We AFFIRM

Our Sole Contention is the Recession

The US debt is out of control

Kimberly **Amadeo**, 1-5-20**19**, "5 Reasons Why America Is in So Much Debt," Balance, https://www.thebalance.com/the-u-s-debt-and-how-it-got-so-big-3305778

The U.S. debt is the sum of all outstanding debt owed by the federal government. It exceeded $21 trillion on March 15, 2018. The U.S. Treasury Department's "Debt to the Penny" shows the current total public debt outstanding. This figure changes everyday. The debt clock in New York also tracks it.

AND – An economic recession is on the horizon – We're at a breaking point

Geoff **Colvin**, 7-19-20**18**, "The End is Near for the Economic Boom," Fortune, http://fortune.com/longform/economic-expansion-end-is-near/

Yet all these signs of economic strength mask fundamental realities that won't fade away and mustn't be ignored. **The current economic expansion is much nearer its end than its beginning, as accumulating hints suggest**—including the stagnating stock market, about which we'll say more in a bit. Already the concerns are pushing up long-term interest rates, which is bad for asset values. **Uncertainty about the effects of a trade war is causing many companies to postpone action, dampening potential investment.** Indeed, look past those disco balls and you'll see economic warning signs everywhere. **A significant slowdown or even recession is coming sooner or later, and it's probably coming sooner than you think.** It always does. It is somewhat remarkable, historically speaking, that it has taken this long to get here. **America's current expansion is 110 months old (including the recovery period after the last recession), which makes it a marvel of longevity—the economic equivalent of a supercentenarian. The current growth run is the second longest in the 164 years for which the National Bureau of Economic Research has done the analysis; the average expansion has run a mere 39 months.** The only one that outlasted this one lived to be 120 months old (1991–2001). Old age isn't by necessity a death knell for an expansion—but then, there is something that tends to accompany it: When things start to break down, they break down en masse. Gerontologists call these tandem and often interlinked pathologies "comorbidities." And in this economy, just under the skin, there seem to be plenty of them.

<u>Subpoint A is the Problem – The Economy isn't good</u>

First, low interest rates in the status quo lead to bubbles

Jesse **Colombo**, 8-31-20**18**, "Disaster Is Inevitable When America's Stock Market Bubble Bursts," Forbes, https://www.forbes.com/sites/jessecolombo/2018/09/05/disaster-is-inevitable-when-americas-stock-market-bubble-bursts/

<u>The reason for America's stock market and economic bubbles is quite simple: ultra-cheap credit/ultra-low interest rates</u>. As I explained in a *Forbes* piece last week, ultra-low interest rates help to create bubbles in the following ways: **<u>Investors can borrow cheaply to speculate</u>** in assets (ex: cheap mortgages for property speculation and low margin costs for trading stocks) By **<u>making it cheaper to borrow</u>** to conduct share buybacks, dividend increases, and mergers & acquisitions By **<u>discouraging the holding of cash in the bank</u>** versus speculating in riskier asset markets By **<u>encouraging higher rates of inflation</u>**, which helps to support assets like stocks and real estate By **<u>encouraging more borrowing</u>** by consumers, businesses, and governments **<u>The chart below shows how U.S. interest rates</u>** (the Fed Funds Rate, 10-Year Treasury yields, and Aaa corporate bond yields) **<u>have remained at record low levels for a record period of time</u>** since the Great Recession:

AND - If current trends change, we risk bankrupting businesses

Neil **Irwin**, 8-2-20**18**, "What Will Cause the Next Recession? A Look at the 3 Most Likely Possibilities," No Publication, https://www.nytimes.com/2018/08/02/upshot/next-recession-three-most-likely-causes.html

<u>The last two recessions started with the popping of an asset bubble.</u> In 2001 it was dot-com stocks; in 2007 it was houses and the mortgage securities backed by them. **<u>Corporations have loaded up on debt over the last decade, spurred by low interest rates and the opportunity to increase returns for shareholders.</u>** The value of corporate bonds outstanding rose by $2.6 trillion in the United States between 2007 and 2017, according to data from the McKinsey Global Institute — rising to about 25 percent of G.D.P. from about 16 percent**<u>. Essentially, businesses have been in a sweet spot for years, in which profits have gradually risen while interest rates have stayed low by historical measures. If either of those trends were to change, many companies with higher debt burdens might struggle to pay their bills and be at risk of bankruptcy</u>**. The 2020 train wreck narrative could intersect with the corporate debt boom. **<u>If inflation were to get out of control and the Fed raised interest rates sharply, companies that can handle their debt payments at today's low interest rates might become more strained</u>**. Moreover, with federal deficits on track to rise in the years ahead, the federal government's borrowing needs could crowd out private borrowing, which would result in higher interest rates and even more challenges for indebted companies.

AND – Interest rates are set to rise this year

Kimberly **Amadeo**, 12-19-20**18**, "Are You Ready for Higher Interest Rates?," Balance, https://www.thebalance.com/when-will-interest-rates-go-up-3306125

<u>The current fed funds rate is 2.5 percent</u>. **<u>The Fed expects to increase this rate to 3 percent in 2019.</u>** The Committee began raising rates in December 2015, after the recession was safely over. Long-term rates follow the 10-year Treasury yield. As of December 18, 2018, it was 2.82 percent. Normally, as the economy improves, demand for Treasurys falls. **<u>The yields rise as sellers try to make the bonds more attractive. Higher Treasury yields drive up interest rates on long-term loans, mortgages, and bonds</u>**.

Second, a recession is inevitable even without that because growing insecurity could lead to business confidence failing

Hugh **Son**, 11-6-20**18**, "Worry over impending US recession might actually cause one, JP Morgan's retail chief says," CNBC, https://www.cnbc.com/2018/11/06/worry-over-impending-recession-might-actually-cause-one-jp-morgan.html

"**There is a great deal of volatility in the equity markets, a great deal of conversation around how late we are in the cycle and worry about the cycle**," Smith said. "**That will ultimately lead to business confidence deteriorating, it will ultimately lead to [corporate] reductions in spending, that will ultimately lead to a shorter work week for hourly-paid people, which will ultimately lead to unemployment beginning to rise**, and we would've **developed our own recession."**

<u>Subpoint B is the Solution – Reducing Debt</u>

First, increasing debt is reducing foreign interest in buying debt

Nicole **Goodkind**, 5-2-20**18**, "U.S. debt is growing and foreigners are buying less: Here's why that could be disastrous for the economy," Newsweek, https://www.newsweek.com/trump-tax-cuts-debt-china-907763

Foreign ownership of federal debt is essential to the country's economic well-being, said Andrea Dicenso, a portfolio manager and strategist at Loomis, Sayles & Co. "We cannot exist at these growth rates with these deficit projections without foreign participation," she told **The Wall Street Journal**. **<u>If fewer foreigners buy U.S. debt, American investors will be forced to pick up the slack and buy debt instead of active investments, a problem called "crowding out." "If foreigners buy less debt, Americans buy more, and they're buying at the expense of making productive investments in businesses and startups</u>**," explained Marc Goldwein, senior policy director for the nonpartisan Committee for a Responsible Federal Budget. **<u>"As a result of the dollars diverged to the treasury from other investments, our economy experiences less GDP [gross domestic product] growth, and wage growth slows."</u>**

AND – Low debt levels keep investing intact

Teresa **Ghilarducci**, xx-xx-xxxx, "Why We Should Control The Federal Debt Before The Next Recession," Forbes, https://www.forbes.com/sites/teresaghilarducci/2018/09/23/why-we-should-control-the-federal-debt-before-the-next-recession/#2afa9ee5d33b

National debt is now 105% of GDP. Should we worry? Debt alone is not a problem. During WWII, war-related debt was at a all-time high: 118% of GDP. **<u>And, debt levels naturally rise in recessions</u>**. So, not all debt is bad. But economists worry when borrowing fuels consumption and not investment. Increase debt to build schools, railroads, health systems, create anti-recession spending, and to fight fascism. Good debt makes us richer**<u>. But debt used to cut taxes for corporate stock buybacks and affluent household spending, which yields little research and development and other productive investment is bad debt. Bad debt makes us poore</u>**r.

Second, interest costs on debt are rising rapidly

Heather **Long**, 10-9-20**18**, "Analysis," Washington Post, https://www.washingtonpost.com/news/powerpost/paloma/the-finance-202/2018/10/09/the-finance-202-trump-s-economy-means-soaring-deficits-too/5bbb86091b326b7c8a8d189e/

Interest payments have never topped $300 billion before and as a percentage of GDP, they're likely to be the highest since the Great Recession. "Interest costs are the fastest-growing part of the federal budget," says Michael Peterson, head of the nonprofit Peterson Foundation, which educates people about the debt. **<u>"Over the next decade, interest costs will total nearly $7 trillion, rising to become the third-largest 'program' in the federal budget."</u>**

AND – If we don't reduce debt now, we won't be prepared for the next recession

Bixby 18 "Brookings" https://www.brookings.edu/wp-content/uploads/2016/07/Bixby-MacGuineas_FINAL.pdf

Interest on the debt will become the fastest growing part of federal spending. In 2017, the next president will inherit a government projected to spend over $300 billion on interest payments that year alone, an amount that grows to more than $800 billion by 2025—more than the current combined federal spending on the Defense Department, education, transportation, and medical research. Absent change, **<u>by 2030 all federal government revenue will be needed just for interest payments and mandatory spending(the spending programs that grow on autopilot), putting increased pressure on spending controlled through the annual appropriations process, which includes investments in human and physical capital and national defense.</u>**

AND – The debt prevents an adequate response meaning that when the time comes to prioritize economic growth, we won't even be able to do it

Nouriel **Roubini**, 9-13-20**18**, "We are due a recession in 2020 – and we will lack the tools to fight it," Guardian, https://www.theguardian.com/business/2018/sep/13/recession-2020-financial-crisis-nouriel-roubini

Unlike in 2008, when governments had the policy tools needed to prevent a free fall, the policymakers who must confront the next downturn will have their hands tied while overall debt levels are higher than during the previous crisis. When it comes, the next crisis and recession could be even more severe and prolonged than the last.

AND – That's why debt reduction before crises is essential

Brookings 16 - https://www.brookings.edu/research/nine-facts-about-the-great-recession-and-tools-for-fighting-the-next-downturn/

There are two sets of policy tools used to foster recovery following recessions: monetary policy and fiscal policy. Monetary policy, consisting of actions taken by the Federal Reserve, is used to keep interest rates low and reduce unemployment during and after a recession. **Fiscal policy includes various forms of government spending and tax cuts** enacted by Congress. **Following a recession,** both sets of policy tools can be **[are] used to** increase demand, thereby raising output and more quickly **[return]**ing **the economy to prerecession conditions.**

AND – Without the help of economic stimulus during a recession, the 2008 recession would have been twice as bad

Chad **Stone**, 10-23-20**15**, "It Could Have Been So Much Worse," US News & World Report, https://www.usnews.com/opinion/economic-intelligence/2015/10/23/the-great-recession-would-have-been-much-worse-without-stimulus-tarp

in late 2008 and early 2009 prevented the Great Recession from becoming another Great Depression, according to a recent analysis by former Federal Reserve Vice Chairman Alan Blinder and Moody's Analytics Chief Economist Mark Zandi. That probably surprises anyone who's only heard that President Barack Obama's stimulus program was a "failure" and financial stabilization measures like the Troubled Asset Relief Program were just "bailouts" for those who caused the problem in the first place**. In a nutshell, Blinder and Zandi estimate that without the full set of federal responses, the recession would have been more than three times deeper and lasted twice as long; we would have lost twice as many jobs and unemployment would have peaked at 16 percent rather than 10 percent; the budget deficit would have grown to 20 percent of GDP, reaching $2.8 trillion in fiscal 2011; and unemployment today would be 7.6 percent, not 5.1 percent**. **Those federal responses included: substantial fiscal stimulus** (debt-financed tax cuts and spending increases), most notably the 2009 economic recovery act; extraordinary actions by the Federal Reserve, Federal Deposit Insurance Corporation and Treasury Department, together with TARP, to re-establish a stable financial system and get credit flowing again; and the Fed's aggressive monetary stimulus, first using standard monetary policy to cut short-term interest rates to zero, then making large-scale purchases of longer-term assets (so-called quantitative easing or QE) to lower longer-term rates to encourage more economic activity.

The Impacts

First is the domestic impact

PEW 10 No Author, 4-28-2010, "The Impact of the September 2008 Economic Collapse," No Publication, https://www.pewtrusts.org/en/research-and-analysis/reports/2010/04/28/the-impact-of-the-september-2008-economic-collapse

U.S. households lost on average nearly $5,800 in income due to reduced economic growth during the acute stage of the financial crisis from September 2008 through the end of 2009.[1] Costs to the federal government due to its interventions to mitigate the financial crisis amounted to $2,050, on average, for each U.S. household. Also, the combined peak loss from declining stock and home values totaled nearly $100,000, on average per U.S. household, during the July 2008 to March 2009 period. This analysis highlights the importance of reducing the onset and severity of future financial crises, and the value of market reforms to achieve this goal. **Income** – The financial crisis cost the U.S. an estimated $648 billion due to slower economic growth, as measured by the difference between the Congressional Budget Office (CBO) economic forecast made in September 2008 and the actual performance of the economy from September 2008 through the end of 2009. **That equates to an average of approximately $5,800 in lost income for each U.S. household.** **Government Response** – Federal government spending to mitigate the financial crisis through the Troubled Asset Relief Program (TARP) will result in a net cost to taxpayers of $73 billion according to the CBO. This is approximately $2,050 per U.S. household on average. **Home Values** – The U.S. lost $3.4 trillion in real estate wealth from July 2008 to March 2009 according to the Federal Reserve. This is roughly $30,300 per U.S. household. Further, 500,000 additional foreclosures began during the acute phase of the financial crisis than were expected, based on the September 2008 CBO forecast. **Stock Values** – **The U.S. lost $7.4 trillion in stock wealth from July 2008 to March 2009, according to the Federal Reserve. This is roughly $66,200 on average per U.S. household. Jobs – 5.5 million more American jobs were lost** due to slower economic growth during the financial crisis than what was predicted by the September 2008 CBO forecast.

Second is the global economy

George **Friedman**, 4-26-20**17**, "An American Recession And The World," HuffPost, https://www.huffingtonpost.com/entry/an-american-recession-and-the-world_us_5900b1f6e4b06feec8ac9251

The downturn in export demand will have a ripple effect because exporting countries are also importing countries. **As American demand contracts, exporters' economies will be affected and their need for imports will contract as well. This domino effect is normal. The problem is that the international system's vulnerability has grown dramatically because many countries have become excessively reliant on exports, and this has been accompanied by a general weakness in their domestic economies. Therefore, the ripple effect, while not a tidal wave, will be more substantial than would have been the case before 2008.** The most significant vulnerable countries will be the exporters of manufactured products and industrial commodities, particularly oil. The Chinese and the Germans are the most important examples, given that they are the world's second- and fourth-largest economies. The Chinese have reduced their reliance on exports as a percent of GDP to some extent, but they remain heavily dependent. They have decreased their dependence by increasing domestic consumption, but this has also led to a decline in their growth rate target to what China claims is a sustainable 6.5 percent a year. A drop in exports would make even this target harder to hit and would limit China's ability to build domestic demand by contracting exports too quickly