# PRO Case

#### Brendan and I stand in firm affirmation of the resolution resolved: The United States Federal government should prioritize reducing the federal debt over promoting economic growth, we will support this stance through the following 2 contentions.

## Contention 1: Income Inequality

#### Income inequality is at the highest it’s been since before World War 2

Christopher Ingraham, data analyst, February 6, 2018, “How rising inequality hurts everyone, even the rich,” Washington Post, <https://www.washingtonpost.com/news/wonk/wp/2018/02/06/how-rising-inequality-hurts-everyone-even-the-rich/?utm_term=.f1fd0e059f97> (accessed 12/7/18)

Over the past 40 or so years, **the** American **economy has been funneling** wealth and **income**, reverse Robin Hood-style, **from the pockets of the** bottom **99 percent to the coffers of the** top **1 percent**. The total transfer, to the richest from everyone else, amounts to 10 percent of national income and 15 percent of national wealth. It's part of a massive **concentration of** wealth and **income among the rich** that **has put the U**nited **S**tates **at levels of inequality not seen** in this country since **before** World War II. It's a trend that economists such as Thomas Piketty believe will continue unchecked in the coming decades, with the top 1 percent of Americans capturing a quarter or more of the national income by 2030.

#### This is problematic because deficit spending furthers income inequality in two scenarios:

### Scenario One: Unemployment:

#### Michael Cox director of Global Markets at SMU explains in 2012 that when the government partakes in “stimulus spending” to grow the economy it backfires. Specifically, when looking at the unemployment rate during the Roosevelt administration, stimulus spending increased the unemployment rate from 3.2% in 1929 to 25.2% in 1933. Furthermore, only two periods of rising government spending have been associated with lower unemployment, both during times of world wars, where unemployment fell because of conscription, not spending.

**Cox and Alm 12** — W. Michael Cox, Director of the William J. O Neil Center for Global Markets and Freedom at Southern

Methodist University, former Chief Economist and Senior Vice President of the Federal Reserve Bank of Dallas, and Richard Alm, Writer in Residence at the O Neil Center for Global Markets and Freedom at Southern Methodist University, formerly covered the national economy for U.S. News & World Report, 2012 ( Sorry, Keynesians, More Spending Doesn't Boost Jobs, Investors.com—the website of Investor s Business Daily, July 6th, Available Online at http://news.investors.com/article/617318/201207061734/government-stimulus-doesnt-creat-more-jobs.htm?p=full, Accessed 0720-2012)

**Political leaders continue to peddle the snake oil that we can spend our way back to**

**prosperity.** The Obama administration has pushed government's share of GDP past 40%, the highest ever without a major war.

Europeans are grousing about austerity, seeing crippling debt not as a comeuppance but as an obstacle to the spending needed to revive a moribund economy. In the 1930s, with the world in the Great Depression's death grip, British economist John Maynard

Keynes argued that massive government spending would boost demand and put the unemployed back to work. **Over** the next

**eight decades, Keynesian stimulus became the standard remedy for weak economies — even though it has never worked . To test the efficacy of Keynesian policies, we looked at the annual changes in U.S. government spending as a share of** **g**ross **d**omestic **p**roduct **from 1901 to 2011, measured relative to the growth trend of 1.76%. Then we determined whether the higher spending had lowered unemployment rates** (see chart above). **Many** Americans **believe** President Franklin D. **Roosevelt's Keynesian conversion beat back the Great Depression. It's pure myth. In the 1930s, the U**nited **S**tates **doubled government outlays relative to GDP. The unemployment rate didn't fall**; instead, **it jumped from 3.2% in 1929 to 25.2% in 1933 — an outcome contrary to**

**Keynes' doctrine.** Yet the policy's failure hasn't fazed Keynes' acolytes. They argue that U.S. policy was too timid and even more government spending was needed to cure the Depression. They point to World War II, where government spending rose to 50% from 20% of GDP and unemployment fell to 1.2%. **Only two periods of rising government spending have been associated with falling unemployment —** 1917-19 and 1941-45. **They're both times of major world wars, where millions of adults were plucked from the civilian labor force** to serve in the

military. The share of the adult population on active duty rose from 0.3% in 1916 to 4.5% in 1918 and from 0.5% in 1940 to 12.3% in

1945. In short, **unemployment fell not because of government spending but because of government conscription — hardly a good way to cure joblessness or evidence of a Keynesian miracle. At all other times during this 110-year sweep of U.S. history, government spending and unemployment rates have moved in the same direction**. In the 1920s, both trended downward. The

Depression decade saw them rise in tandem. From the 1950s through the 1970s, spending and unemployment moved up and down together. In the 1980s-90s, they had another nicely choreographed decline. Keynesian proponents could claim the positive

correlation stems from increases in government spending to create jobs as unemployment rises. However, **the pattern persists even with a lag, meaning that government spending programs have made unemployment worse.** So now we come to **our current Keynesian episode**. An $825 billion stimulus package,

passed in February 2009, **authorized spending for infrastructure,** health care, education, energy efficiency, scientific

research and dozens of other projects. Rebates and tax cuts sought to rouse skittish consumers. At the time, **proponents**

**projected that the stimulus would keep the jobless rate below 8%. While government went on its spending spree, unemployment kept rising, peaking at 10%** in October 2009. **After three years of the stimulus, funded with borrowed money, unemployment hadn't yet gone down to 8%. Yet another Keynesian policy failure hasn't led to a reappraisal of the belief that spending can solve the economy's problems.** To some, the slow recovery means that the stimulus wasn't strong enough, or the economy was in worse shape than anyone thought. Neither argument faces the glaring truth — **Keynesian stimulus doesn't work the way its adherents say it does.**

### Scenario Two: Investment

#### High debt payments hurt wage growth and access to credit for average American

Michael Collins, Washington correspondent, October 16, 2018, “The national debt and the federal deficit are skyrocketing. How it affects you,” USA Today, (accessed 12/4/18)

**Debt not only suppresses** economic **growth, it suppresses future wages**. The Congressional Budget Office projects that average **income in 30 years will be $5,000 less** per year **if** the national **debt continues its** current **trajectory**. Using that same data, the Peterson Foundation calculates that average **income for a family** of four **will drop by $16,000** over the next three decades **if debt rises** as projected. That means you’ll have less money to spend on daily necessities like food, gas and clothing or to put extra money in your savings account or your 401(k). As we’ve already mentioned, rising **debt** and deficits **can lead to higher interest rates. Higher interest rates mean it will cost more to borrow money** to buy a house or a car and paying for college tuition or starting your own business will become more expensive. Higher interest rates also affect credit card purchases, so expenses like buying gas or groceries or even going on vacation will cost more.

#### The increase in unemployment and decrease in investment is highly problematic, because it doesn’t help the average American. Economic growth is meaningless if it isn’t justly distributed – inequality needs to be considered first

Vincent Chin, Senior Partner and Managing Director of Boston Consulting Group, August 21, 2017, “Inequality has a major impact on a country’s wellbeing. Why?,” World Economic Forum, <https://www.weforum.org/agenda/2017/08/inequality-makes-us-unhappy-heres-why/> (accessed 12/7/18)

It’s important at the outset to remind ourselves why we look at well-being specifically. The fact is that **increased GDP**, while still important, **is no longer seen as** conclusive **evidence that a country’s economic policies are working. A country may have a growing economy but**, at the same time, large swathes of **its population can remain struggling**, seemingly cut off from the prosperity enjoyed the rich and powerful, and with little or no prospect of any upward mobility coming their way. This issue has come to the fore particularly strongly in recent years. This is because the recovery of the global economy from the financial crisis of 2008 has not been felt by everyone. Sure, most businesses have bounced back and high net worth individuals are doing fine, but poverty rates remain high in many countries – both developed and developing – and the incomes of the poorest have stagnated or even declined. All this before the looming artificial intelligence revolution which promises to massively disrupt the labour market.

## Contention Two: Ensuring Hegemony

#### Tom Rogan writes in 2017 that deficit spending impacts interest rates, investment, and national savings – risking economic collapse. He furthers that the federal deficit is a problem that matters because if nothing is done interest rates will soon double. Another problem is that as interest payments rise, national savings decline and that means reduced private investment opportunity.

Tom Rogan | Jun 30, 2017, Here's why the national deficit is bad for you http://www.washingtonexaminer.com/heres-why-the-national-deficit-is-bad-for-you/article/2627569

The federal deficit is a problem that matters. Most of the time, when we hear "the deficit is a problem," it comes without supporting facts. We simply apply the same rationale as we would with our household expenditures. Namely, that if we spend too much, we're going to have a problem. We'll have to pay back our overspend with interest, and correspondingly we'll have less money to spend on things we need in the future. To some degree, the household example bears similarity to the fiscal considerations of national deficit and debt. It's just much more serious at the national level. Where we, as individuals, can make prudent financial choices to mitigate our personal debts, uncontrolled government deficits affect all of us. Here's why the national deficit matters for Americans. First off, there's the interest rate issue. On paper, because U.S. interest rates are historically low, this would seem to be a good time for government to borrow money for investments. President Trump often makes that case. And even at the lower end of projections, medium term U.S. economic growth significantly exceeds the cost of borrowing. That means current interest rates should be easily offset by future economic growth. Correspondingly, current government borrowing should pay for itself. But there's a catch: That argument assumes government borrowed money will be spent boosting the economic potential of the nation. It's a big assumption. After all, government is [manifestly less productive](http://opportunitylives.com/how-bill-gates-gets-government-efficiency-wrong/) than the private sector. It wastes a lot of money on things that do not boost economic productivity. Moreover, interest rates are not static, and as long as the government runs deficits, anything borrowed at today's rates will be refinanced at tomorrow's. The Federal Reserve believes its quantitative easing has lowered long term borrowing interest rates by about 1 percent. But as the Federal Reserve unwinds that borrowing, interest rates will rise. The Congressional Budget Office gives some context as to why this matters. Last summer, the CBO projected that if current spending plans hold firm, net interest payments on the debt will more than quadruple in relation to the economy, from 1.4 percent of GDP today to 5.8 percent of GDP in 2046. As [I've noted](http://www.opportunitylives.com/a-non-partisan-report-says-america-is-going-bankrupt-here-are-some-solutions/), "To put that in perspective, had the U.S. spent an extra 4.4 percent GDP on debt service in 2015, it would have added $790 billion to the federal budget deficit." By 2026, just nine years from now, the CBO projects government interest rate payments will double as a percentage of GDP. That amounts to hundreds of billions of additional dollars spent simply on paying off debt interest. That's money that cannot be spent on education, highways, the military, or any other government priority. And that's just the start. Another problem is that as deficits and interest payments rise, national saving declines. And that decline means reduced private investment opportunity. If we accept, as the vast majority of economists do, that effective investment is the key to boosting productivity and [thus wages and living standards](http://opportunitylives.com/forget-income-inequality-this-is-the-key-to-better-americas-economic-future/), the debt's role in crowding out investment is a big problem. Then there's the issue of the dollar as the world's reserve currency. At present, foreign entities hold [around 40](https://fas.org/sgp/crs/misc/RS22331.pdf) percent of all publicly held Federal debt (that is, not counting the IOUs held in Social Security and other entitlement program trust funds). But as the deficit grows and we avoid resolving its cost drivers (an aging population joined to unaffordable entitlements), American debt will become more risky to hold. This week we got more bad news in this regard. [We found out](https://www.washingtonpost.com/news/to-your-health/wp/2017/06/30/the-u-s-fertility-rate-just-hit-a-historic-low-why-some-demographers-are-freaking-out/?utm_term=.72cbe25fc5ca) that the nation's birth rate is also declining. That means fewer workers to pay for more elderly citizens. As the prospect of a default grows — even if it remains remote — foreign investors will abandon the dollar. And the consequence will be an immediate and serious decline in the wealth of American families. Don't believe me? Consider what Brexit has done to the British pound. Just before Brexit, one British pound was worth $1.49. Today, one British pound is worth just $1.30. In dollar terms, Britons are now 13 percent less wealthy than prior to Brexit. How would you feel if you were 13 perent poorer? The deficit and the debt matter. If we wish to leave a better nation to our children, we need to get a grip and reduce long-term spending.

#### This is highly problematic because Zalmay Khalilzad, former US Ambassador to Iraq, writes that economic trends pose the most severe long-term threat to the U.S.’ position as a global leader. The U.S. suffers from fiscal imbalances to the economies of rivals. This shift from American primacy towards a multi-polar system is creating a geopolitical rivalry with great powers.

Khalilzad, **Former US Ambassador to Iraq,** ‘11 **(Zalmay, February 8, “The Economy and National Security” National Review, http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad)**

Today, economic and fiscal trends pose the most severe long-term threat to the United States’ position as global leader. While the United States suffers from fiscal imbalances and low economic growth, the economies of rival powers are developing rapidly. The continuation of these two trends could lead to a shift from American primacy toward a multi-polar global system, leading in turn to increased geopolitical rivalry and even war among the great powers. The current recession is the result of a deep financial crisis, not a mere fluctuation in the business cycle. Recovery is likely to be protracted. The crisis was preceded by the buildup over two decades of enormous amounts of debt throughout the U.S. economy — ultimately totaling almost 350 percent of GDP — and the development of credit-fueled asset bubbles, particularly in the housing sector. When the bubbles burst, huge amounts of wealth were destroyed, and unemployment rose to over 10 percent. The decline of tax revenues and massive countercyclical spending put the U.S. government on an unsustainable fiscal path. Publicly held national debt rose from 38 to over 60 percent of GDP in three years. Without faster economic growth and actions to reduce deficits, publicly held national debt is projected to reach dangerous proportions. If interest rates were to rise significantly, annual interest payments — which already are larger than the defense budget — would crowd out other spending or require substantial tax increases that would undercut economic growth. Even worse, if unanticipated events trigger what economists call a “sudden stop” in credit markets for U.S. debt, the United States would be unable to roll over its outstanding obligations, precipitating a sovereign-debt crisis that would almost certainly compel a radical retrenchment of the United States internationally. Such scenarios would reshape the international order. It was the economic devastation of Britain and France during World War II, as well as the rise of other powers, that led both countries to relinquish their empires. In the late 1960s, British leaders concluded that they lacked the economic capacity to maintain a presence “east of Suez.” Soviet economic weakness, which crystallized under Gorbachev, contributed to their decisions to withdraw from Afghanistan, abandon Communist regimes in Eastern Europe, and allow the Soviet Union to fragment. If the U.S. debt problem goes critical, the United States would be compelled to retrench, reducing its military spending and shedding international commitments. We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The closing of the gap between the United States and its rivals could intensify geopolitical competition among major powers, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation. The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. leadership. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions. As rival powers rise, Asia in particular is likely to emerge as a zone of great-power competition. Beijing’s economic rise has enabled a dramatic military buildup focused on acquisitions of naval, cruise, and ballistic missiles, long-range stealth aircraft, and anti-satellite capabilities. China’s strategic modernization is aimed, ultimately, at denying the United States access to the seas around China. Even as cooperative economic ties in the region have grown, China’s expansive territorial claims — and provocative statements and actions following crises in Korea and incidents at sea — have roiled its relations with South Korea, Japan, India, and Southeast Asian states. Still, the United States is the most significant barrier facing Chinese hegemony and aggression. Given the risks, the United States must focus on restoring its economic and fiscal condition while checking and managing the rise of potential adversarial regional powers such as China. While we face significant challenges, the U.S. economy still accounts for over 20 percent of the world’s GDP. American institutions — particularly those providing enforceable rule of law — set it apart from all the rising powers. Social cohesion underwrites political stability. U.S. demographic trends are healthier than those of any other developed country. A culture of innovation, excellent institutions of higher education, and a vital sector of small and medium-sized enterprises propel the U.S. economy in ways difficult to quantify. Historically, Americans have responded pragmatically, and sometimes through trial and error, to work our way through the kind of crisis that we face today. The policy question is how to enhance economic growth and employment while cutting discretionary spending in the near term and curbing the growth of entitlement spending in the out years. Republican members of Congress have outlined a plan. Several think tanks and commissions, including President Obama’s debt commission, have done so as well. Some consensus exists on measures to pare back the recent increases in domestic spending, restrain future growth in defense spending, and reform the tax code (by reducing tax expenditures while lowering individual and corporate rates). These are promising options. The key remaining question is whether the president and leaders of both parties on Capitol Hill have the will to act and the skill to fashion bipartisan solutions. Whether we take the needed actions is a choice, however difficult it might be. It is clearly within our capacity to put our economy on a better trajectory. In garnering political support for cutbacks, the president and members of Congress should point not only to the domestic consequences of inaction — but also to the geopolitical implications. As the United States gets its economic and fiscal house in order, it should take steps to prevent a flare-up in Asia. The United States can do so by signaling that its domestic challenges will not impede its intentions to check Chinese expansionism. This can be done in cost-efficient ways. While China’s economic rise enables its military modernization and international assertiveness, it also frightens rival powers. The Obama administration has wisely moved to strengthen relations with allies and potential partners in the region but more can be done. Some Chinese policies encourage other parties to join with the United States, and the U.S. should not let these opportunities pass. China’s military assertiveness should enable security cooperation with countries on China’s periphery — particularly Japan, India, and Vietnam — in ways that complicate Beijing’s strategic calculus. China’s mercantilist policies and currency manipulation — which harm developing states both in East Asia and elsewhere — should be used to fashion a coalition in favor of a more balanced trade system. Since Beijing’s over-the-top reaction to the awarding of the Nobel Peace Prize to a Chinese democracy activist alienated European leaders, highlighting human-rights questions would not only draw supporters from nearby countries but also embolden reformers within China. Since the end of the Cold War, a stable economic and financial condition at home has enabled America to have an expansive role in the world. Today we can no longer take this for granted. Unless we get our economic house in order, there is a risk that domestic stagnation in combination with the rise of rival powers will undermine our ability to deal with growing international problems. Regional hegemons in Asia could seize the moment, leading the world toward a new, dangerous era of multi-polarity.

#### We must strive to maintain hegemony because our leadership has been the single greatest force for peace the world has ever known. According Barnett of the U.S. Naval War College in 2011, America introduced globalization that resulted in democracy, human rights, liberation for women, doubling of life expectancy, tenfold global GDP increase, and a 99% reduction in death due to conflict.

Thomas P.M. Barnett 11 Former Senior Strategic Researcher and Professor in the Warfare Analysis & Research Department, Center for Naval Warfare Studies, U.S. Naval War College American military geostrategist and Chief Analyst at Wikistrat., worked as the Assistant for Strategic Futures in the Office of Force Transformation in the Department of Defense, “The New Rules: Leadership Fatigue Puts U.S., and Globalization, at Crossroads,” March 7 http://www.worldpoliticsreview.com/articles/8099/the-new-rules-leadership-fatigue-puts-u-s-and-globalization-at-crossroads

It is worth first examining the larger picture: **We live in a time of arguably the greatest structural change in the global order yet endured**, **with this historical moment's most amazing feature being its** relative and absolute **lack of mass violence**. That is something to consider when Americans contemplate military intervention in Libya, because if we do take the step to prevent larger-scale killing by engaging in some killing of our own, we will not be adding to some fantastically imagined global death count stemming from the ongoing "megalomania" and "evil" of American "empire." We'll be engaging in the same sort of system-administering activity that has marked our **stunningly successful stewardship of global order** since World War II. Let me be more blunt: **As the guardian of globalization**, **the U.S. military has been the greatest force for peace the world has ever known**. Had America been removed from the global dynamics that governed the 20th century, the mass murder never would have ended. Indeed, it's entirely conceivable there would now be no identifiable human civilization left, once nuclear weapons entered the killing equation. But the **world did not keep sliding down that path of perpetual war**. **Instead, America stepped up and changed everything by ushering in our now-perpetual great-power peace**. **We introduced the international liberal trade order known as globalization** and played loyal Leviathan over its spread. **What resulted was the collapse of empires, an explosion of democracy**, the **persistent spread of human rights**, the liberation of women, **the doubling of life expectancy**, a roughly **10-fold increase in adjusted global GDP** **and a profound and persistent reduction in battle deaths from state-based conflicts.** That is what American "hubris" actually delivered. Please remember that the next time some TV pundit sells you the image of "unbridled" American military power as the cause of global disorder instead of its cure. With self-deprecation bordering on self-loathing, we now imagine a post-American world that is anything but. Just watch who scatters and who steps up as the Facebook revolutions erupt across the Arab world. While we might imagine ourselves the status quo power, we remain the world's most vigorously revisionist force. **¶** As for the sheer "evil" that is our military-industrial complex, again, let's examine what the world looked like before that establishment reared its ugly head. **The last great period of global structural change was the first half of the 20th century, a period that saw a death toll of about 100 million across two world wars.** That comes to an average of 2 million deaths a year in a world of approximately 2 billion souls. Today, with far more comprehensive worldwide reporting, researchers report an average of less than 100,000 battle deaths annually in a world fast approaching 7 billion people. Though admittedly crude**, these calculations suggest a 90 percent absolute drop and a 99 percent relative drop in deaths due to war. We are clearly headed for a world order characterized by multipolarity,** something the American-birthed system was designed to both encourage and accommodate. **But given how things turned out the last time we collectively faced such a fluid structure, we would do well to keep U.S. power, in all of its forms, deeply embedded in the geometry to come.¶** To continue the historical survey, after salvaging Western Europe from its half-century of civil war, **the U.S. emerged as the progenitor of a new, far more just form of globalization -- one based on actual free trade rather than colonialism.** America then successfully replicated globalization further in East Asia over the second half of the 20th century, **setting the stage for the Pacific Century now unfolding.**

#### It is because of the large impacts that the PRO team reads that Brendan and I can only see a PRO ballot. Thank you.