## STARTER PACK- SPENDING DA

**STARTER PACK- SPENDING DA 1**

1NC- spending 2

1NC- spending 4

Uniqueness- economy 5

Uniqueness- no new spending 6

Uniqueness- deal yes 7

Links- generic political 8

Links- generic markets 9

Links- high speed rail 10

Internal links- collapse 11

Internal links—dollar 12

Impacts—hegemony 13

Impacts- 2nc 14

Impacts- conflict extensions 15

**AFFIRMATIVE ANSWERS 16**

AFF uniqueness- spending now 17

AFF uniqueness- no deal 18

AFF spending good- generic 19

AFF impact defense- specific fiscal 20

AFF impact defense- economy 21

AFF impact defense- economy 22

AFF impact defense- no war 23

## 1NC- spending

### A. UNIQUENESS: Fiscal restraint momentum is gathering now- new legislation can undermine cooperation, undermining the economy.

**New York Times, 6/10** Push for a Fiscal Pact Picks Up Speed, and Power By JONATHAN WEISMAN Published: June 10, 2012

For two years, backbench senators — some of them freshmen like Mark Warner, Democrat of Virginia, and some of them iconoclasts like Tom Coburn, Republican of Oklahoma — have been meeting off and on to try to find a bipartisan solution to the nation’s fiscal woes. What separated the unannounced Wednesday session, organized by Senator Dianne Feinstein of California, from the earlier ones was the collective weight of the participants: the Senate’s No. 2 and No. 3 Democrats, Richard J. Durbin of Illinois and Charles E. Schumer of New York; the chairman of the Finance Committee, Max Baucus; and the chairman of the Budget Committee, Kent Conrad. The hunt for a way to avert a crisis appears to be quickening — and, significantly, it now includes the people who might be able to make it happen. Senators who have been working fruitlessly on a budget deal since 2010, as the so-called Gang of Eight, say their efforts will get nowhere without help from Congressional leaders, especially the committee chairmen with the expertise to draft legislation. Those people are starting to come on board. “We’re making headway,” Mr. Baucus said cautiously on Thursday, confirming the Wednesday dinner, “but it’s important the Senate does not box itself out with legislation on the floor too quickly.” Republican leaders remain largely on the sideline. Senator Jon Kyl of Arizona, the No. 2 Republican, applauded what he called “grass roots” negotiations, but conceded that neither he nor other party leaders had been directly involved, aside from efforts to stave off automatic defense cuts. Still, even he is making conciliatory comments on raising taxes, the issue that has kept Republican leaders from the table. The automatic tax increases and spending cuts are products of Washington’s failure to resolve its fiscal straits. Because Republicans could not win enough votes for permanent tax changes in 2001 and 2003, they used parliamentary maneuvers to enact the tax cuts, with an expiration date at the 2010. Rather than reach a permanent resolution then, President Obama and Congressional leaders punted the issue in December 2010 for two more years. The automatic spending cuts were mandated last August as a backup plan if negotiations in Congress on long-term deficit reduction failed. They did. About $100 billion needs to be found to cancel the first round of defense cuts, Mr. Kyl said. “Democrats want taxes to be a part of that,” he said in an interview. “Well, we think that’s a bad idea, but let’s sit down and talk.” With what the Federal Reserve chairman, Ben S. Bernanke, calls the “fiscal cliff” less than six months away, concern is growing. Last Tuesday, about 35 senators from both parties discussed the problem with the departing president of the World Bank, Robert B. Zoellick, and the president of the Federal Reserve Bank of New York, William C. Dudley, in a meeting previously reported by Politico. The dinner on Wednesday featured Mark Zandi, chief economist at Moody’s Analytics, and Robert D. Reischauer, a former Congressional Budget Office director and past president of the Urban Institute. On Monday, Mr. Baucus will deliver a speech to the Bipartisan Policy Center in Washington on the path toward a simpler tax code that could generate more revenue. Later in the week, the Senate Finance Committee will meet on a host of tax issues. Senator Bob Corker, Republican of Tennessee, has begun drafting legislation on entitlements and tax policy that he hopes will be a template for talks in the coming weeks. “There’s broad agreement on platitudes, but we haven’t seen any legislative language,” he said. “What we need now is to start talking about a tangible piece of legislation that people can read, that people can amend, that people can negotiate with.” But senators involved in the negotiations cautioned that a deal remained a ways away. Even as some lawmakers spoke of compromise, Senate Democrats gathered on Thursday with Andrew Kohut, president of the Pew Research Center for the People and the Press, to look over polling on their political strength defending entitlements like Medicare and Social Security. If Democrats head to the ramparts to defend entitlements, Republicans are likely to dig in against revenue increases. “We’ve got a lot of talking to do in the next few months,” said Senator Johnny Isakson, Republican of Georgia. He would not divulge the contents of the talks, saying that even discussing the efforts in public could set them back. The stakes are only now beginning to dawn on lawmakers, several senators said. Critical to the new push was a report last month by the Congressional Budget Office that predicted a recession if Congress allowed all of the Bush-era tax cuts to expire at the same time a host of other tax breaks lapsed and automatic spending cuts went into force. “That’s a big deal,” Mr. Kyl said. “Everybody’s starting to get worried about this, Democrat and Republican.” Mr. Zandi has run numbers on options for heading off a plunge over the cliff while beginning to address the trillion-dollar budget deficit. If nothing is done, several measures taken together would slow economic growth by 4.6 percentage points and thus set off a recession, according to Moody’s Analytics. They include the end of the Bush-era tax cuts, the beginning of the automatic spending cuts, plus an expansion of the alternative minimum tax. They also include the expiration of Mr. Obama’s payroll tax cut and emergency unemployment insurance and cuts to Medicare provider payments. But if the tax cuts are extended for households with incomes below $250,000, Medicare payments remain the same, the alternative minimum tax is kept at bay and the automatic spending cuts are cut in half, the economic hit could be held to 1.5 percentage points. Deficit reduction would be substantial and build confidence, Mr. Zandi said, and if Congress could reach a “grand bargain” on a long-term fiscal path forward, the impact on economic growth would be “huge” because a burst of business confidence in Washington could set off a wave of investment and hiring. Democratic leadership aides said top Democrats like Mr. Schumer had been wary about the negotiations of the Gang of Eight for more than a year, fearing that in their zeal for a deal, freshman Democrats would give away too much on Medicare and Social Security without getting real concessions from Republicans on revenues. But in recent weeks, enough Republicans have shifted their tone to give hope that a true compromise can be found.

### B. LINK: Federal government funding for high-speed rail wrecks the perception of deficit reduction.

**Samuelson 11**(Robert, writer for Newsweek and Washington Post, “High-Speed Rail Is a Fast Track to Government Waste,” Daily Beast, Feb 16, http://www.thedailybeast.com/newsweek/2011/02/16/high-speed-rail-is-a-fast-track-to-government-waste.html)

There's something wildly irresponsible about the national government undermining states' already poor long-term budget prospects by plying them with grants that provide short-term jobs. Worse, the rail proposal casts doubt on the administration's commitment to reducing huge budget deficits. How can it subdue deficits if it keeps proposing big spending programs? High-speed rail would definitely be big. Transportation Secretary Ray LaHood has estimated the administration's ultimate goal—bringing high-speed rail to 80 percent of the population—could cost $500 billion over 25 years. For this stupendous sum, there would be scant public benefits. Precisely the opposite. Rail subsidies would threaten funding for more pressing public needs: schools, police, defense. How can we know this? History, for starters. Passenger rail service inspires wishful thinking. In 1970, when Congress created Amtrak to preserve intercity passenger trains, the idea was that the system would become profitable and self-sustaining after an initial infusion of federal money. This never happened. Amtrak has swallowed $35 billion in subsidies, and they're increasing by more than $1 billion annually.

## 1NC- spending

### C. IMPACT: Economic decline means extinction.

**Panzer 8** [Michael, Faculty – New York Institute of Finance, Specializes in Global Capital Markets, MA Columbia, “Financial Armageddon: Protect Your Future from Economic Collapse”, Revised and Updated Edition, p. 137-138]

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross—border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity be acquired from less-than-friendly nations, whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to fullscale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part. may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation" between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

## Uniqueness- economy

### Financial markets are barely staying afloat.

**Bloomberg, 6/5** SFGAte, U.S. Risks Fiscal Crisis Without Budget Changes, CBO Says Brian Faler, ©2012 Bloomberg News Tuesday, June 5, 2012, http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2012/06/05/bloomberg\_articlesM55E8G0D9L3501-M55RM.DTL

For now, the financial markets are giving lawmakers time to sort out the fiscal issues. Low interest rates have allowed President Barack Obama's administration to finance almost four years of a budget deficit topping $1 trillion without igniting price increases. While the amount of marketable Treasuries outstanding has more than doubled to $10.4 trillion from $4.4 trillion in mid-2007, debt expenses equaled 3 percent of the economy in 2001, less than when the U.S. ran a surplus in 1999. Still, CBO said interest costs will climb dramatically without cuts. It projected they will reach 10 percent of GDP by 2037. As debt mounts, interest costs will be a growing share of government spending, making it harder for policy makers to respond to unanticipated expenses such as wars or financial crises, CBO said. "To keep deficits and debt from climbing to unsustainable levels," policy makers will need to increase revenue substantially, cut spending significantly, or "adopt some combination of those two approaches," CBO said. "The aging of the U.S. population and the rising costs of health care mean that the combination of budget policies that worked in the past cannot be maintained in the future."

## Uniqueness- no new spending

### Spending matches projections- Washington will straighten out next year, but new spending in the interim could risk a crisis.

**Bloomberg, 6/12** U.S. Budget Deficit Widened to $124.6 Billion in May By Meera Louis on June 12, 2012, http://www.businessweek.com/news/2012-06-12/u-dot-s-dot-budget-deficit-widened-to-124-dot-6-billion-in-may

The U.S. government budget deficit widened in May, as spending jumped 31.3 percent from the same month a year ago. The deficit expanded to $124.6 billion from a $57.6 billion shortfall in May 2011, according to Treasury Department data released today in Washington. The shortfall matches a projected a $125 billion deficit, according to the median estimate in a Bloomberg News survey. The U.S. government risks a fiscal crisis unless it makes significant changes in tax and spending policies, the Congressional Budget Office said June 5. The non-partisan agency said that without policy changes, the national debt within 15 years will top the historical peak set after World War II. In 1946, government debt amounted to 109 percent of the economy. “I am sure there will be brinksmanship and possibly even some investor panic, but in the end, everything will work out,” said Stephen Stanley, chief economist at Pierpont Securities LLC in Stamford, Connecticut. “Having said that, Washington had better get it right in 2013, as next year may well be the last chance to get our fiscal house in order on our own terms.”

## Uniqueness- deal yes

### Congress will likely get a deal before the new year.

**Dallas Morning News, 6/4** Kicking 'fiscal cliff' debate to November June 04, 2012|By CARL P. LEUBSDORF | The Dallas Morning News Carl P. Leubsdorf is the former Washington bureau chief of the Dallas Morning News

And House Speaker John Boehner is vowing to precipitate yet another fiscal power struggle by blocking the next increase in the legal debt ceiling unless it's accompanied by more spending cuts, presumably again aimed at the diminishing domestic share of the budget. Hopefully, once the election takes place, enough members of both parties will recognize the underlying truth, that any significant deficit reduction plan requires a compromise on substance and some support from both parties. There are some signs it is possible. All three Senate GOP members of the Simpson-Bowles Commission supported a balanced plan, as did two of its three Senate Democrats and one of three House Democrats. All three House Republicans opposed it, notably Wisconsin Rep. Paul Ryan, whose ideas are reflected in the GOP's budgets and have the support of presumptive presidential nominee Mitt Romney. Almost certainly, a split election verdict would improve chances of achieving a bipartisan compromise. And even if the Republicans win the White House, keep the House and narrowly regain the Senate, the requirement for 60 senators on most issues may enable the Democrats to keep enough clout to influence the result. In recent years, Congress has shown an inability to act unless it has to. As the prospect of a Dec. 31 "fiscal cliff" gets closer, it will have to.

## Links- generic political

### New spending before the election undermines bipartisanship.

**AP, 6/7** Boston.com AdWatch: Obama ad prods Congress on jobs plan June 07, 2012|Andrew Miga, Associated Press

Given the deep partisan divisions and gridlock in Congress, prospects for jolting the sagging economy before Election Day seem slim. So blaming Congress for failing to act on his jobs plan is a way for Obama to deflect responsibility. There’s scant appetite in Congress for new spending or bolder ideas. The White House doubts that congressional Republicans would help Obama push through even smaller economic measures because they worry it could boost his political stock as the election nears.

### That messes up a deal after the election that would save the economy.

**Bloomberg, 6/12** U.S. Budget Deficit Widened to $124.6 Billion in May By Meera Louis on June 12, 2012, http://www.businessweek.com/news/2012-06-12/u-dot-s-dot-budget-deficit-widened-to-124-dot-6-billion-in-may

U.S. lawmakers are waiting for the outcome of the November election before deciding what to do about the fiscal changes, in hopes that voters will give them a stronger hand in negotiations. “If politicians fail again next year to get their hands around the problem, markets are likely to begin losing patience, as has been the case in Europe,” Stanley said by e-mail before today’s report. Estimates of the May budget gap ranged from $30 billion to $130 billion in the Bloomberg survey of 25 economists. The Congressional Budget Office estimated last week the May deficit would be $125 billion. The CBO said in a report dated June 7 that the results were influenced by the shift of certain payments from May to April.

## Links- generic markets

### The plan would reverse the short-term PERCEPTION of restraint, which is critical to investors and the economy.

**Market News International, 6/12** TUESDAY, JUNE 12, 2012 - 11:16 US Sen Levin: 'Majority' of Senate Involved in Deficit Talks, https://mninews.deutsche-boerse.com/index.php/us-sen-levin-majority-senate-involved-deficit-talks?q=content/us-sen-levin-majority-senate-involved-deficit-talks

Senate Armed Service Committee Chairman Carl Levin said Tuesday that the looming fiscal cliff has spurred a flurry of bipartisan "conversations" on how to craft a deficit reduction plan that might be assembled to replace the coming tax hikes and deep spending cuts. Speaking at a seminar on fiscal issues and the defense budget, Levin said the coming fiscal cliff has seized the attention of Congress, with lawmakers worried about scheduled deep cuts in defense spending and tax increases. Levin said a "majority" of the 100 Senators are involved in the various bipartisan discussions of fiscal issues. Levin said a "compromise" plan for deficit reduction should include spending cuts and additional revenues. He said it would be helpful if Congress could take "some action" soon to assure financial markets and the business community that work is being done to avert the fiscal cliff and also tackle fiscal challenges. "They need stability and confidence," he said, referring to the business community and financial markets. Last week, a group of more than two dozen lawmakers assembled in a Senate conference room to receive an economic briefing from William Dudley, president of the New York Federal Reserve Bank, and Robert Zoellick, the outgoing president of the World Bank, on current fiscal issues. At a separate meeting, former White House budget director Peter Orszag discussed fiscal challenges with lawmakers. In a recent interview with MNI, Senate Budget Committee Chairman Kent Conrad said behind-the-scenes bipartisan talks are underway to assemble a major deficit reduction package based on the Simpson-Bowles deficit reduction plan. Conrad said the meetings are organized both to review fiscal options and assemble, draft, and score a major deficit reduction package that would update and put into legislative language the central elements of the Simpson-Bowles plan. The Simpson-Bowles plan calls for more than $4 trillion in deficit reduction over a decade, with spending cuts and tax increases. It would reduce spending to about 22% of GDP by 2022 and bring revenues up to about 21% of GDP in 2022. Some lawmakers believe there may be a window to push a major deficit reduction plan after the November elections, in the weeks before the Bush tax cuts are set to expire, across-the-board spending cuts are triggered, and the debt ceiling must be raised.

## Links- high speed rail

### Plan costs at least a trillion plus operating costs and future railroads

**O’Toole 10**(Randal, Senior Fellow at Cato Institute, “High Speed Rail,” June, http://www.downsizinggovernment.org/transportation/high-speed-rail)

Adding new federal subsidies at a time of massive federal budget deficits is not a good idea, and it could lead to the reregulation of the freight railroads, which were deregulated in 1979.8 Even though moderate-speed passenger trains are less expensive than true high-speed trains, they are still very expensive. Upgrading the 12,800 miles of track in the administration's plan to moderate-speed rail standards would cost far more than the $14.5 billion the president has proposed to spend so far. The entire 12,800-mile Obama-FRA system would cost at least $50 billion.9 Rather than build the entire system, Obama's plan really just invited states to apply for funds to pay for small portions of the system. For example, the administration granted close to $1 billion to Wisconsin to upgrade existing tracks from Milwaukee to Madison to 110-mph standards. This 85-mile line is only a tiny portion of the eventual planned route from Chicago to Minneapolis, and no one knows who will pay the billions necessary to complete that route. One cautionary note on high-speed rail costs comes from California. In November 2008, California voters agreed that the state should sell nearly $10 billion worth of bonds to start constructing a 220-mile-per-hour high-speed rail line from San Francisco to Los Angeles. The state's estimated cost for the entire system jumped from $25 billion in 2000 to $45 billion by 2008.10 However, one independent analysis concluded that the rail line would cost up to $81 billion.11 Thus, the costs of a true high-speed rail system would be far higher than the costs of a medium-speed system on existing tracks, as envisioned by the Obama administration. To build a 12,800-mile system of high-speed trains would cost close to $1 trillion, based on the costs estimates of the California system.12 It is unlikely that the nation could afford such a vast expense, particularly since our state and federal governments are already in huge fiscal trouble. Also, consider how the costs would rise even higher once a new rail system gets underway. The 12,800-mile FRA network reaches only 42 states and only a handful of cities in those states. Every excluded state and city is represented by senators and representatives who will wonder why their constituents have to pay for a rail system that only serves other areas. And even in the 42 states in the plan, routes are discontinuous, with no high-speed links between many pairs of major cities such as New York and Chicago. Groups representing all the excluded routes would lobby for rail lines, and overall costs would balloon over time. And the costs mentioned are only the capital costs. Most high-speed rail lines wouldn't cover their operating costs, so there would have to be billions of dollars in ongoing subsidies to the system. If the ridership on an expensive new rail system was very large, the high costs would seem more reasonable. But, unlike the interstate highway system, which is heavily used by almost all Americans, only a small elite would use high-speed rail. In 2007, the average American traveled 4,000 miles and shipped 2,000 ton-miles of freight over the interstate highways.13 By comparison, total annual use of a high-speed rail system would not likely be much more than 100 miles per person. And considering the premium fares charged to ride high-speed rail, most users would likely be higher-income white-collar workers.

## Internal links- collapse

### Undermining a fiscal deal means complete financial collapse.

**Reuters, 6/11** US Headed for Europe-Style Fiscal Crisis: Max Baucus Published: Monday, 11 Jun 2012 http://www.cnbc.com/id/47772630

 The United States is on a "dangerous path" that could lead to a European-style fiscal crisis, the Senate's top tax legislator warned on Monday, while calling for more tax revenue and ending corporate incentives to shift profits and jobs overseas. Democrat Max Baucus urged fellow lawmakers to resolve by the end of 2012 a host of "crucial spending and tax decisions" that will arise immediately after the Nov. 6 presidential and congressional elections. The remarks by the chairman of the Senate Finance Committee were short on specifics and did not lay out a clear working agenda, but they reflected growing urgency on Capitol Hill. After the elections, a wave of fiscal issues will hit Congress, including the expiration of temporary tax cuts made under Presidents George W. Bush and Barack Obama, huge budget cuts ordered last year, and what to do about various tax breaks. "Deficits and debt are not just a spending problem," Baucus said in a speech to the Bipartisan Policy Center, a think tank. "We simply don't raise enough revenue." Decisions on these and other questions will come at a time when the United States, struggling to grow out of a financial crisis and recession, has run federal budget deficits topping $1 trillion for three straight years and is on track for a fourth. At the same time, protracted fiscal crises in Europe are casting a shadow over the sluggish U.S. economic recovery. Action on a deficit-reduction plan and tax code overhaul has been put off over the last two years as Democrats and Republicans have been unable to overcome deep divisions, with Democrats seeking tax increases on the wealthy and Republicans focusing on domestic spending cuts without any tax increases. "We're on a dangerous path. If we don't act, it could lead towards fiscal crisis, like some European countries," Baucus said.

### Fiscal cliff means recession.

**Associated Press, 5/22** CBO warns of US falling off 'fiscal cliff' By ANDREW TAYLOR, Associated Press – May 22, 2012

WASHINGTON (AP) — A new government study released Tuesday says that allowing Bush-era tax cuts to expire and a scheduled round of automatic spending cuts to take effect would probably throw the economy into a recession. The Congressional Budget Office report says that the economy would shrink by 1.3 percent in the first half of next year if the government is allowed to fall off this so-called "fiscal cliff" on Jan. 1 — and that the higher tax rates and more than $100 billion in automatic cuts to the Pentagon and domestic agencies are kept in place. There's common agreement that lawmakers will act either late this year or early next year to head off the dramatic shift in the government's financial situation. But if they were left in place, CBO says it would wring hundreds of billions of dollars from the budget deficit that would "represent an additional drag on the weak economic expansion."

## Internal links—dollar

### Budget deficit collapses the U.S. dollar --- independently kills the economy.

**Wharton, 2009** [Is the World Losing Faith in the U.S. Dollar?, p. www.cunacfocouncil.org/news/3098.html]

As the global economy appears headed toward recovery, concerns are growing that the United States' addiction to massive fiscal stimulus as an economic panacea could eventually lead to an even bigger crisis -- **a loss of confidence in the U.S. dollar**. Prominent voices are sounding dire warnings, worried that a gradual return to normalcy could undermine the political will needed to **control deficit spending and prevent a disastrous long-term decline of the world's primary reserve currency**. Nobel Prize–winning economist Paul A. Samuelson, for example, raised the specter of a "truly global financial panic" if countries funding the U.S. deficit, particularly China, decide their investments in U.S. Treasury securities are no longer safe. Similarly, Warren Buffett warned in the New York Times that side effects of the current fiscal intervention could be as dangerous as the financial crisis recently averted -- in the form of inflation eroding the dollar's purchasing power. Preserving the dollar's strength has importance far beyond protecting American tourists from the shock of paying the equivalent of $25 for a hamburger in London or Tokyo. The U.S. dollar exchange rate is a key indicator of the nation's economic health relative to other countries. A declining dollar leaves Americans worse off by driving up the cost of living, making imports of manufactured goods and commodities more expensive, and reducing the value of foreign investments when converted to dollars.

### Link is reverse causal --- avoiding deficit spending can prevent dollar collapse.

**Wharton, 2009** [Is the World Losing Faith in the U.S. Dollar?, p. www.cunacfocouncil.org/news/3098.html]

In addition, "the budget deficit will produce some inflation, and that is likely to undermine the value of the dollar," Guillen notes. Two alternative scenarios would help support the dollar -- global uncertainty leading to a flight-to-safety similar to 2008, or an economic recovery that is strong enough to allow the Fed to rapidly raise interest rates. Since Guillen sees these scenarios as unlikely to occur, "the balance of forces is tending toward a weaker dollar," which he says increases the importance of controlling inflation.

Marston, Guillen and Meyer suggest two steps that can help avoid rising inflation and a loss of confidence in the U.S. dollar. First, **reduce the U.S. budget deficit**. As economic growth slowly builds to a full recovery within two to three years, the bond and currency markets will signal inflation risks requiring the Fed to raise interest rates and Congress to reduce spending. "I'm optimistic that cooler heads will prevail," Marston says, addressing the consequences of the fiscal stimulus before the deficit spirals out of control. "Clearly there will be some deterioration in the dollar" over the next several years. But he expects the Obama administration to avoid a dramatic depreciation by adopting debt-reduction policies similar to the Clinton administration, which balanced the budget for the first time in 30 years in 1998. One likely result is "higher taxes -- very hard to avoid," Guillen says, given the size of the deficit and the unlikelihood that economic growth can generate enough new revenue.

## Impacts—hegemony

### Economic downturn collapses hegemony – the result is power wars and billions of deaths

J.R. **Nyquist**, renowned expert in geopolitics and international relations, WorldNetDaily contributing editor, February 4, **2005**, “The Political Consequences of a Financial Crash,” http://www.financialsense.com/stormwatch/geo/pastanalysis/2005/0204.html

Should the United States experience a severe economic contraction during the second term of President Bush, the American people will likely support politicians who advocate further restrictions and controls on our market economy – guaranteeing its strangulation and the steady pauperization of the country. In Congress today, Sen. Edward Kennedy supports nearly all the economic dogmas listed above. It is easy to see, therefore, that the coming economic contraction, due in part to a policy of massive credit expansion, will have serious political consequences for the Republican Party (to the benefit of the Democrats). Furthermore, an economic contraction will encourage the formation of anti-capitalist majorities and a turning away from the free market system. The danger here is not merely economic. The political left openly favors the collapse of America’s strategic position abroad. The withdrawal of the United States from the Middle East, the Far East and Europe would catastrophically impact an international system that presently allows 6 billion people to live on the earth’s surface in relative peace. Should anti-capitalist dogmas overwhelm the global market and trading system that evolved under American leadership, the planet’s economy would contract and untold millions would die of starvation. Nationalistic totalitarianism, fueled by a politics of blame, would once again bring war to Asia and Europe. But this time the war would be waged with mass destruction weapons and the United States would be blamed because it is the center of global capitalism. Furthermore, if the anti-capitalist party gains power in Washington, we can expect to see policies of appeasement and unilateral disarmament enacted. American appeasement and disarmament, in this context, would be an admission of guilt before the court of world opinion. Russia and China, above all, would exploit this admission to justify aggressive wars, invasions and mass destruction attacks. A future financial crash, therefore, must be prevented at all costs. But we cannot do this. As one observer recently lamented, “We drank the poison and now we must die.” No one knows what will happen in the future. The political consequences of the next financial crash may involve unanticipated psychological reactions. A president may win the people’s confidence and thereby adopt the correct economic policy, despite anti-capitalist demagoguery. Such would invalidate the logic of this column.

## Impacts- 2nc

### Mead says economic collapse results in multiple superpower wars – that outweighs the case

### A) Magnitude – include the US and Russia – that results in extinction

Nick Bostrom, professor of philosophy - Oxford University, March, 2002, Existential Risks: Analyzing Human Extinction Scenarios and Related Hazards, Journal of Evolution and Technology, p. http://www.nickbostrom.com/existential/risks.html

A much greater existential risk emerged with the build-up of nuclear arsenals in the US and the USSR. An all-out nuclear war was a possibility with both a substantial probability and with consequences that might have been persistent enough to qualify as global and terminal. There was a real worry among those best acquainted with the information available at the time that a nuclear Armageddon would occur and that it might annihilate our species or permanently destroy human civilization.[4] Russia and the US retain large nuclear arsenals that could be used in a future confrontation, either accidentally or deliberately. There is also a risk that other states may one day build up large nuclear arsenals. Note however that a smaller nuclear exchange, between India and Pakistan for instance, is not an existential risk, since it would not destroy or thwart humankind’s potential permanently. Such a war might however be a local terminal risk for the cities most likely to be targeted. Unfortunately, we shall see that nuclear Armageddon and comet or asteroid strikes are mere preludes to the existential risks that we will encounter in the 21st century.

### B) Probability – heightens the intensity that makes escalation to extinction likely

Thomas **Bearden**, Association of Distinguished American Scientists and LTC, U.S. Army (Retired), **2000**, The Unnecessary Energy Crisis: How to Solve It Quickly, p. http://www.seaspower.com/ EnergyCrisis-Bearden.htm

History bears out that **desperate nations take desperate actions**. Prior to the final economic collapse, the stress on nations will have **increased the intensity and number** of their conflicts, to the point where the arsenals of weapons of mass destruction (**WMD**) now possessed by some 25 nations, are almost certain to be released. As an example, suppose a starving North Korea [7] launches nuclear weapons upon Japan and South Korea, including U.S. forces there, in a spasmodic suicidal response. Or suppose a desperate China--whose long-range nuclear missiles (some) can reach the United States--attacks Taiwan. In addition to immediate responses, the mutual treaties involved in such scenarios will quickly draw other nations into the conflict, escalating it significantly. Strategic nuclear studies have shown for decades that, under such extreme stress conditions, once a few nukes are launched, adversaries and potential adversaries are then **compelled to launch on perception** of preparations by one's adversary. The real legacy of the MAD concept is this side of the MAD coin that is almost never discussed. Without effective defense, the only chance a nation has to survive at all is to launch immediate full-bore pre-emptive strikes and try to take out its perceived foes as rapidly and massively as possible. As the studies showed, **rapid escalation to full WMD exchange occurs**. Today, a great percent of the WMD arsenals that will be unleashed, are already on site within the United States itself [8]. The resulting great Armageddon will **destroy civilization** as we know it, and perhaps most of the biosphere, at least for many decades.

### C) Economic interdependence raises the cost of war – containing their impact

Daniel **Griswold**, director of the Center for Trade Policy Studies, 4/20/**2007**, Trade, Democracy and Peace, p. http://www.freetrade.org/node/681

A second and even more potent way that trade has promoted peace is by promoting more economic integration. As national economies become **more intertwined** with each other, those nations have **more to lose** should war break out. War in a globalized world not only means human casualties and bigger government, but also ruptured trade and investment ties that impose lasting damage on the economy. In short, globalization has dramatically **raised the economic cost of war**.

## Impacts- conflict extensions

### Economic decline increases the risk of war—strong statistical support.

**Royal 10** — Jedidiah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, M.Phil. Candidate at the University of New South Wales, 2010 (“Economic Integration, Economic Signalling and the Problem of Economic Crises,” *Economics of War and Peace: Economic, Legal and Political Perspectives*, Edited by Ben Goldsmith and Jurgen Brauer, Published by Emerald Group Publishing, ISBN 0857240048, p. 213-215)

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modelski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Feaver, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland's (1996, 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult [end page 213] to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write, The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other. (Blomberg & Hess, 2002. p. 89) Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. “Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. In summary, recent economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels.5 This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention. This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict, such as those mentioned in the first paragraph of this chapter. [end page 214] Those studies tend to focus on dyadic interdependence instead of global interdependence and do not specifically consider the occurrence of and conditions created by economic crises. As such, the view presented here should be considered ancillary to those views.

## AFFIRMATIVE ANSWERS

## AFF uniqueness- spending now

### Spending crisis coming now.

**Bloomberg, 6/5** SFGAte, U.S. Risks Fiscal Crisis Without Budget Changes, CBO Says Brian Faler, ©2012 Bloomberg News Tuesday, June 5, 2012, http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2012/06/05/bloomberg\_articlesM55E8G0D9L3501-M55RM.DTL

The U.S. government risks a fiscal crisis unless it makes significant changes in tax and spending policies, the Congressional Budget Office said. The nonpartisan agency said today that without policy changes, the national debt within 15 years will top the historical peak set after World War II. In 1946, government debt amounted to 109 percent of the economy. This year, it's projected to reach 70 percent of the gross domestic product, up from 40 percent in 2008, according to CBO. By 2037, the debt would be almost twice the size of the economy, the agency said. That would mean higher interest rates, slower economic growth and far more painful choices for lawmakers than they face today. The growing debt "would increase the probability of a sudden fiscal crisis, during which investors would lose confidence in the government's ability to manage its budget," the agency said in its annual report on the long-term outlook for the federal budget. "Such a crisis would confront policy makers with extremely difficult choices. To restore investors' confidence, policy makers would need to enact spending cuts or tax increases more drastic and painful than those that would have been necessary had the adjustments come sooner." The gap between projected taxes and spending is so large, the report said, that if lawmakers merely wanted to prevent the debt-to-GDP ratio from increasing over the next 25 years, they'd have to immediately and permanently cut $700 billion from the $3.6 trillion U.S. budget.

## AFF uniqueness- no deal

### No fiscal deals now.

**New York Times, 6/10** Push for a Fiscal Pact Picks Up Speed, and Power By JONATHAN WEISMAN Published: June 10, 2012

But senators involved in the negotiations cautioned that a deal remained a ways away. Even as some lawmakers spoke of compromise, Senate Democrats gathered on Thursday with Andrew Kohut, president of the Pew Research Center for the People and the Press, to look over polling on their political strength defending entitlements like Medicare and Social Security. If Democrats head to the ramparts to defend entitlements, Republicans are likely to dig in against revenue increases.

### No fiscal deal now- will delay any decisions til 2013.

**Associated Press, 5/22** CBO warns of US falling off 'fiscal cliff' By ANDREW TAYLOR, Associated Press – May 22, 2012

At issue is the full expiration of two rounds of major tax cuts enacted during the Bush administration and automatic spending cuts on the Pentagon and domestic programs that are scheduled to take effect as punishment for the failure of last year's deficit "supercommittee" to produce a deficit-cutting agreement last year. Last summer's debt and budget agreement imposed almost $1 trillion in cuts to agency budgets over the coming decade and required automatic cuts — dubbed a sequester in Washington-speak — of another $1 trillion or so over the coming decade. The CBO study came as Capitol Hill is hopelessly gridlocked over spending and taxes in advance of the fall elections. The White House and top Democrats like Senate Majority Leader Harry Reid of Nevada say they will refuse to act on the expiring tax cuts and automatic spending cuts unless Republicans show greater flexibility on raising taxes. "If Republicans want to walk away from the bipartisan spending cuts agreed to last August, they will have to work with Democrats to replace them with a balanced deficit reduction package that asks millionaires to pay their fair share," Reid said in a statement. Republicans are pressing to deal with the problem now. But they're not showing any more flexibility on tax increases. "You can call this a fiscal cliff. You can call it Taxmageddon as others have done," said Sen. Orrin Hatch, R-Utah. "Whatever you call it, it will be a disaster for the middle class. And it will be a disaster for the small businesses that will be the engine of our economic recovery." The results of the elections will have a lot to do with the ultimate solution, but several top lawmakers predict the current Congress will punt the issue into 2013 for the newly-elected Congress and whoever occupies the White House to deal with. "CBO observes that simply extending all of our current tax and spending policies will produce unsustainable deficits and debt, which will also send the economy into decline," said Rep. Chris Van Hollen, D-Md., the top Democrat on the Budget Committee. "We need to act and we must do so in a balanced way." CBO is the respected nonpartisan agency of Congress that produces economic analysis and estimates of the cost of legislation.

## AFF spending good- generic

### New spending stops recession.

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

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

## AFF impact defense- specific fiscal

### The fiscal recession would be brief and minor- studies.

**Associated Press, 5/22** CBO warns of US falling off 'fiscal cliff' By ANDREW TAYLOR, Associated Press – May 22, 2012

CBO projected that the economy would contract by 1.3 percent in the first half of 2013, which would meet the traditional definition of a recession, which is when the economy shrinks for two consecutive quarters. "Such a contraction in output in the first half of 2013 would probably be judged to be a recession," CBO said. The economy would rebound at a 2.3 percent growth rate in the second half of the year, however, under CBO projections.

## AFF impact defense- economy

### The U.S. economy is resilient – no risk of a downturn

Michael **Dawson, US Treasury Deputy Secretary** for Critical Infrastructure Protection and Compliance Policy, January 8, **2004**, Remarks at the Conference on Protecting the Financial Sector and Cyber Security Risk Management, “Protecting the Financial Sector from Terrorism and Other Threats,” http://www.ustreas.gov/press/releases/js1091.htm

Fortunately, we are starting from a very strong base. The American economy is resilient. Over the past few years, we have seen that resilience first hand, as the American economy withstood a significant fall in equity prices, an economic recession, the terrorist attacks of September 11, corporate governance scandals, and the power outage of August 14-15. There are many reasons for the resilience of the American economy. Good policies – like the President’s Jobs and Growth Initiative – played an important part. So has the resilience of the American people. One of the reasons are economy is so resilient is that our people are so tough, so determined to protect our way of life. Like the economy as a whole, the American financial system is resilient. For example, the financial system performed extraordinarily well during the power outage last August. With one exception, the bond and major equities and futures markets were open the next day at their regular trading hours. Major market participants were also well prepared, having invested in contingency plans, procedures, and equipment such as backup power generators. The U.S. financial sector withstood this historic power outage without any reported loss or corruption of any customer data. This resilience mitigates the economic risks of terrorist attacks and other disruptions, both to the financial system itself and to the American economy as a whole.

### Global economy is resilient

**Financial Times**, 9/27/**2006**, p. lexis

To doubt the resilience of the world economy must now look perverse. Since 2000, it has overcome so many obstacles: post-bubble traumas in Japan; the bursting of a global stock market bubble in 2000; the terrorist attacks of September 11 2001; a US recession; years of stagnation in the eurozone; wars in Afghanistan and Iraq; real oil prices at levels close to those of the late 1970s; and the failure to complete the Doha round of multilateral trade negotiations. Yet, in spite of all this, world economic growth was 4.1 per cent in 2003, 5.3 per cent in 2004 and 4.9 per cent in 2005, measured at purchasing power parity exchange rates. In the International Monetary Fund's latest World Economic Outlook (WEO), it is forecast to reach 5.1 per cent this year.\*

## AFF impact defense- economy

### Global economy resilient

Fareed **Zakaria** was named editor of Newsweek International in October 2000, overseeing all Newsweek editions abroad, December 12, **2009**, “The Secrets of Stability,” http://www.newsweek.com/2009/12/11/the-secrets-of-stability.html

This revival did not happen because markets managed to stabilize themselves on their own. Rather, governments, having learned the lessons of the Great Depression, were determined not to repeat the same mistakes once this crisis hit. By massively expanding state support for the economy—through central banks and national treasuries—they buffered the worst of the damage. (Whether they made new mistakes in the process remains to be seen.) The extensive social safety nets that have been established across the industrialized world also cushioned the pain felt by many. Times are still tough, but things are nowhere near as bad as in the 1930s, when governments played a tiny role in national economies. It's true that the massive state interventions of the past year may be fueling some new bubbles: the cheap cash and government guarantees provided to banks, companies, and consumers have fueled some irrational exuberance in stock and bond markets. Yet these rallies also demonstrate the return of confidence, and confidence is a very powerful economic force. When John Maynard Keynes described his own prescriptions for economic growth, he believed government action could provide only a temporary fix until the real motor of the economy started cranking again—the animal spirits of investors, consumers, and companies seeking risk and profit. Beyond all this, though, I believe there's a fundamental reason why we have not faced global collapse in the last year. It is the same reason that we weathered the stock-market crash of 1987, the recession of 1992, the Asian crisis of 1997, the Russian default of 1998, and the tech-bubble collapse of 2000. The current global economic system is inherently more resilient than we think. The world today is characterized by three major forces for stability, each reinforcing the other and each historical in nature. The first is the spread of great-power peace. Since the end of the Cold War, the world's major powers have not competed with each other in geomilitary terms. There have been some political tensions, but measured by historical standards the globe today is stunningly free of friction between the mightiest nations. This lack of conflict is extremely rare in history. You would have to go back at least 175 years, if not 400, to find any prolonged period like the one we are living in. The number of people who have died as a result of wars, civil conflicts, and terrorism over the last 30 years has declined sharply (despite what you might think on the basis of overhyped fears about terrorism). And no wonder—three decades ago, the Soviet Union was still funding militias, governments, and guerrillas in dozens of countries around the world. And the United States was backing the other side in every one of those places. That clash of superpower proxies caused enormous bloodshed and instability: recall that 3 million people died in Indochina alone during the 1970s. Nothing like that is happening today.

## AFF impact defense- no war

### Economic decline doesn’t cause war

Morris **Miller**, economist, adjunct professor in the University of Ottawa’s Faculty of Administration, consultant on international development issues, former Executive Director and Senior Economist at the World Bank, Winter **2000**, Interdisciplinary Science Reviews, Vol. 25, Iss. 4, “Poverty as a cause of wars?” p. Proquest

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study undertaken by Minxin Pei and Ariel Adesnik of the Carnegie Endowment for International Peace, **there would not appear to be any merit in this hypothesis**. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that:19 Much of the conventional wisdom about the political impact of economic crises may be **wrong** ... The severity of economic crisis - as measured in terms of inflation and negative growth - bore no relationship to the collapse of regimes ... (or, in democratic states, rarely) to an outbreak of violence ... In the cases of dictatorships and semidemocracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence to abort another).