups stemming from the Bush income tax cut) represents theatre of the absurd.

### Link – Railroads

**Federally funded rail systems are costly to build and maintain**

**Cox, 2011** – (3/2/11, Wendell, international public policy consultant and fellow at numerous think tanks, visiting fellow at the Heritage Foundation, senior fellow at the Heartland Institute, senior fellow for urban policy at the Independence Institute (Denver), MBA from Pepperdine University, Citing additional analysis by Clifford Winston, a Brookings Institution economist, and Peter Rogoff, a Federal Transit Administrator, “Federal Transit Programs: Spending More and More for Less and Less,” The Heritage Foundation, http://www.heritage.org/research/reports/2011/03/federal-transit-programs-spending-more-and-more-for-less-and-less)

Winston singles out the nation’s urban rail systems, which have consumed so much of transit tax funding in recent decades, for special criticism. Winston reminds readers of the considerable literature showing that “the cost of building rail systems are notorious for exceeding expectations, while ridership levels tend to be much lower than anticipated” and that “**continuing capital investments are swelling the deficit.**” At the same time, he questions high subsidy levels for rail transit, noting, for example, that the average income of rail transit riders is approximately double that of bus transit riders. Winston criticizes in particular the now-under-construction Dulles Airport rail line that will become a part of the Washington, D.C.–area transit system, noting that the route is not cost-effective. He characterizes cost overruns on the Dulles rail line and the soon-to-be-under-construction Honolulu rail line as “inevitable” (this despite the fact that both lines have already experienced substantial cost escalation). Indeed, he notes that government subsidies exceed the benefits on all U.S. rail systems except for San Francisco’s BART system. Winston’s analysis can be supplemented by information from the latest Federal Transit Administration “New Starts Report.”[2] The annual capital and operating cost per new round trip weekday rider on the Dulles Airport rail line will be at least $40,000. That is about as much as the annual cost to lease each new rider a Rolls Royce—though only a bottom-of-the-line $245,000 “Ghost” model. The reality is that **virtually every federally funded new rail system costs as much as leasing a car for every new rider on an annual basis**, and, of course the rider would be able to use that car 24/7, in contrast to transit’s limited availability. Admittedly, sometimes it is only an economy car that equates to the cost per new rider, but just as often it has been a much more expensive car. Added to transit’s financial woes is the nearly $80 billion in deferred maintenance to restore transit systems to a state of “good repair,” according to Federal Transit Administrator Peter Rogoff.[3]

**Railroad investment builds debt and doesn’t solve – empirics are on our side**

**Goff and Boccia, 2012** – (2/28/12, Emily, Research Associate at the Thomas A. Roe Institute for Economic Policy Studies, Romina, Research and Coordinator for Domestic and Economic Policy, ”Infrastructure Spending Would Not Create Jobs, Revive Economy,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/02/president-obamas-2013-budget-delivers-tax-hikes-more-spending-more-debt)

The President also proposes spending $47 billion over six years, plus $6 billion in 2012, to fund the development of high-speed rail and other pas­senger-rail programs. High-speed rail is a costly form of transportation, and it is afflicted with lower-than-expected ridership rates, rising ticket prices, and exorbitant government subsidies. Other countries’ experiences with high-speed rail systems—such as Japan’s, the U.K.’s, and France’s—should serve as a lesson to the United States. Domestically, California is an example of how the costs for high-speed rail projects often surpass original projections and further burden taxpayers, who are already struggling with a weakened economy and increasing budget deficits.

### Impact – US Econ Decline

**US econ collapse causes a laundry list of impacts**

**Mead, 2004** – (Walter Russell, Senior Fellow at the Council on Foreign Relations, “America’s STICKY Power,” Foreign Policy Mar/Apr, Proquest)

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

### AT: Infrastructure Funding = Jobs

**Numerous GOVERNMENT STUDIES conclude that you’re wrong**

**Utt, 2010** – (9/8/10, Ronald, Ph.D. in Economics from Indiana University and Herbert and Joyce Morgan Senior Research Fellow for the Thomas A. Roe Institute for Economic Policy Studies, “Infrastructure Stimulus Spending: Pandering to Organized Labor,” http://www.heritage.org/research/reports/2010/09/infrastructure-stimulus-spending-pandering-to-organized-labor)

In 2008, The Heritage Foundation published a comprehensive review of many of the academic studies conducted to determine the extent to which increases in federal transportation spending create new jobs.[4] Most studies reviewed found little evidence of meaningful job creation. One study by the **Congressional Research Service** concluded that: To the extent that financing new highways by reducing expenditures on other programs or by deficit finance and its impact on private consumption and investment, **the net impact on the economy of highway construction in terms of both output and employment could be nullified or even negative.**[5] Another study Heritage reviewed was by the Government Accountability Office (GAO), which found that “implementation … was not effective and timely in relieving the high unemployment caused by the recession.” Specifically, the GAO found that: Funds were spent slowly and relatively few jobs were created when most needed in the economy. Also, from its review of projects and available data, the GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided, and (2) project officials’ efforts to provide employment opportunities to the unemployed ranged from no effort being made to working closely with state employment agencies to locate unemployed persons.[6]

### AT: Spending Good

**Stimulus must be financed, prevents growth**

**Foster 10** (JD, PhD in economics from Georgetown and the Norman B. Ture Senior Fellow in the Economics of Fiscal Policy at The Heritage Foundation, “Obama Jobs Deficit Further Evidence of Failure,” October 8, 2010)

The centerpiece of Obama’s short-term stimulus program was $862 billion in poorly targeted tax cuts and ineffectual spending increases he signed into law in February 2009, since supplemented by a number of smaller budget-busting “jobs” bills. Obama had one big shot at really helping the economy and he took it, holding nothing back. As short-term economic stimulus it was doomed from the outset because it was based on the erroneous assumption that deficit spending can increase total demand in a slack economy. The theory underlying Obama’s stimulus was that the economy was weak because total demand was too low. The suggested solution is then to increase demand by increasing government spending, exploding the deficit in the process. This theory of demand manipulation through deficit spending ignores the simplest of realities: Government spending must be financed. So to finance deficit spending, government must borrow from private markets, thereby reducing private demand by the same amount as deficit spending increases public demand.[4] In effect, the theory says that if I take a dollar from my right pocket to my left, then I’m a dollar richer. **No wonder it always fails.**

**Stimulus spending crushes GDP**

**Powell 10/13** (Jim, senior fellow at the CATO institute, is an expert in the history of liberty. He has lectured in England, Germany, Japan, Argentina and Brazil as well as at Harvard, Stanford and other universities across the United States. He has written for the New York Times, Wall Street Journal, Esquire, Audacity/American Heritage and other publications, “Why Government Spending Is Bad For Our Economy,” Forbes, October 13, 2011)

If the aim was really to stimulate recovery of the private sector, the most effective way of doing that would have been to leave the money in the private sector. After all, people tend to be more careful with their own money than they are with other people’s money. Undoubtedly people would have spent their money on all sorts of things to help themselves, things worth stimulating like food, clothing, gasoline, downloads, cell phones and household repairs. Because of the federal government’s taxing power, it commands vast resources, and politicians can be counted on to start new spending programs they can brag about during re‑election campaigns. Unfortunately, spending programs often have unintended consequences that can make it harder for the private sector to grow and create productive jobs. Nonetheless, interest groups that benefit from the spending lobby aggressively to keep the money flowing, which is why, since the modern era of big government began in 1930, spending has gone up 88% of the time. If we exclude the demobilization periods following the end of World War II (three years) and the Korean War (two years) when spending declined, it has gone up 95% of the time. Economists James Gwartney, Randall Holcombe and Robert Lawson reported: “Evidence illustrates that there is a persistent robust negative relationship between the level (and expansion of) government expenditures and the growth of GDP. Our findings indicate that a 10% increase in government expenditures as a percent of GDP results in approximately a 1 percentage point reduction in GDP growth.” Similarly, Harvard economist Robert J. Barro found that “growth and the size of government are negatively related when the government is already very large.” For example, every year the federal government funds tens of billions of dollars worth of student loans for college. Altogether, the federal government has provided money for some 60 million students. In 2010, for the first time, student-loan debt surpassed credit card debt. There are about a trillion dollars of student loans outstanding. By enabling more and more people to bid for a college education, the government has promoted inflation of college costs — some 440% during the past quarter-century, quadruple the overall rate of inflation. Vance H. Fried, author of Better/Cheaper College, reported that nonprofit colleges make huge profits on undergraduate education, and they’re spent on “some combination of research, graduate education, low-demand majors, low faculty teaching loads, excess compensation, and featherbedding.” Meanwhile, an increasing number of families have difficulty paying for college without financial aid. Federal farm subsidies range between $10 billion and $30 billion annually. Subsidies are paid on the basis of output or acreage, which means big farmers get more money than small farmers. Subsidies are limited to the “program” crops like corn, cotton, rice, soybeans and wheat, that account for about a third of farm production. Aside from enriching big farmers, the main impact of the subsidies is to encourage over-production and inflate the value of land suitable for program crops. One study, by economists at North Carolina State University, analyzed the different types of subsidies and concluded that each $1 of farm subsidies per acre inflates the value of an acre of farmland between $6.38 and $27.37, depending on applicable subsidies. Since the mid-1960s, federal, state and local governments have spent hundreds of billions of dollars subsidizing government-run urban transit systems. Economist Randal O’Toole explained, “The number of transit trips per operating employee have fallen more than 50%, and the inflation-adjusted cost per trip has nearly tripled during the past four decades. Today urban transit is the most expensive way of moving people in the United States, and it’s no better than cars in terms of energy consumption or pollution.” Despite the endless subsidies, urban transit systems tend to be inadequately maintained, and they’re loaded with debt. New York City’s transit system alone has $30 billion of debt plus $15 billion of unfunded pension liabilities for its unionized employees. The federal government gathers tax revenue from the general population and then channels about $2 trillion each year into the health care sector. The big entitlements Medicare and Medicaid account for 46% of health care spending, according to the Kaiser Family Foundation. Moreover, by establishing government as a third party payer for health care services, the entitlements eliminate incentives for individuals to be concerned about health care costs. Employer-provided health insurance has a similar effect. No surprise, then, that health care inflation is currently going up 9% a year, more than double the Consumer Price Index. In the name of “affordable housing,” Congress passed the Community Reinvestment Act (1977) that required bankers to provide more sub-prime mortgages for people who would have difficulty making the payments. Moreover, the government-sponsored enterprises [Fannie Mae](http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?tkr=fnm&tab=searchtabquotesdark) and [Freddie Mac](http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?tkr=fre&tab=searchtabquotesdark) spent several trillion dollars buying securities that were bundles of sub-prime mortgages. This spurred Wall Street firms to churn out those securities. Result: more and more people put all their money into a single asset – their house. They bid up housing prices until there weren’t any more buyers, and the housing market collapsed in 2008. As we know, the federal government subsequently spent trillions of dollars on housing-related bailouts. The Pew Research Center reported that black households lost more than half of their money. Hispanic households lost two-thirds. These were people supposedly helped by government spending. Ever higher taxes are required to pay for all this and other government spending, which means draining more resources out of the private sector – making it harder to create growth and jobs. As these examples suggest, government spending often makes things more expensive, causes chronic inefficiencies, leads to more debt and disruptive financial bubbles. Far from being an economic stimulus and a cure for unemployment, government spending increasingly turns out to be bad for our economy.

### AT: Spending Good (Depression Proves)

**Stimulus didn’t solve the Great Depression**

**Cole and Ohanian, 2011** (9/26/11, Harold and Lee, PhD and Professor of Economics at the University of Pennsylania, PhD and Professor of Economics at UCLA, senior fellow at Stanford University’s Hoover Institution, “Stimulus and the Depression: The Untold Story,” WSJ) Idriss

About one-half of President Obama's proposed $447 billion American Jobs Act consists of payroll tax holidays designed to boost spending and increase hiring. But these temporary policies will do little to jump-start the economy, much as earlier temporary economic Band-Aids, such as the 2009 stimulus, did little to improve the economy. Proponents justify stimulus spending in part based on the widely held view that government-fueled increases in "aggregate demand" during FDR's New Deal ended the Great Depression and brought recovery. Christina Romer, former chairwoman of Obama's Council of Economic Advisers, has argued in op-eds that government should continue to spend for this reason. And in a 2002 speech as a Federal Reserve governor, current Fed Chairman Ben Bernanke claimed that monetary expansion and the turnaround from the deflation of 1932 to inflation in 1934 was a key reason that output expanded. But **boosting aggregate demand did not end the Great Depression**. After the initial stock market crash of 1929 and subsequent economic plunge, a recovery began in the summer of 1932, well before the New Deal. The Federal Reserve Board's Index of Industrial production rose nearly 50% between the Depression's trough of July 1932 and June 1933. This was a period of significant deflation. Inflation began after June 1933, following the demise of the gold standard. Despite higher aggregate demand, industrial production was roughly flat over the following year. The growth that followed the low point of the Depression was primarily due to productivity. Productivity is considered a supply-side factor by many economists: It is determined by the technology and regulatory structure of the economy and therefore **is largely independent of spending policies**. The growth rate of real per capita output is the sum of the growth rate of per capita labor input and productivity growth. Increasing aggregate demand is supposed to increase output growth by increasing labor input. But between 1932 and 1934, the period that Mr. Bernanke cited in his speech, per capita real gross domestic product (GDP) growth was entirely due to productivity growth, as per capita total hours worked—a standard measure of labor input—was actually, according to our research, lower in 1934 than it was in 1932. One reason that many believe higher aggregate demand brought about by government spending programs and monetary expansion created recovery is because unemployment did decline between 1933 and 1937. But declining unemployment reflected significant work-sharing in New Deal policies that began in 1933 with the President's Reemployment Agreement and continued with the National Industrial Recovery Act of 1933 and the Fair Labor Standards Act of 1938. Work-sharing increased employment by spreading jobs across more people. Spreading scarce jobs was probably desirable. But the key point is that high**er aggregate demand didn't significantly expand the amount of work that was done.** Productivity growth continued to be the major factor for the rest of the 1930s, accounting for about three-quarters of the growth in real per capita output that occurred between 1932 and 1939. But despite rapid productivity growth, the economy remained well below trend because labor input failed to recover. In 1939, labor input as measured by total hours worked per adult was more than 20% below the 1929 level. Per capita real GDP was about 27% below trend in 1939, with more than three-quarters of this shortfall due to the continuing depression in labor. Our research indicates that New Deal industrial and labor policies, such as the National Industrial Recovery Act and the Wagner Act (the National Labor Relations Act), were the main reasons. The NIRA, for example, fostered monopoly and raised wages well above underlying worker productivity by a quid pro quo arrangement of relaxing antitrust enforcement in exchange for industry paying substantially higher wages. The Wagner Act substantially increased unionization and union power. This, in conjunction with government's toleration of sit-down strikes, in which union workers forcibly seized factories to stop production, increased wages further. In the absence of these policies, we estimate that labor input would have been about 20% higher than it was at the end of the 1930s **and would have returned the economy to trend by that time.** Productivity growth is overlooked today. But as in the case of the Great Depression, economic growth since the trough of the Great Recession in June 2009 has been largely accounted for by productivity growth rather than the restoration of jobs. Following the recession's June 2009 trough, about 80% of real per capita GDP growth is due to growth in output per hour worked. And GDP growth is slowing now because productivity is no longer growing. The economy began to recover following the New Deal because policy changed for the better. In a 1938 speech President Roosevelt acknowledged that some administration policies were retarding recovery. Economic policy shifted considerably around this time, and the economy boomed. Antitrust enforcement resumed. The fiercely controversial undistributed profits tax, which was retarding investment, was drastically reduced and then eliminated in 1939. The sit-down strike was declared illegal, and employers could fire sit-down strikers. The policy changes in the late 1930s benefited the economy by increasing competition, by bringing wages more in line with productivity, and by improving the incentives for investing. Many assume that World War II spending singlehandedly brought the economy out of the Depression, but nearly half of the increase in nonmilitary hours worked between 1939 and the peak of the war already had occurred by 1941, well before the major wartime spending took place. Policy can also improve today. The bipartisan Joint Select Committee on Deficit Reduction will make a recommendation by Nov. 23 to deal with future deficits. It has an outstanding opportunity to initiate broad-based tax reform that adopts the recommendations of most bipartisan tax reform commissions of the last 20 years: a simpler tax code that improves the incentives to hire and invest, broadens the tax base, lowers the corporate income tax, and also eliminates loopholes to equalize tax treatment of capital income. Sensibly addressing our long-run challenges will do more for the economy than continuing the stop-gap measures that have dominated policy-making for the last three years.

## \*\*AFF ANSWERS \*\*

### Non UQ – Generic

**Decline now**

**Associated Press 6/5/12** – (“U.S. economic outlook worsens after jobs report,” Associated Press, http://www.cbsnews.com/8301-500395\_162-57447285/u.s-economic-outlook-worsens-after-jobs-report/)

On top of that, Europe's financial crisis is worsening. Worries are growing that in elections later this month, Greek voters will reject the terms of a bailout and lead the country to drop the euro. That could ignite financial chaos and perhaps force larger economies among the 17 countries that use the euro, such as Spain and Italy, to abandon the currency, too. The resulting crisis would slow U.S. exports, about 20 percent of which go to Europe. Fear about a collapse of the euro has contributed to a nearly 10 percent drop in the S&P 500 stock index since April 2. Falling stock prices tend to damage consumer confidence and reduce spending. Key developing countries, such as China, India and Brazil, are also reporting weaker growth. Those countries are big markets for U.S. heavy machinery. U.S. farmers also export corn, soybeans and other grains to China. **"You've got deterioration on all fronts at this point,"** said Scott Anderson, an economist at Wells Fargo Securities.

**Decline inevitable – laundry list**

**Sherk and Hederman, 6/1/12** – (James, masters in economics from the University of Rochester and Senior Policy Analyst in Labor Economics, and Rea, masters in Public Policy from Georgetown and Assistant Director at the Center for Data Analysis and Research Fellow, “Heritage Employment Report: May Jobs Report Has No Spring in Its Step,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/06/heritage-employment-report-may-jobs-report-has-no-spring-in-its-step)

Other economic indicators also show a softening economy. The Commerce Department revised its initial estimate for first quarter GDP growth down to 1.9 percent from 2.2 percent—**well below the 3 percent typical for an expanding economy.** New unemployment insurance claims rose 10,000 to 383,000 last week, a noticeable increase from the average 364,000 weekly claims in March and close to the recessionary level of 400,000. Economy at Risk **This could hardly come at a worse time.** The American economy faces numerous challenges, both **domestically and abroad.** The foremost foreign challenge is the fact that much of Europe is teetering on the edge of an economic recession. The uncertainty surrounding the euro currency as well as the stability of some European countries will be an anchor on the U.S. economy, because Europe is such a valued trading partner. The ability of the U.S. to influence the outcome of this crisis is limited.

**Decline now – jobs and Europe**

**Sherk and Hederman, 6/1/12** – (James, masters in economics from the University of Rochester and Senior Policy Analyst in Labor Economics, and Rea, masters in Public Policy from Georgetown and Assistant Director at the Center for Data Analysis and Research Fellow, “Heritage Employment Report: May Jobs Report Has No Spring in Its Step,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/06/heritage-employment-report-may-jobs-report-has-no-spring-in-its-step)

Analysts expected a slow but steady employment report in May. The actual employment report was considerably worse than expected. Employers created only 69,000 net jobs, and the **unemployment rate edged up to 8.2** percent. Revisions also showed that employers created 49,000 fewer jobs than originally estimated in March and April. Coupled with the recent downward revision to GDP estimates by the Bureau of Economic Analysis[1] and rising unemployment insurance claims, this report suggests the labor market recovery is approaching stall speed. The European economy is also sliding into a deeper crisis.

### XT: Non UQ – Jobs

**Lack of job growth ensures decline**

**Associated Press 6/5/12** – (“U.S. economic outlook worsens after jobs report,” Associated Press, http://www.cbsnews.com/8301-500395\_162-57447285/u.s-economic-outlook-worsens-after-jobs-report/)

The faltering U.S. job market has prompted economists to take a much dimmer view of the country's growth prospects. That's a shift from just a few weeks ago, when many were upgrading their forecasts. Friday's surprisingly bleak jobs report for May followed a spate of disappointing data. Manufacturing activity slowed, an index of home sales fell and consumer confidence tumbled. Mounting troubles in Europe and elsewhere have heightened economists' concerns. "The latest economic data have been decisively disappointing," Michael Feroli, an economist at JPMorgan Chase, wrote in a client note. JPMorgan Chase sharply reduced its growth forecast for the July-September quarter to a 2 percent annual rate, down from 3 percent. It cited the weaker U.S. hiring and a likely drop in U.S. exports related to slower growth overseas. And JPMorgan Chase now forecasts growth of 2.1 percent for 2012, down from 2.3 percent. Julia Coronado, an economist at BNP Paribas in New York, said she now expects growth of 2.2 percent this year, down from her previous forecast of 2.4 percent. She also revised down her estimate of growth in the April-June quarter to a 2.2 percent annual rate, from a 2.5 percent rate. "We keep hoping that we're going to turn a corner and move into a stronger phase of recovery, and the door keeps getting slammed shut," Coronado said. Forecasting firm Macroeconomic Advisers and Swiss bank UBS have also marked down their expectations since Friday's jobs report. As a general rule, it takes about 2.5 percent growth to generate enough hiring to keep up with population growth and prevent the unemployment rate from rising. The reduced forecasts suggest that hiring may not strengthen much this year.

**Prefer our research – accommodates for statistical fluctuations, assumes their warrants**

**Sherk and Hederman, 6/1/12** – (James, masters in economics from the University of Rochester and Senior Policy Analyst in Labor Economics, and Rea, masters in Public Policy from Georgetown and Assistant Director at the Center for Data Analysis and Research Fellow, “Heritage Employment Report: May Jobs Report Has No Spring in Its Step,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/06/heritage-employment-report-may-jobs-report-has-no-spring-in-its-step)

The household survey also showed a week labor market, although not as weak as the headline numbers suggest. The unemployment rate increased by 0.1 percent to 8.2 percent. This was largely driven by a 0.2 percentage point increase in the labor force participation rate (63.8 percent), not by job losses. This represents a statistical correction from the April report, which showed the unemployment rate falling by 0.1 points and the labor force participation rate falling by 0.2 percentage points. Such statistical fluctuations often happen in the household survey, which has a much larger margin of error than the payroll survey. Taken over a longer time frame—which **smoothes out statistical noise**—the household survey shows a labor market that is failing to improve.

### Reauthorization Thumper

**Reauthorization bills make transportation deficit spending inevitable**

**Fraser, 2012** – (2/2/12, Alicia Acosta, Director of the Thomas A. Roe Institute for Economic Policy Studies, former Deputy Director of the Oklahoma Office of State Finance, “Will Transportation Reauthorization Be Another Big Spending Boondoggle?,” The Heritage Foundation, http://www.heritage.org/research/reports/2012/02/transportation-program-reauthorization-another-big-spending-problem)

Sadly, however, both bills would continue funding the program at bloated levels similar to today’s, leading to the need for more revenues or bailouts by the general fund. The solution that each bill offers is more revenues. The House bill, for example, purports to generate oil and gas royalty revenues by opening up areas now restricted to exploration. This is a sound policy. Unfortunately, **it doesn’t solve the true problem: spending.** Instead, it locks in higher levels of spending rather than preserving royalty revenues for deficit reduction.

### L/T – Transportation k2 Econ

**Turn – lack of infrastructure development is killing the economy, plan solves**

**Ferry, 2011** – (8/2/11, Daniel, Summer Associate at America 2050, B.A. in Poli Sci and Philosophy from Tufts University, grad student in City & Regional Planning and Real Estate Development at Cornell University, formerly worked in the Office of Planning for the Massachusetts Department of Transportation, “Infrastructure Costs Americans More to Neglect than Maintain,” America 2050, http://www.america2050.org/2011/08/infrastructure-costs-americans-more-to-neglect-than-maintain.html)

The American Society of Civil Engineers has released a report, Failure to Act: The Economic Impact of Current Investment Trends in Surface Transportation Infrastructure, finding that **deficiencies in transportation infrastructure cost Americans billions of dollars per year and hundreds of thousands of jobs**. In 2010 alone, the poor condition of our highways, railroads, bridges, and transit systems cost $130 billion. This sum represents the higher operating costs of running vehicles on poor facilities, the expense of damages to vehicles inflicted by crumbling infrastructure, the value of the time wasted by travelers, and the added cost of repairing or replacing facilities after they have deteriorated or collapsed, rather than maintaining them in good condition. As our investment in infrastructure fails to keep pace with our maintenance needs, the mounting cost of our transportation deficiencies is projected to rise dramatically, to nearly $3 trillion by 2040. For comparison, to bring our infrastructure back up to minimum standards and avoid this harm to the economy, the United States would need to invest only $846 billion over 9 years, or $94 billion per year.

**Turn – Transportation infrastructure key to maintaining competitiveness**

**USCOC, 2008** – (April 2008, U.S. Chamber of Commerce, “The Transportation Challenge: Moving the U.S. Economy,” taken from the Executive Summary, http://www.uschamber.com/reports/transportation-challenge)

While the U.S. business community has adapted well to the changing dynamics of global economies and has achieved impressive increases in productivity, the margin of U.S. competitive advantage is threatened in key sectors of the economy. **Across all sectors, a transportation network providing reliable, fast, and cost-effective performance is critical to maintaining this advantage.** Transportation infrastructure is vital to the success of the five major economic sectors that account for 84% of the U.S. economy: services, manufacturing, retail, agriculture and natural resources, and transportation providers. The services industry is the largest and fastest-growing economic sector in the United States, now accounting for one-half of the U.S. gross domestic product (GDP) and one-half of all jobs. The U.S. manufacturing sector, with fewer employees but more automation, still leads the world in output. U.S. industries in all sectors manage lean, on-demand supply chains that stretch around the globe. The local truck that delivers goods to a neighborhood store is often the last link in a supply chain that spans half the world, with the final retail price of those goods reflecting 10,000 miles of hard-gained freight transportation efficiencies within that chain. While demand outpaces capacity and the performance of the U.S. transportation system erodes, global competitors are investing heavily in their transportation systems—building highways, public transit systems, rail lines, ports, and airports that will soon provide them with transportation capacity and logistics capabilities equal to or exceeding those of the United States. If the United States continues to underinvest in its transportation system and fails to meet the transportation needs of its key industry sectors, **the U.S. economy will become less productive and less globally competitive.** The services industry needs access to large markets and big pools of skilled workers to keep costs down. Metropolitan congestion, however, makes it difficult for service industry workers to get to work and for service industry customers to get to offices, medical facilities, schools, and other service centers. Congestion has forced many service businesses to add extra centers across metropolitan areas; to subsidize employee commuting costs; and to add drivers, equipment, and travel time to ensure delivery of their services to customers. In the manufacturing and retail sectors, staying competitive in the changing global economy means shifting from large inventories and consolidated shipments to lean inventories and smaller, more frequent shipments that support just-in-time (JIT) manufacturing and replenishment-on-demand retailing. These sectors must build complex global supply chains to ensure competitive sourcing of materials, parts, and labor. Low-cost, reliable transportation helps manufacturers and retailers keep production costs down, increase productivity, and deliver quality products to their customers. In the manufacturing sector, congestion, deteriorating travel-time reliability, and escalating costs are draining away the benefits of global supply chains and JIT manufacturing, increasing costs for consumers and leaving supply chains less resilient when disrupted. In the retail sector, port congestion, tightening highway and transcontinental rail capacity, and mounting metropolitan road congestion are making it more difficult for retailers to ensure that they have the right products on the shelves at the right time and at the lowest prices. This situation drives up the cost of doing business for retailers and the cost of living for consumers. The agriculture and natural resources sector depends on efficient, reliable, and low-cost transportation to move U.S. agricultural commodities to trade gateways for export. The costs of new environmental regulations imposed on the industry and the explosive growth of global competitors make keeping transportation costs low very important. However, tightening infrastructure capacity and increased fuel prices threaten to drive up transportation costs and further squeeze the profit margins of these commodity producers. **Industry and household spending on transportation accounted for nearly 10% of U.S. gross domestic product in 2006**, or about $1.3 trillion, much of it spent to purchase transportation services—moving people and goods via trucks, railroads, public transportation, aviation, and ships and barges. The productivity and success of the transportation services sector is tied directly to the capacity and performance of the nation's transportation infrastructure. When transportation service sector productivity drops and costs go up, clients in the manufacturing, retail, agriculture, natural resources, and service sectors feel the effects immediately. U.S. transportation infrastructure capacity has not kept pace with the growth in the transportation demands of these sectors, and the nation's piecemeal approach to rebuilding and improving our transportation system is not going to remedy this situation.

### XT: L/T – Transportation k2 Econ

**Transportation infrastructure key to the economy**

**Washington Post, 2011** – (7/27/11, Ashley Halsey III, “Decaying infrastructure costs U.S. billions each year, report says,” Washington Post, http://www.washingtonpost.com/local/decaying-infrastructure-costing-us-billions-report-says/2011/07/27/gIQAAI0zcI\_story.html)

As Congress debates how to meet the nation’s long-term transportation needs, decaying roads, bridges, railroads and transit systems are costing the United States $129 billion a year, according to a report issued Wednesday by a professional group whose members are responsible for designing and building such infrastructure. Complex calculations done for the American Society of Civil Engineers indicate that infrastructure deficiencies add $97  billion a year to the cost of operating vehicles and result in travel delays that cost $32 billion. “If investments in surface transportation infrastructure are not made soon, these costs are expected to grow **exponentially**,” the ASCE said. “Within 10 years, U.S. businesses would pay an added $430 billion in transportation costs, household incomes would fall by more than $7,000, and U.S. exports will fall by $28 billion.”

**Transportation infrastructure creates massive job growth**

**BAFEF, no date** – (Building America’s Future Educational Fund, cites research done by the Department of Transportation, “Key Topic: Transportation,” http://www.bafuture.org/key-topics/transportation)

Investments in our transportation infrastructure results in job creation. For every $1 billion in federal investment in transportation infrastructure, an estimated 27,800 to 34,800 jobs are created (Department of Transportation, 2008). A modern transportation system will provide more reliability for goods and people to reach their destinations, boost our nation’s economic competitiveness and enhance the quality of life for all Americans.

### L/T – Spending Good

**Turn – Deficit spending created by the plan would boost the economy – Great Depression proves**

**Romer, 2011** – (8/13/11, Christina D., professor of economics at UC Berkeley (which is the best place on earth and you should go there for school and continue debate – <3 Idriss), “The Hope That Flows From History,” NYT, http://www.nytimes.com/2011/08/14/business/economy/from-world-war-ii-economic-lessons-for-today.html?\_r=3)

Look more closely at history and you’ll see that the truth is much more complicated — and less gloomy. While the war helped the recovery from the Depression, the economy was improving long before military spending increased. More fundamentally, the wrenching wartime experience provides a message of hope for our troubled economy today: we have the tools to deal with our problems, if only policy makers will use them. As I showed in an academic paper years ago, the war first affected the economy through monetary developments. Starting in the mid-1930s, Hitler’s aggression caused capital flight from Europe. People wanted to invest somewhere safer — particularly in the United States. Under the gold standard of that time, the flight to safety caused large gold flows to America. The Treasury Department under President Franklin D. Roosevelt used that inflow to increase the money supply. The result was an **aggressive monetary expansion** that effectively **ended deflation.** Real borrowing costs decreased and interest-sensitive spending rose rapidly. **The economy responded strongly**. From 1933 to 1937, real gross domestic product grew at an annual rate of almost 10 percent, and unemployment fell from 25 percent to 14. To put that in perspective, G.D.P. growth has averaged just 2.5 percent in the current recovery, and unemployment has barely budged. There is clearly a lesson for modern policy makers. Monetary expansion was very effective in the mid-1930s, **even though nominal interest rates were near zero**, as they are today. The Federal Reserve’s policy statement last week provided tantalizing hints that it may be taking this lesson to heart and using its available tools more aggressively in coming months. One reason the Depression dragged on so long was that the rapid recovery of the mid-1930s was interrupted by a second severe recession in late 1937. Though many factors had a role in the “recession within a recession,” monetary and fiscal policy retrenchment were central. In monetary policy, the Fed doubled bank reserve requirements and the Treasury stopped monetizing the gold inflow. In fiscal policy, **the federal budget swung sharply**, from a stimulative deficit of 3.8 percent of G.D.P. in 1936 to a small surplus in 1937. The lesson here is to beware of withdrawing policy support too soon. **A switch to contractionary policy before the economy is fully recovered can cause the economy to decline again.** Such a downturn may be particularly large when an economy is still traumatized from an earlier crisis. The recent downgrade of American government debt by Standard & Poor’s makes this point especially crucial. It would be a mistake to respond by reducing the deficit more sharply in the near term. That would almost surely condemn us to a repeat of the 1937 downturn. And higher unemployment would make it all that much harder to get the deficit under control. Military spending didn’t begin to rise substantially until late 1940. Once it did, fiscal policy had an expansionary impact. Some economists argue that the effect wasn’t very large, as real government purchases (in 2005 dollars) rose by $1.4 billion from 1940 to 1944, while real G.D.P. rose only $0.9 billion. But this calculation misses two crucial facts: Taxes increased sharply, and the government took many actions to decrease private consumption, like instituting rationing and admonishing people to save. That output soared despite these factors suggests that increases in government spending had a powerful stimulative effect. Consistent with that, private nonfarm employment — which excludes active military personnel — rose by almost eight million from 1940 to 1944. The lesson here is that **fiscal stimulus can help a depressed economy recover** — an idea supported by new studies of the 2009 stimulus package. Additional short-run tax cuts or increases in government investment would help deal with our unemployment crisis. What of the idea that monetary and fiscal policy can do little if unemployment is caused by structural factors, like a mismatch between workers’ skills and available jobs? As I discussed in a previous column, such factors are probably small today. But World War II has something to tell us here, too. Because nearly 10 million men of prime working age were drafted into the military, there was a huge skills gap between the jobs that needed to be done on the home front and the remaining work force. Yet businesses and workers found a way to get the job done. Factories simplified production methods and housewives learned to rivet. Here the lesson is that demand is crucial — and that jobs don’t go unfilled for long. If jobs were widely available today, unemployed workers would quickly find a way to acquire needed skills or move to where the jobs were located. Finally, what about the national debt? Given the recent debt downgrade, it might seem impossible for the United States to embark on fiscal stimulus that would increase its ratio of debt to G.D.P. Well, at the end of World War II, that ratio hit 109 percent — **one and a half times as high as it is now.** Yet this had no obvious adverse consequences for growth or our ability to borrow.

### XT: L/T – Spending Good

**Austerity measures are coming but deficit spending is key to the economy, empirics prove, and the plan is key**

**Krugman, 2011** – (9/13/11, Paul, economist, Professor of Economics and International Affairs at the Woodrow Wilson School of Public and International Affairs at Princeton University, Centenary Professor at the London School of Economics, and an op-ed columnist for the New York Times, Ph.D. in economics from MIT, “The Death of the Confidence Fairy,” NYT, http://krugman.blogs.nytimes.com/2011/09/13/the-death-of-the-confidence-fairy/)

The latest entry is a comprehensive review of past episodes of austerity by economists at the IMF, from which the figure above is taken. Yes, contractionary policy is contractionary. And as the authors point out, it’s probably even more contractionary than usual under current conditions: The **reduction in incomes from fiscal consolidations is even larger if central banks do not or cannot blunt some of the pain through a monetary policy stimulus.** The fall in interest rates associated with monetary stimulus supports investment and consumption, and the concomitant depreciation of the currency boosts net exports. Ireland in 1987 and Finland and Italy in 1992 are examples of countries that undertook fiscal consolidations, but where large depreciations of the currency helped provide a boost to net exports. Unfortunately, these pain relievers are not easy to come by in today’s environment. In many economies, central banks can provide only a limited monetary stimulus because policy interest rates are already near zero (see “Unconventional Behavior” in this issue of F&D). Moreover, if many countries carry out fiscal austerity at the same time, the reduction in incomes in each country is likely to be greater, since not all countries can reduce the value of their currency and increase net exports at the same time. Simulations of the IMF’s large-scale models suggest that the reduction in incomes may be more than twice as large as that shown in Chart 2 when central banks cannot cut interest rates and when many countries are carrying out consolidations at the same time. These simulations thus suggest that fiscal consolidation is now likely to be more contractionary (that is, to reduce short-run income more) than was the case in past episodes. Unfortunately, austerity programs are now the rule everywhere; even if the new Obama plan became law, which it won’t, it would only slow the pace of fiscal consolidation in America, and there’s nothing like it even on the table elsewhere.