#### Perception of fiscal discipline is key to investor confidence

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

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

#### Less investment affects all sectors of the economy.

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

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

#### Further government spending leads to dollar decline and inflation

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

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

**Turn – transition causes war.**

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(Binnur Ozkececi, Fall, Alternatives: Turkish Journal of International Relations, Vol. 1, No. 3, p. 45, <http://www.alternativesjournal.com/binnur.pdf>)

More seriously, however, “democratic peace” theorists cannot adequately account for the tendency towards was in democratizing countries, especially after the end of the Cold War. As it has been demonstrated many times since the late 1980s, democratizing states are most often very volatile and dangerous and, thus more inclined to fight wars “than are mature democracies or stable autocracies.”32 The “rocky transitional period” to democratization may make countries more aggressive and war-prone due to not only domestic competition but also utilization of nationalistic feelings by political leadership and mass public support for aggression. If the “democratic peace” theorists would want to make their cases more persuasive, then, those authors should be more attentive to what is going on in newly democratizing countries and modify, not necessarily change, some of their propositions.