# Neg

We negate

# C1: Restricting Spending

There are three places spending would be restricted

# <u>First is welfare.</u>

**Levin 18** writes that welfare programs like medicare would need to be cut if the debt were to be reduced. Such programs are crucial as **Wu of NBER 11** concludes each 1% reduction in medicare increases hospital mortality by .3%

## Second is infrastructure.

**Navales of ASCE 16** writes if our deteriorating infrastructure is not addressed by 2025, 2.5 million jobs and 4 trillion dollars in GDP will be lost. Thankfully, **Shepardson of Reuters last month** reports the new democratic Head of House Transportation Committee plans to work across the aisle to pass an infrastructure bill, a now bipartisan goal. However, **Swan of Axios 18** writes Trump demands the bill be debt financed, making it impossible under an affirmative ballot. This is detrimental as **Bivens of the Economic Policy Institute 17** concludes just a 10% increase in infrastructure spending leads to a 7% increase in wage growth.

## Third is fiscal stimulus.

A recession is on the horizon. **Colombo of Forbes 18** specifies nearly all sectors of the market are overvalued mimicking the situation before all past recessions. As a result, **Yusko of Morgan Capital 18** forecasts a recession in the first quarter of 2019.

Thankfully, **Pettinger 17** writes fiscal stimulus is a powerful tool for governments to grow out of recessions. For example, **Blinder of the CRFB 15** concludes without such policies in 2008, the recession would have been twice as long and 10 million more jobs would have been lost. Unfortunately, affirming prohibits stimulus because **Liborio** confirms past stimulus added almost a trillion dollars to the debt. Overall, **Cregger '18** explains prioritizing debt reduction during a recession prevents recovery from gaining any momentum. Instead, the most important priority should be economic growth.

# C2: Shifting investment

**Hicks of US News 18** explains the government's debt is made up of treasury bonds, thus as the debt increases, so does the number of bonds. Conversely, reducing the debt decreases the supply of bonds. Specifically, **The CRFB 16** reports Trump has advocated for the removal of treasury bonds from the market as a means of reducing the debt. Empirically, **Gee of Harvard 11** reports when Australia tried to reduce its debt, the bond market became too thin, disrupting investment.

Thus, reducing the availability of bonds has two implications.

## Subpoint A is shifting investment toward equities.

Currently, **Kenny of the Balance 19** reports the safety of treasury bonds reduces risk in an investor's portfolio. However, the removal of these bonds would remove a crucial facet of a safe, diversified portfolio. Indeed, **Amadeo of the Balance 18** writes removing bonds forces investor to turn towards riskier equity investments. This shift in investment increases market volatility as **Steenbarger of Forbes 18** contextualizes a tripling in capital participation in the equities market has empirically caused volatility to double.

There are two impacts

First is hurting businesses. **Roger of Yale 11** concludes greater volatility decreases consumer spending, which hurts existing businesses and prohibits new firm creation.

Second is recession **Coghlan '18** explains a rise in risky investment practices, would speed up the business cycle and create an atmosphere for more frequent recessions. **Irons of the EPI 09** observes recessions double unemployment and decrease investment, all contributing to extreme poverty.

## Subpoint B is reducing the availability of capital for companies

**Gee** continues the corporate sector relies on bonds for access to capital. Specifically, **Kahn of the University of Michigan 19** reports a growing supply of bonds increases private capital in two ways. First, it makes safe assets more available to firms, allowing them to better retain earnings in order to invest in their own future. Second, because banks are able to place their capital in bonds, they are able to reduce the cost of financing a business by making capital cheaper. Overall, **Kahn** concludes every 1% increase in the federal debt increases private sector investment by 0.13%.

There are two impacts.

First is growth. **Firebaugh of UChicago** quantifies every 1% increase in private investment causes a 0.23% rise in economic growth.

Second is business formation. **The SBE Council this month** reports small businesses need a continuous flow of capital in order to launch and grow. Already, 2018 saw a 15% increase in capital raised due to increased lending. More capital and businesses are crucial as, **Slivinski of the Goldwater Institute 12** quantifies every 1% increase in firms reduces poverty by 2%. Even further, **Arenmeyer of the Financial Poise 18** concludes small businesses add resiliency to the economy, making them essential for recession recovery.

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# Cards

# Spending

# Welfare

## Levin - Either the debt is not reduced significantly or entitlement spending is cut

Yuval **Levin**, **18**, (), "The Entitlement Crisis Is Looming", Weekly Standard, 9-24-2018, DOA 12-26-2018, https://www.weeklystandard.com/yuval-levin/the-entitlement-crisis-is-real-and-its-worse-than-you-think, (NR)

> The Trump administration and some Republicans in Congress would like to implement deep cuts in appropriated spending to help ease the budget crunch, but that is as inadequate a plan for fiscal discipline as the Democrats' dream of balancing the budget by raising taxes on the wealthy. In 2017, discretionary federal spending (defense and nondefense combined) was just 6.3 percent of GDP, down from 7.7 percent in 2008. President Trump's budget proposes to take that spending down to just 3.9 percent of GDP in 2028, including only 1.5 percent of GDP for nondefense discretionary spending. This is the category of the budget that funds everything from the National Institutes of Health to the FBI and the National Park Service. It is very unlikely that funding for these activities will fall anywhere near as low as the administration's proposals suggest. And given the many security risks facing the country, it would be irresponsible in the extreme to plan for deep cuts in the nation's military and national-security programs. **But even if such unrealistic proposals could be enacted, growing entitlement spending would still eat up the savings and then some. The inescapable conclusion from the historical budget data and all plausible projections is that entitlement spending will continue to be the primary cause of the federal government's fiscal problems. Entitlement spending therefore needs to be the primary focus of any attempted solutions.**

## Wu -1% reduction in payments for Medicare leads to a .3% increase in mortality rates.

Vivan Y. **Wu '11**. "THE LONG-TERM IMPACT OF MEDICARE PAYMENT REDUCTIONS ON PATIENT OUTCOMES." **National Bureau of Economic Research**, Mar. 2011. Web. 10 Sept. 2015. <http://www.nber.org/papers/w16859.pdf>.

> To understand the magnitude of the adverse effect in the post-BBA period, we can convert the coefficient estimates into elasticity. In table 5, we take the coefficient estimates using linear specification of the instrumented BBA loss variable, and covert the coefficient effects into elasticity. Every 1000 dollar instrumented Medicare revenue loss due to BBA, which is about 21% of Medicare revenue per total discharge in 1997, is associated with 6% to 8% increase in mortality rates.4 Taken together, the elasticity is about -0.3, implying a 1% reduction in payment would translate to a 0.3% increase in mortality rates. These elasticity estimates are very consistent with prior literature that finds short-term adverse effects of Medicare payment reductions (Shen 2003). These calculations are meant to illustrate our main points that with our plausible exogenous identification strategy, pre-post comparison, and the consistent estimates between large- and moderate-cut groups, the significant finding on adverse patient outcomes is unlikely to be completely explained away by potential confounders discussed in the previous paragraph. It is also important to keep in mind that the adverse effect is "relative" in a sense that the absolute mortality rates did not go up during this period. Rather, while AMI mortality rates have steadily declined in hospitals facing small BBA cuts during the entire study period, the mortality rates remained at the same level in hospitals facing large BBA cuts experience.

# INFASTRUCTURE

## Navales - If infrastructure is not addressed 2.5 mill jobs, $4 trillion in GDP, $34,000 in household income, $7 trillion in lost business sales by 2025; but its not too late investment into infrastructure can avert harms

Navales ’16, 16, (), "Paying the Price: How Deteriorating Infrastructure affects America’s Economic Future", Right of Way, August 2016, http://eweb.irwaonline.org/eweb/upload/web_jul_aug_16_PayingthePrice.pdf, DOA-1-3-2019 (MO)

> In fact, if none of the infrastructure gaps are addressed, the nation is expected to lose 2.5 million jobs, $4 trillion in GDP, $34,000 in disposable income per household and $7 trillion in lost business sales by 2025. This is largely because the weakening of even one of the infrastructure systems has an effect on the others. For example, if airports become too congested, passengers may turn to surface transportation. But what happens if surface transportation infrastructure is too deteriorated to take on the extra strain? And what happens when power plants that provide electricity do not have a reliable source of clean water? Ultimately, these infrastructure systems depend on one another and the deterioration of just one will have a cascading impact on the other systems. Do these circumstances mean we are destined to crumble? Not necessarily. The silver lining is that economic benefits of infrastructure investment will also reverberate throughout. Just as one weakened infrastructure system can bring the others down, a strengthened one can positively affect the various systems as well. The Failure to Act series shows that closing each infrastructure investment gap is actually possible, and the economic consequences are avoidable with investment. After all, the nation’s inland waterways, marine ports, airports, and electricity and water infrastructure have all shown modest signs of investment gap improvements. Ultimately, it is insufficient funding which brings down economic productivity. Although creating innovative answers and long-term solutions for this national crisis will be no easy task, one thing is certain: if we continue to turn a blind eye to the widening infrastructure investment gap, then the expectations of the Failure to Act report will surely turn into a reality

## Shepardson - Infrastructure probability

David **Shepardson**, **18**, (), "Democrats to push for big infrastructure bill with 'real money' in...", U.S., 11-7-2018, https://www.reuters.com/article/us-usa-election-infrastructure/democrats-to-push-for-big-infrastructure-bill-with-real-money-in-2019-idUSKCN1NC339, DOA-12-30-2018 (MO)

> **Representative Peter DeFazio, who is set to become head of the House of Representatives committee overseeing transportation** after the Democrats take control of the chamber in January, previously proposed $500 billion in funding by issuing 30-year bonds and using revenue from indexing fuel taxes to rise with inflation**. He told reporters on Wednesday he would be seeking significant funding. “There has to be real money, real investment,”** DeFazio said. “SWe’re not going to do pretend stuff like

asset recycling. We’re not going to do massive privatization.” Congress has not raised the gas tax since 1993 and has added $137 billion since 2008 to make up highway repair shortfalls. Congress must find an additional $107 billion through 2026 alone to keep spending at current levels. DeFazio noted that voters in California on Tuesday rejected a repeal of year-old fuel tax increases and vehicle fees. DeFazio said Trump would have to be “fully onboard” with any gas tax hike and noted that the measure would also have to pass the Republican-controlled Senate. Trump's EPA axes mercury emission regulations on coal Trump, who backed a gas tax hike in February 2018 in a meeting with lawmakers, said on Wednesday he was open to a deal. “**The Democrats will come to us with a plan for infrastructure, a plan for healthcare, a plan for whatever they’re looking at and we’ll negotiate**,” Trump said at a White House news conference. “**We have a lot of things in common on infrastructure**.” House Democratic leader Nancy Pelosi said at a separate news conference that she spoke to Trump on Tuesday night about infrastructure. Republican Senate Majority Leader Mitch McConnell said the issue would be on the agenda next year. **DeFazio said he hoped the House could approve infrastructure legislation in the first six months of 2019.**

## Axios - Donald trump wants to finance infrastructure with debt

Swan **Axios**, **18**, (), "The president of debt", DOA 1-2-2019, https://www.axios.com/donald-trump-debt-infrastructure-plan-963f975e-a8c4-4560-a517-c68d94de9dc6.html, (NR)

**Donald Trump wants to rebuild America’s infrastructure the same way he built his buildings: debt, debt and more debt**. His then-economic adviser, Gary Cohn, learned this the hard way in a fraught meeting last year, the details of which haven’t been previously reported. What happened: As Cohn and his team were putting together their $1.5 trillion infrastructure package, Cohn tried to use a real estate analogy to sell Trump on his plan to pair public and private investment. It backfired. Show less The Cohn plan proposed leveraging $200 billion of federal investment into a $1.5 trillion overall infrastructure package — with state and local governments and the private sector making up the difference. Trump was skeptical. Instead, he just wanted the federal government to borrow tons of money for infrastructure projects. He was especially obsessed with overhauling his hometown airport LaGuardia, which he calls "Third World." The President horrified some Republicans in an October 2017 meeting with members of Congress at the White House when he told the Democrats that he liked their plan of massive public investment in infrastructure, according to a source in the room. "We've just gotta spend money on this," Trump said, according to the source. "He wants to govern like Robert Moses, but Republicans won't let him," the source added, referring to the titanic public official known as the "master builder" of mid-20th century New York City. In a separate conversation, Cohn tried to win Trump over with a real estate analogy, according to two sources familiar with their conversation. "Think about when you're putting up a building, you put down $50 million of your own money to leverage several hundred million," Cohn told Trump. The president scoffed. He told Cohn that when he was building, he'd never be so stupid as to put down his own money. He'd borrow the first installment from one bank and borrow the rest from another bank. Cohn told associates afterwards that he'd never have supported such an idea when he worked at Goldman Sachs. "I'm a 30% equity guy," Cohn told associates after the conversation. "He [Trump] is 100% leverage." Why this matters: During his career as a real estate magnate, Trump proudly called himself the "King of Debt." Now, he's the President of Debt — stimulating the economy by slashing taxes and jacking up defense spending without doing anything serious to rein in entitlement spending. A source familiar with Trump's private conversations with Republican members tells me it's going too far to say he doesn't care at all about debt. "When he talks to [Rep. Mark] Meadows and Freedom Caucus members, he's very sensitive to the sense that we're accumulating as much debt as the Obama years," the source said. But the proof is in the numbers: Under Trump, the U.S national debt has passed the $21 trillion mark. **What's next? Senior administration officials tell me Trump is still dead keen on passing a massive infrastructure bill. He likes the sound of big round numbers: A $1 trillion package is music to his ears. If Democrats win the House in November, it's more than possible Trump will defy his own party and favor Sen. Elizabeth Warren's approach of heavy federal borrowing over private investment.**

# Stimulus

## Yusko - high up economist says recession coming 1st half of 2019, stock market drop 50% - 2000-02 empirics prove – econ not as strong as u think

**Michelle Fox, 18**, (A veteran digital and television journalist, Michelle Fox writes articles for CNBC.com and acts as a liaison between the website and CNBC television shows.), "Stocks could fall 40% to 50% to reach fair value: Morgan Creek Capital", **CNBC**, 10-11-2018, https://www.cnbc.com/2018/10/11/stock-drop-of-40percent-to-50percent-is-fair-value-morgan-street-capital.html, DOA 12-4-2018, (KCK)

> Investors should brace themselves for a significant stock market correction, as well as a recession in the first half of next year, investor Mark Yusko warned on Thursday. In fact, he says, fair value for equities would be down about 40 percent to 50 percent. However, that doesn't necessarily mean the stock market will have to go to fair value, Yusko said. "If interest rates keep normalizing, if liquidity keeps falling, if earnings go to where I think they are going to go, which is lower, I think we are going to have a meaningful correction," the founder and chief investment officer at Morgan Creek Capital said on CNBC's "Power Lunch." Yusko, a noted stock picker who took first place in Portfolios with Purpose's fantasy stock-picking contest in 2016, predicts a recession in the first or second quarter of 2019. "Things are paying out now just like they did in 2000, 2001, 2002," he said. In the back part of 2000, the stock market went down, 2001 brought a recession, and in 2002 the stock market took a big turn down. "It's just going to be painful for a while to adjust this overvaluation," Yusko added. Stocks seesawed in the red in volatile trading on Thursday. The Dow Jones Industrial Average plunged by more than 650 points in afternoon trading, a day after the blue-chip index plunged nearly 832 points, or 3.15 percent. The recent rapid rise in bond yields has been weighing on equities, adding to concerns about the future for Federal Reserve monetary policy. On Thursday, Treasury yields fell from multiyear highs after weaker-than-expected inflation data. Yusko also questioned whether the economy is really strong. "We had one good quarter. We've been sub 2 percent [economic growth] for six years," he said. Plus, forecasts are that gross domestic product is going to be lower than expectations in the third quarter and even lower in the fourth quarter, and there are bad demographics and bad debt, he added. Jim Paulsen, chief investment strategist at The Leuthold Group, told "Power Lunch" he doesn't see a recession and doesn't necessarily believe this is the start of a bear market. If things get bad enough, there could even be a chance for one more rally in this bull market, he said. "We maybe could refresh values, refresh sentiment — that is, gut-check sentiment — and then maybe there's going to be a great opportunity," he added. "I don't know if it's here today, but I think if this keeps up, maybe in the not too much distant future it might be time to get aggressive again for one last run in this bull."

## Colombo - Interest rate hike goes to recession

Jesse Colombo, 18, (), "How Interest Rate Hikes Will Trigger The Next Financial Crisis", Forbes, 9-27-2018, https://www.forbes.com/sites/jessecolombo/2018/09/27/how-interest-rate-hikes-will-trigger-the-next-financial-crisis/#3f7278c36717, DOA-1-3-2019 (MO)

> On Wednesday, the U.S. Federal Reserve hiked its benchmark interest rate by a quarter-percentage point to 2% - 2.25%, which is the highest level since April 2008. As rates continue to climb off their post-Great Recession record lows, market participants and commentators are showing almost no signs of fear as the stock market is hitting records again and complacency abounds. Unfortunately, "soft landings" after rate hike cycles are as rare as **unicorns** and **virtually all modern rate hike cycles have resulted in a recession, financial, or banking crisis**. There is no reason to believe that this time will be any different.

## Pettinger - Fiscal stimulus to get out of recession

**Pettinger**, "30.4 Using Fiscal Policy to Fight Recession, Unemployment, and Inflation – Principles of Economics," No Publication, https://opentextbc.ca/principlesofeconomics/chapter/30-4-using-fiscal-policy-to-fight-recession-unemployment-and-inflation/

> We need to emphasize that fiscal policy is the use of government spending and tax policy to alter the economy. Fiscal policy does not include all spending (such as the increase in spending that accompanies a war). Graphically, we see that fiscal policy, whether through change in spending or taxes, shifts the aggregate demand outward in the case of expansionary fiscal policy and inward in the case of contractionary fiscal policy. Figure 1 illustrates the process by using an aggregate demand/aggregate supply diagram in a growing economy. The original equilibrium occurs at E0, the intersection of aggregate demand curve AD0 and aggregate supply curve SRAS0, at an output level of 200 and a price level of 90. One year later, aggregate supply has shifted to the right to SRAS1 in the process of long-term economic growth, and aggregate demand has also shifted to the right to AD1, keeping the economy operating at the new level of potential GDP. The new equilibrium (E1) is an output level of 206 and a price level of 92. One more year later, aggregate supply has again shifted to the right, now to SRAS2, and aggregate demand shifts right as well to AD2. Now the equilibrium is E2, with an output level of 212 and a price level of 94. In short, the figure shows an economy that is growing steadily year to year, producing at its potential GDP each year, with only small inflationary increases in the price level. Figure 1. A Healthy, Growing Economy. In this well-functioning economy, each year aggregate supply and aggregate demand shift to the right so that the economy proceeds from equilibrium E0 to E1 to E2. Each year, the economy produces at potential GDP with only a small inflationary increase in the price level. But if aggregate demand does not smoothly shift to the right and match increases in aggregate supply, growth with deflation can develop. Aggregate demand and aggregate supply do not always move neatly together. Aggregate demand may fail to increase along with aggregate supply, or aggregate demand may even shift left, for a number of possible reasons: households become hesitant about consuming; firms decide against investing as much; or perhaps the demand from other countries for exports diminishes. For example, investment by private firms in physical capital in the U.S. economy boomed during the late 1990s, rising from 14.1% of GDP in 1993 to 17.2% in 2000, before falling back to 15.2% by 2002. Conversely, if shifts in aggregate demand run ahead of increases in aggregate supply, inflationary increases in the price level will result. Business cycles of recession and recovery are the consequence of shifts in aggregate supply and aggregate demand. Monetary Policy and Bank Regulation shows us that a central bank can use its powers over the banking system to engage in countercyclical—or "against the business cycle"—actions. **If recession threatens, the central bank uses an expansionary monetary policy to increase the supply of money, increase the quantity of loans, reduce interest rates, and shift aggregate demand to the right. If inflation threatens, the central bank uses contractionary monetary policy to reduce the supply of money, reduce the quantity of loans, raise interest rates, and shift aggregate demand to the left. Fiscal policy is another macroeconomic policy tool for adjusting aggregate demand by using either government spending or taxation policy.**

## Blinder - Recession impact

Alan S. **Blinder** & Mark Zandi, **15**, (), "The Financial Crisis: Lessons for the Next One", Center on Budget and Policy Priorities, 10-15-2015, https://www.cbpp.org/research/economy/the-financial-crisis-lessons-for-the-next-one, DOA-12-30-2018 (MO)

> The massive and multifaceted policy responses to the financial crisis and Great Recession — ranging from traditional fiscal stimulus to tools that policymakers invented on the fly — dramatically reduced the severity and length of the meltdown that began in 2008; its effects on jobs, unemployment, and budget deficits; and its lasting impact on today's economy. Without the policy responses of late 2008 and early 2009, we estimate that: The peak-to-trough decline in real gross domestic product (GDP), which was barely over 4%, would have been close to a stunning 14%; **The economy would have contracted for more than three years, more than twice as long as it did;** More than 17 million jobs would have been lost, about twice the actual number. **Unemployment would have peaked at just under 16%, rather than the actual 10%; The budget deficit would have grown to more than 20 percent of GDP, about double its actual peak of 10 percent**, topping off at $2.8 trillion in fiscal 2011. Today's economy might be far weaker than it is — with real GDP in the second quarter of 2015 about $800 billion lower than its actual level, 3.6 million fewer jobs, and unemployment at a still-dizzying 7.6%. We estimate that, due to the fiscal and financial responses of policymakers (the latter of which includes the Federal Reserve), real GDP was 16.3% higher in 2011 than it would have been. **Unemployment was almost seven percentage points lower that year than it would have been, with about 10 million more jobs.**

## Cregger - Must grow out of recession stuff

Hunter Cregger, 15, (Wright State University), " How to Recover from the Great Recession and Reduce the Government Debt", Best Integrated Writing, 2015, https://corescholar.libraries.wright.edu/cgi/viewcontent.cgi?article=1023&context=biw, DOA-12-30-2018 (MO)

> The Obama administration responded with the Troubled Asset Relief Program, or TARP, and American Recovery and Reinvestment Act (ARRA), which gave relief to the banks who were holding onto these bad debts. It was also used to give support to those who had lost their homes and help those in danger to keep their homes. By doing this the government hoped to stimulate domestic spending (Miller et al 2013: 127). The government had also cut taxes, and these measures together increased the deficit by $700 billion. However, this spending did produce desirable results, as nearly nine million jobs were recovered by TARP and other relief programs, and foreclosures were stalled. The government was able to prevent the recession from transforming into a depression, but there were still many long-term effects which would be felt long after the initial collapse. Government expenditures for safety net programs such as SNAP have more than doubled with the Great Recession. Surprisingly, enrollment for secondary education has increased despite falling funding from state governments. This may arise from the fact that the ARRA increased the amounts given through Pell grants. In sum, the economy is slowly emerging from the Great Recession, although economic

conditions are sluggish in improving. People's confidence in the economy has been undermined, and people's marginal propensity to consume has fallen as income for most families has fallen due to the recession. In order to reverse this trend and recover the economy, the government needs to adapt expansionary fiscal policy to stimulate the economy once more.

# Investment

## High debt raises interest rates

Hicks, 18 – (Coryanne, “How the National Debt Affects You,” US News, 26 September 2018, https://money.usnews.com/investing/investing-101/articles/how-the-national-debt-affects-you, CD - JO)

> More government bonds cause higher interest rates and lower stock market returns. As the U.S. government issues more Treasury securities to cover its budget deficit, the market supply of bonds increases. "When you have more of something, it gets cheaper," says Jim Barnes, director of fixed Income at Bryn Mawr Trust. In bonds, cheaper means lower prices and higher interest rates.

## Bond buyback link

Committee for a Responsible Federal Budget, 16, (), "Donald Trump's Treasury Buyback Plan", 5-11-2016, http://www.crfb.org/blogs/donald-trumps-treasury-buyback-plan, DOA-1-16-2019 (MO)

> Last week, Republican presidential candidate **Donald Trump made waves in a CNBC interview when he seemed to indicate that he would seek to renegotiate the terms of Treasury securities if interest rates rose significantly, saying “**I would borrow, knowing that if the economy crashed, you could make a deal.” He later clarified that he did not mean that he would default on the debt and added that “This is the United States government….you never have to default because you print the money.” Instead, he said he meant that, “if we can buy back government debt at a discount, in other words, if interest rates go up and we can buy bonds back at a discount — **if we are liquid enough as a country, we should do that.” This action, known as a Treasury buyback, would have the government purchase older-issued bonds at a discount and allow investors whose bonds are purchased to get newly-issued securities with higher interest rat**es (buybacks can be used for other purposes as well). Ultimately, as we explain below, this move would reduce the size of federal debt only on paper and would not change the federal government’s fiscal situation much. This post will explain Treasury buybacks and discuss Trump’s other comments about debt and default.

## Gee australia

Winston Gee, 11, (), "Debt, Deficits, and Modern Monetary Theory", No Publication, 10-16-2011, DOA 1-2-2019, http://hir.harvard.edu/article/?a=2853, (NR)

> **There are some rare instances where governments have run down their overall stock of debt, like in Australia between 1996 and 2007. The conservative government of the period was enamored of this neoliberal idea that it would get rid of all its holdings of outstanding debt, and so it started running very large surpluses and paying back its debt. After about five years, the public bond markets became so thin—that is, there was such a small amount of debt left in the system—that the big investment banks started to protest, since they relied on government debt as a risk-free asset upon which to benchmark all other risk.** Curiously, the Austrialian federal government agreed

that even though it would continue to run budget surpluses, it would also continue to issue debt at a certain amount to ensure that the corporate sector would have its risk-free asset. **So while the Wall Street Journal runs op-eds condemning the evils of debt, the reality is that the financial sector can't get enough of it. This is a very beautiful example of the function of debt in modern times. In MMT, we see public debt as private wealth and the interest payments as private income.** The outstanding public debt is really just an expression of the accumulated budget deficits that have been run in the past. **These budget deficits have added financial assets to the private sector, providing the demand for goods and services that have allowed us to maintain income growth. And that income growth has allowed us to save and accumulate financial assets at a far greater rate than we would have been able to without the deficits.** The only issues a progressive person might have with public debt would be the equity considerations of who owns the debt and whether there an equitable provision of private wealth coming from the deficits. There is a debate to be had about that, but there is **no reason to obsess over the level of outstanding public debt. The government can always honor its debt; it can never go bankrupt. There's no question that the debt obligations will be met. There's no risk. What's more, this debt provides firms, households, and others in the private sector a vehicle to park their saved wealth in a risk-free form.**

# Subpoint A

## Bonds are good for when stocks are falling to preserve capital and savings

Thomas Kenny, 19, (), "4 Big Reasons to Invest in Bonds", Balance, 1-7-2019, DOA 1-21-2019, https://www.thebalance.com/why-invest-in-bonds-417083, (NR)

> **Bonds Offer Diversification Almost every investor has heard the phrase "don't put your eggs in one basket." It may be a cliché, but it's time-tested wisdom nonetheless. Over time, greater diversification can provide investors with better risk-adjusted returns (in other words, the amount of return relative to the amount of risk) than portfolios with a narrower focus. More important, bonds can help reduce volatility – and preserve capital – for equity investors during the times when the stock market is fallin**g. Bonds Preserve Principal Fixed income investments are very useful for people nearing the point where they will need to use the cash they have invested – for instance, an investor within five years of retirement or a parent whose child is starting college. While stocks can experience huge volatility in a brief period – such as the crash of 2001-2002 or the financial crisis of 2008-2009 – a diversified bond portfolio is much less likely to suffer large losses short-term. As a result, investors often increase their allocation to fixed income, and decrease their allocation to equities, as they move closer to their goals.

## Amadeo – go towards higher volatility stocks

Kimberly Amadeo, 18, (), "Bonds Versus Stocks? Which Is Better for You?", Balance, 12-12-2018, https://www.thebalance.com/how-bonds-affect-the-stock-market-3305603, DOA-1-16-2019 (MO)

> The Federal Reserve controls interest rates through its open market operations. **When the Fed** wants interest rates to fall, it **buys U.S. Treasurys. That's the same as increasing demand for the nation's bonds, which makes their values rise. As with all bonds, when the value rises, interest rates fall.** Lower interest rates put upward pressure on stock prices for two reasons. First, **bond buyers receive a lower interest rate and less return on their investments. It forces them to consider buying higher-risk stocks to get a better return.**

## More participation in stock markets volatility

Steenbarger, 18 – (Brett, "The Psychology Of Navigating A Volatile Stock Market," Forbes, 14 October 2018, https://www.forbes.com/sites/brettsteenbarger/2018/10/14/the-psychology-of-navigating-a-volatile-stock-market/, CD - JO)

> Understand How Volatility Works - It's commonly recognized that volatility rises during market corrections and bear markets. Less well appreciated is the fact that this ramping up of volatility is not a linear function, but an exponential one. What does this mean? If you take a look at the chart I created above, you'll see a measure (red line) that I call "pure volatility". Pure volatility is the average amount of movement per unit of market volume. We know that volume and volatility are highly correlated: when there is more market participation, markets move more on average. Pure volatility takes volume out

of the equation and looks instead at how much "juice" we get for each number of contracts or shares traded. During the period from early August to October 12th, the average five-day volume in the ES (S&P 500) futures went from a little over a million contracts traded to a little over 2.5 million. Volume in the corresponding SPY ETF zoomed from an average of a little more than 50 million shares to over 150 million shares. What pure volatility tells us is that the average movement per contract or share traded has doubled, even as volume has increased. As a result, we are seeing exponentially more movement than just a few months ago. This means that the level of profit and loss movement that you're experiencing now is probably far greater than anything you've seen in months. That volatility of your holdings can easily lead to greater emotional volatility--and poor, reactive decisions that have been shown to reduce average investment returns. Recognizing the potential for such reactivity is the first step in developing rational plans for navigating the changed environment. The best thing you can do, psychologically, at these times is not buy or sell but breathe. The faster the markets, the more deliberate you want to become.

## Volatility hurts new business creation

Roger G., 11, (), "Why does market volatility matter?", Yale Insights, 11-23-2011, DOA 1-21-2019, https://insights.som.yale.edu/insights/why-does-market-volatility-matter, (NR)

> Do these periods of very high volatility have effects on the institutions around the market? For instance, did it make it hard for new companies to launch or to find funding? In many ways it's tough on people, but it has some benefits. The high volatility knocks out marginal firms. It is harder to start up new firms, but it re-shifts capital around into better uses.

## Risky borrowing casue recessin

Erin Coghlan, 18, (), "What Really Caused the Great Recession?", No Publication, 9-19-2018, http://irle.berkeley.edu/what-really-caused-the-great-recession/, DOA-1-23-2019 (MO)

> When the mortgage industry collapsed, it shocked the U.S. and global economy. Had it not been for strong government intervention, U.S. workers and homeowners would have experienced even greater losses. Observers are raising the alarm that many of the practices prevalent in 2006-2007 are making a comeback. Banks are once again financing subprime loans, particularly in auto loans and small business loans.6 And banks are once again bundling nonconventional loans into mortgage-backed securities.7 More recently, President Trump rolled back many of the regulatory and reporting provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act for small and medium-sized banks with less than $250 billion in assets.8 Legislators—Republicans and Democrats alike—argued that many of the Dodd-Frank provisions were too constraining on smaller banks and were limiting economic growth.9 This new deregulatory action, coupled with **the rise in risky lending and investment practices, could create the economic conditions all too familiar in the time period leading up to the market crash.** Fligstein and his co-authors suggest several options to avoid another disaster:

## Impact is long term for recession

John Irons, 9, (), "Economic scarring: The long-term impacts of the recession", Economic Policy Institute, 9-30-2009, http://www.epi.org/publication/bp243/, DOA-2-14-2018 (MO)

> Economic recessions are often portrayed as short-term events. However, as a substantial body of economic literature shows, **the consequences of high unemployment, falling incomes, and reduced economic activity can have lasting consequences.** For example, job loss and falling incomes can force families to delay or forgo a college education for their children. Frozen credit markets and depressed consumer spending can stop the creation of otherwise vibrant small businesses. Larger companies may delay or reduce spending on R&D. In each of these cases, **an economic recession can lead to "scarring"—that is, long-lasting damage to individuals' economic situations and the economy more broadly.** This report examines some of the evidence demonstrating the long-run consequences of recessions. Findings include: Educational achievement: Unemployment and income losses can reduce educational achievement by threatening early childhood nutrition; reducing families' abilities to provide a supportive learning environment (including adequate health care, summer activities, and stable housing); and by forcing a delay or abandonment of college plans. Opportunity: **Recession-induced job and income losses can have lasting consequences on individuals and families. The increase in poverty that will occur as a result of the recession, for example, will have lasting consequences for kids, and will impose long-lasting costs on the economy.** Private investment: Total non-residential investment is down by 20% from peak levels through the second quarter of 2009. The reduction in investment will lead to reduced production capacity for years to come. Furthermore, **since technology is often embedded in new capital equipment, the investment slowdown can also be expected to reduce the adoption of new innovations**. Entrepreneurial activity and business formation: New and small businesses are often at the forefront of technological advancement. With the credit crunch and the reduction in consumer demand, small businesses are seeing a double squeeze. For example, in 2008, 43,500 businesses filed for bankruptcy, up from 28,300 businesses in 2007 and more than double the 19,700 filings in 2006. Only 21 active firms had an initial public offering in 2008, down from an average of 163 in the four years prior. There is also substantial evidence that economic outcomes are passed across generations. As such, **economic hardships for parents will mean more economic hurdles for their children. While it is often said that deficits can cause transfers of wealth from future generations of taxpayers to the present, this cost must also be compared with the economic consequences of recessions that are also passed to future generations.** This analysis also suggests that efforts to stimulate the economy can be very effective over both the short- and long-run. Using a simple illustrative accounting framework, it is shown that an economic stimulus can lead to a short-run boost in output that outweighs the additional interest costs of the associated debt increase. This is especially true over a short horizon. A recession, therefore, should not be thought of as a one-time event that stresses individuals and families for a couple of years. Rather, economic downturns will impact the future prospects of all family members, including children, and will have consequences for years to come.

John Irons, 9, (), "Economic scarring: The long-term impacts of the recession", Economic Policy Institute, 9-30-2009, http://www.epi.org/publication/bp243/, DOA-2-14-2018 (MO)

> In a recession—when many families face financial hardships and poverty is rising—childhood nutrition can suffer. In 2007, 13 million U.S. households, including **12.7 million children, experienced "food insecurity"—or difficulty providing enough food for all family members; 4.7 million families faced a more severe disruption in the normal diet for some members** (Nord et al. 2008). These numbers will almost certainly increase through 2009 as unemployment rises and incomes fall. Second, educational achievement is determined by a number of factors outside of the school environment. For example, health services—from pre-natal care to dental and optometric care—can eliminate barriers to educational achievement. After-school and summer educational activities also affect in-school achievement and learning. Forced housing dislocations—and in the extreme, homelessness—impact educational outcomes as well. All of these influences on educational success are clearly shaped by economic downturns. The number of people without health insurance in 2008 was 46.3 million, with over 7 million kids under the age of 18 uninsured (U.S. Census 2009). With poverty (over 14 million kids in 2008) and foreclosures (4.3% of mortgage loans in the foreclosure process1) also on the rise, we can expect even more children will struggle with their education. Finally, families struggling to get by are often forced to delay or abandon plans for continuing education. **A recent survey of young adults found that 20% aged 18-29 have left or delayed college** (Greenberg and Keating 2009). A survey conducted in Colorado found that a quarter of parents with children in two-year colleges had planned on sending their kids to four-year institutions before the recession (CollegeInvest 2009). This delay or reduction in college attendance is costly. **Not only does college attendance yield higher earnings, lower unemployment, and other benefits to the individual, but it also conveys myriad social benefits as well, including better health outcomes, lower incarceration rates, greater volunteerism rates, etc.** (see, e.g., Baum and Pa-yea (2005) or Acemoglu and Angrist (2000)). It is also important to note that the increased educational struggles for many kids and young adults will have lasting effects. Not only does increased educational success lead to higher wages and incomes for individuals and their families down the road (Card 1999), but it also leads to a greater likelihood of educational achievement for their offspring (Hertz et al. 2007; Fox et al. 2005). Figure A shows how **higher-income parents are more likely to have children who complete college, and Figure B shows the high degree of correlation between parents and children in educational attainment both in the United States and abroad. As such, the economic downturn will have an impact lasting not just for years, but for generations.** Opportunity There can be no doubt that recessions and high levels of unemployment lead to reduced economic opportunity for individuals and families. Job loss, reductions in incomes, and increases in poverty all result in losses to individuals and the broader economy. To take just one example of lost opportunity, recent research has found that college graduates entering into the workforce during a recession will earn less than those entering in non-recessionary environments. Surprisingly, the findings also suggest that the income loss is not temporary: lifetime earnings and occupational paths are affected as well. According to Kahn (2009) "taken as a whole, the results suggest that

the labor market consequences of graduating from college in a bad economy are large, negative, and persistent." **<u>She finds an initial wage loss of 6% to 7% for each 1 percentage-point increase in the unemployment rate, and even after 15 years, the wage loss is still 2.5%.</u>** Non-college graduates are likely to fare worse. While unemployment in the most recent recession has increased for all groups, those with less education and those with lower incomes face much higher rates than others. Job loss In the current recession, the unemployment rate has increased from 4.9% in December 2007 to 9.7% in August this year. **<u>There are currently about 15 million people who are unemployed—twice the number as at the start of the recession—with roughly 1 in 6 workers un- or underemployed</u>**. About 5 million workers have been unemployed for more than six months, and these long-term unemployed are the highest percentage of the total since 1948. Loosing one's job obviously creates problems for most individuals and families. The income loss can persist for years, even after a new job is taken (often at a lower salary). Although the literature on the impact of job loss is too extensive to detail here, it is worth noting the evidence presented by Farber (2005). Using results from the Displaced Workers Survey through 2003, Farber finds that a job separation is costly:2 "In the most recent period (2001-03), about 35% of job losers are not employed at the subsequent survey date; about 13% re-employed full-time job losers are holding part-time jobs; full-time job losers who find new full-time jobs earn about 13% less on average on their new jobs than on the lost job**<u>…" The impact of job loss goes well beyond income and earnings, and can impact one's mental health</u>** (see Murphy and Athanasou (1999) for a review of 16 prior studies). It is also important to note that how one fares in a recession depends on a variety of factors. For example, older workers tend to be over-represented among the long-term unemployed when compared with other age groups. Poverty and wealth Simply put, poverty is not good for the economy. When children grow up in poverty, they are more likely, later in life, to have low earnings, commit crimes, and have poor health. Holtzer et al. (2007) estimate the cumulative costs to the economy of childhood poverty to be about $500 billion per year, or about 4% of GDP. There is significant evidence that poverty has lasting consequences for kids, including educational achievement, cognitive development, and emotional and behavioral outcomes.3 As noted above, family income can be expected to impact educational attainment in various ways, but falling incomes and higher poverty levels also impact adults' opportunities as well. Wealth also shapes economic opportunities, providing a lifeline when times are tough (such as a recession) and can finance additional education, retraining, or the startup costs of a new business. Unfortunately, a large share of the country has little in the way of wealth: in 2004 approximately 30% of households had a net worth of less than $12,000 (Mishel et al. 2009). This problem is even more severe for certain populations: the median financial wealth for blacks—which includes liquid and semi-liquid assets such as mutual funds, trusts, and bank account holdings—was just $300 in 2004. Economic mobility As noted above, inter-generational mobility—or the lack thereof—can lead to persistent impacts of recessions. Poorer families can lead to less opportunity and worse economic outcomes for their children through a variety of mechanisms—be it through nutrition, educational attainment, or access to wealth. A recession, therefore, should not be thought as a one-time event that stresses individuals and families for a couple of years. Rather, economic downturns will impact the future prospects of all family members, including children, and will have consequences for years to come. A range of findings suggest that economic outcomes— especially one's position in the income and wealth distribution— are often carried over from one to the next (Solon 1992; Hertz 2006). More directly related to job loss, Oreopoulos et al. (2005) looks at labor market earnings of children whose fathers experienced a job loss. **Not only did the job loss lead to a persistent loss in family income, but the next generation also had earnings 9% lower than similar children whose father did not experience unemployment.** Private investment Perhaps the most obvious areas in which recessions can slow economic growth is in those of investments and R&D. Economists have long recognized the central role of investment and technology as key contributors to economic growth.4 **Recessions can and do lead to decreases in investment spending and the adoption of new technologies**. This is a result of at least four factors. First, an economic downturn will lead to a drop in demand for firms' products as customers' incomes decline, thus lowering the return to investments. Second, limited access to credit will limit firms' ability to invest. Third, recessions are periods of increased uncertainty that may lead firms to retrench toward "core" products and production techniques, and therefore they may be less likely to experiment with new products and techniques. Finally, we must also consider the interaction between human and physical capital. Technology is often embedded in new physical equipment: as production and employment is reduced, there is less purchasing of newer equipment. As a result, workers are less able to utilize their skills, and there is less need to "up-skill" current employees or hire additional employees with new skills.5 Figure C shows the growth of non-residential investment in each of the last four recessions, as well as a more narrow category of equipment and software (thus excluding structures). Over the 1947-2009 period, annualized quarterly non-residential investment has averaged 4.7%, while investment in equipment and software have averaged 5.9%. As the figure shows, investment contracts significantly during recessions. It also shows the severity of the current downturn, with total non-residential investment down by 20% from peak levels through the second quarter of 2009. To illustrate with a concrete example the impact in one particular area, consider the deployment of broadband access. There is evidence that universal access to broadband internet connectivity could yield significant economic benefits (see Crandall and Jackson (2001) or Atkinson et al. (2009)). Yet investments in information processing equipment/software and computers/peripheral equipment are down from peak levels by 11% and 15%, respectively. The consequences of the lower levels of investment are obvious. Less capital investment today means lower levels of economic production in the future. Lower levels of physical investment can also mean lower levels of productivity and hence wages.6 The impact will last well beyond the official end of the current recession. Entrepreneurial activity: Business formation and expansion Aside from the general downturn in investment activity, recessions—and particularly ones that involve a credit crunch as the current one does—can **hamper small business formation and entrepreneurial activity**. From a long-run perspective, new business formation is important because of the links between innovation, R&D, and new startups. New businesses are often formed to develop, implement, and market new technologies. To take one example, Kirchhoff et al. (2002) examines the link between university-based R&D activity and new business creation and finds that "university R&D expenditures are significantly related to new firm formations in the same [Local Market Area]." **Thus delays in new business formation may mean delays in the development and adoption of new technologies, causing long-run damage to the economy**.7 There are several ways recessions can slow business formation and expansion. First, to state the obvious, new businesses need new customers. An economic slowdown means that there is less spending overall; therefore, people looking to start a new business may decide to delay ventures until demand returns to normal levels. Second, new businesses need new investors and creditors. Lower incomes and wealth levels may mean that new business will find it more difficult to find individual investors, and credit constraints may limit borrowing from private banks. According to a recent report by the U.S. Small Business Administration (SBA 2009): "The credit freeze in the short-term funding market had a devastating effect on the economy and small firms. By late 2008, the normal production of goods and services had virtually stalled." A survey of loan officers also suggests that standards for small-firm commercial and industrial loans were significantly tightened. **Not only do recessions make it more difficult to start a new business, they also can undermine new start-ups that are struggling to get by**. There may be many new businesses (and business mod els) that would be successful in ordinary times but are unable to succeed due to a lack of demand or credit. In 2008, 43,500 businesses filed for bankruptcy, up from 28,300 businesses in 2007 and more than double the 19,700 filings in 2006 (SBA 2009). The recession's impact can also be seen in initial public offering (IPO) activity. Firms use capital raised from IPOs to expand activities. In 2008, there were just 21 IPOs for operating companies, down from an annual average of 163 in the four years prior (Ritter 2009).8 Furthermore, the median age of IPOs in 2008 was slightly higher than in past years, meaning that it is the more-established firms that are receiving the capital influx. It is tempting to conclude that recessions merely delay new business formation, and that over time delayed plans will eventually be implemented. However, for many new businesses, there is a limited opportunity to get going. Furthermore, innovative new firms often build on prior innovation and technology platforms. A delay in one business may mean many others will be delayed as well, creating a ripple effect across a broader range of businesses.

## Subpoint B

### 1% increase in government debt increases overall investment in the private sector by 0.13%; warrant: because increasing the supply of safe assets (bonds) the cost of financing decreases and the firms shift to more long term decision making which includes more investment

Kahn University of Michigan 2019

> This paper quantifies a channel through which government borrowing can increase corporate invest- ment. I present and estimate a general equilibrium model where long-lived corporations make endogenous corporate financing and investment decisions. The government affects these decisions through its issuance of safe debt. In the model, firms use safe assets to retain their earnings and avoid future financing costs. When the corporate sector is limited in its ability to create safe assets by the pledgeability of their capital, safe assets are scarce: a liquidity premium emerges, and the return on safe assets falls below the return on the firm in equilibrium. When safe assets are scarce, low interest rates on safe assets mean firms rely more on costly financing, resulting in lower investment. **In this setting, in contrast to the common crowding-out story, increasing government borrowing raises the return on safe assets, making safe assets more available to firms and allowing them to better retain earnings in order to invest in the future**. This channel is quantitatively important: estimating the model from data on the panel of public firms using structural methods, **I find that a 1% increase in government borrowing increases the return on safe assets by 60 basis points and increases aggregate investment by 13 basis points.** I explore the equilibrium consequences of a variety of standard corporate financing frictions through the lens of my model, and validate its mechanism empirically by turning to the long time series of corporate cash holding, government borrowing, and spreads of corporate bonds over government bonds.
>
> **As the government's supply of safe assets increases, expected costs of financing decrease, and as a result investment increases.** In this baseline model, demand for government debt is determined entirely by the firms' precautionary needs. Therefore, higher levels of government debt must be compensated with higher payments to shareholders now or in the future. In order to increase these payments, the firms must invest more. Figure 9 presents my main results, which relate the supply of safe assets to aggregate investment. **The increase to investment is essentially monotonic, despite the errors due to nite grid approximation of the rms' dynamic problem. In particular, when government debt to GDP increases by 1%, it results in a 60 basis point increase in the return on safe assets and a 13 basis point increase in investment.** Table 4 shows the e ect of increasing government borrowing on output components and corporate nancing decisions. Because of the decreasing returns to scale technology in capital, the increase in output is more modest than the increase in investment. Increasing government borrowing by 1% only leads to a 10 basis point increase in investment. However, this increase is costly, as it requires the government to issue more debt. Debt comes with a servicing cost, rT. These costs rise faster than government borrowing as

the interest rate also rises. In equilibrium, they are born by households. At the parameter estimates, the cost of government borrowing is slight, and so increasing the safe rate results in a net increase in consumption.

### Firebaugh - 1% increase domestic investment=.23% increase economic growth

**Firebaugh** (), "Sci-Hub", No Publication, xx-xx-xxxx, DOA 1-11-2019, https://sci-hub.tw/10.2307/2781194, (NR)

> What do we find? There is strong support for the view that foreign investment is not as good as domestic investment (table 1). Other things constant, annual economic growth is boosted by an estimated .23% for every 1% annual increase in domestic investment, but only by .08% for every 1% annual increase in foreign investment (see table 1, col. 3). The difference between the slopes (domestic vs. foreign Ir) is significant (P < .05) in every instance (significance tests not shown). Regardless of measure-investment rate as percentage increase or annual rate or annualized rate-domestic investment is better.3

### Capital is super important to businesses

Sbe Council, xx, (), "Small Business & Entrepreneurship Council", No Publication, xx-xx-xxxx, DOA 1-25-2019, https://sbecouncil.org/2019/01/15/the-2019-policy-agenda-for-entrepreneurs-and-small-business/, (NR)

> ACCESS TO CAPITAL Capital is the fuel that drives entrepreneurship and economic growth. It’s no secret that small businesses and startups need a continuous flow of capital to launch, compete and grow. Access has greatly improved over the past two years, with bank lending on the rise. The capital provided by the “Tax Cuts and Jobs Act” has helped many entrepreneurs self-finance business expansion, raise employee wages, and offer new benefits. Strong economic growth in general has boosted venture capital investment. In addition, investment crowdfunding is on the rise. Still, there is much to be done on the policy front to encourage capital formation and access, and improve business lending and financing.

### Slivinski - 1% increase in business=2% decline in poverty

Slivinski , Goldwater institute, xx-xx-xxxx, DOA 1-11-2019, https://www.realclearmarkets.com/docs/2012/11/PR254%20Increasing%20Entrepreneurship.pdf, (NR)

> There is a strong connection between a state’s rate of entrepreneurship and declines in poverty. Statistical analysis of all 50 states indicates that states with a larger share of entrepreneurs had bigger declines in poverty. In fact, comparing states during the last economic boom—from 2001 to 2007—data show that for every 1 percentage point increase in the rate of entrepreneurship in a state, there is a 2 percent decline in the poverty rate.

### Arenmeyer – small businesses k2 recovery

John Arensmeyer, 18, (), "Small Businesses Are Key to Driving Economic Recovery", Financial Poise, 8-20-2018, https://www.financialpoise.com/key-to-driving-economic-recovery/, DOA-1-11-2019 (MO)

Despite a shortage of capital, small business is driving economic recovery and job growth in the United States. In fact, small businesses represent more than 99% of employer firms and employ 58 million of the nation’s private-sector workforce. And, small business job creation often outperforms that of big businesses. A healthy small business community is crucial to driving economic recovery. In order to boost small businesses’ bottom lines, investors need to ensure entrepreneurs have the capital they need to grow and hire.