# SV Emory Neg – v1

## Contention 1 – The 2019 Recession

#### Until recently, all economists agreed that a recession was coming in 2020 – unfortunately it’s now clear that the recession is happening NOW in 2019. This is for two reasons. First, the government shutdown caused permanent damage. Tracey Samuelson indicated yesterday:

Tracey Samuelson, 1-24-2019, "The shutdown will impact GDP, but individual workers will bear the brunt," No Publication, https://www.marketplace.org/2019/01/23/economy/microeconomic-impact-lost-debate-over-cost-shutdown, Date Accessed 1-25-2019 // JM

The White House has estimated that the partial government shutdown will reduce[d] economic growth in the U.S. by 0.13 [0.52] percentage points for every week the government remains closed. Speaking on CNBC yesterday, Larry Kudlow, director of the National Economic Council, said those effects would be temporary. “We will get it all back,” he said, once the government reopens. But [unfortunately] economists say it’s unlikely that the effects of the shutdown will be completely erased once the government reopens. Plus, individual workers are incurring costs due to the shutdown that won’t be repaid

#### Second, a perfect storm of economic issues. Howard Gold wrote two days ago that:

Howard Gold, 1-23-2019, "Contrarian who called the 2008 housing crash expects a global recession this year," MarketWatch, https://www.marketwatch.com/story/contrarian-who-called-the-2008-housing-crash-expects-a-global-recession-this-year-2019-01-23, Date Accessed 1-25-2019 // JM

All at once, storm clouds are gathering over the world economy. [The International Monetary Fund has cut its estimates for global growth](https://www.marketwatch.com/story/imf-cuts-world-economic-forecast-for-2019-citing-trade-tensions-2019-01-21) in 2019, citing concerns about weakness in Europe. [China just had its slowest GDP growth since 1990](https://www.marketwatch.com/story/heres-what-really-worries-investors-about-chinas-slowdown-2019-01-22), and President Xi Jinping reportedly has held [secret meetings warning Communist Party leaders to prepare for “black swan” events](https://www.marketwatch.com/story/the-oracle-of-boston-rattles-davos-crowd-with-this-warning-for-investors-2019-01-22) that could derail China’s economy. In the U.S., the still-unresolved tariff war with China and [the stalemated government shutdown may be having a bigger impact on the economy](https://www.washingtonpost.com/business/economy/concerns-about-global-economy-grow/2019/01/21/43d514a2-1dc8-11e9-9145-3f74070bbdb9_story.html?utm_term=.63da9b99d835) than many anticipated. Ian Shepherdson, chief economist of Pantheon Macroeconomics, told Politico’s Ben White that when the ripple effects of these big events are factored in, [first-quarter U.S. GDP growth could drop to zero](https://www.politico.com/newsletters/morning-money). Still, economists overwhelmingly expect slower growth this year but no recession. More than half of [those surveyed by The Wall Street Journal in January saw recession coming](https://www.wsj.com/articles/economists-see-u-s-recession-risk-rising-11547132401) by 2020. One well-known independent economist thinks it will happen even sooner—he’s looking for a global recession to start in 2019. A. Gary Shilling, president of his eponymous consulting firm, made two of the best contrarian calls of recent decades: he saw the mega-bull market in bonds at its very outset in 1981, and in the years before the 2008 financial crisis and Great Recession, [warned repeatedly that the housing bubble would turn into a bust and would take the whole economy down with it](https://www.marketwatch.com/story/the-4-called-the-last-financial-crisis-heres-what-they-see-causing-the-next-one-2018-09-13). Now he says it’s once again time to batten down the hatches. Although he concedes that financial excesses aren’t what they were a decade ago and that the Federal Reserve is not raising rates willy-nilly—the two principal causes of recessions since World War II—he thinks the global economy will die a “death by a thousand cuts” in 2019. Those “thousand cuts” include central bank tightening, which we’ve already seen; falling stock prices, which occurred most notably in the pre-Christmas selloff; flattening or inversion of the yield curve, which is when the two-year Treasury yields more than the 10-year note [TMUBMUSD02Y, +0.34%](https://www.marketwatch.com/investing/bond/tmubmusd02y?countrycode=bx&mod=MW_story_quote) ; widening spreads between high-yield corporate bonds (“junk” bonds) and the 10-year Treasury; declines in housing prices and activity, of [which there’s been plenty](https://www.marketwatch.com/story/the-housing-slump-is-not-yet-a-recession-2018-11-08); falling profit growth, which will likely happen this year; a peak in consumer optimism, as the [University of Michigan’s Consumer Sentiment Index fell to 90.7 in January, its lowest point of the Trump presidency](https://qz.com/1528776/shutdown-has-consumer-confidence-at-lowest-point-of-trump-era/); falling global economic indicators; declining commodity prices; mounting troubles in emerging markets, and an escalating trade war between the U.S. and China [all spell trouble for the global economy], on which both countries seem to have pressed the pause button for now. In his recent interview with me, Shilling acknowledged that the two traditional forerunners of a recession aren’t flashing red yet, which is probably why most economists still aren’t using the “r” word. “I don’t know of any recession where you haven’t had a very distinct Fed squeeze or a financial collapse,” he said. But [the Fed has raised the federal-funds rate nine times since December 2015](https://www.marketwatch.com/story/dont-kid-yourself-the-federal-reserve-isnt-done-with-interest-rate-increases-2019-01-16) and though those hikes seem to be on hold for now, the reduction of the central bank’s balance sheet by selling bonds--a form of tightening—will likely continue. Nor have we seen the vast financial excesses of a decade ago. “In my estimation, we don’t have anything huge in imbalances that are just begging to be killed,” Shilling told me. But there’s plenty of overvaluation in many financial markets, thanks, he says, to the Fed’s largesse after the Great Recession. Before the recent sell-off, which caused the S&P 500 index [SPX, +0.14%](https://www.marketwatch.com/investing/index/spx?mod=MW_story_quote) to lose nearly 20% of its value, stocks had “way outrun profits or revenues [by any measure] you want—P/E expansion, price to book [value], price to sales, Shiller’s P/E. And what’s behind it is the Fed,” he said. In January, he advised subscribers of his newsletter, A. Gary Shilling’s Insight, to “sell U.S. overall market indices as it increasingly appears that the long bull market that commenced in March 2009 is over and a bear market is underway.” Regarding emerging markets and high-yield bonds, “this is one of these warning signs that there is so much zeal for yield on the part of investors that they’re willing to move out on the risk spectrum,” he said. And with nearly $3 trillion worth of investment-grade corporate bonds rated BBB, Shilling says “you do have that risk of a cumulative dumping and in effect forcing a lot of companies into junk status,” which could lead to another selling spree as institutions that can’t own junk-quality bonds purge them from their portfolios. The economy’s Achilles’ heel, Shilling believes, is “that there’s just been too much complacency and too much leverage built up that we won’t really see unless the whole thing comes unglued and then it’ll come out of the woodwork.” And remember, economists usually don’t recognize a recession until it’s well underway. As a contrarian, Shilling often rows against the bullish tide. He also [predicted a 2012 global recession that never happened](https://www.marketwatch.com/story/shilling-says-new-global-recession-is-here-2012-01-20). This time around, I suspect that even if a recession doesn’t start in 2019, he’ll turn out to be not wrong, but early.

#### This recession will be devastating as Mary Hill writes in 2018 that

Mary Hall, 6-4-2018, "Why does unemployment rise during a recession?," https://www.investopedia.com/ask/answers/032515/why-does-unemployment-tend-rise-during-recession.asp, Date Accessed 1-3-2019 // WS

A recession has a domino effect, where increased unemployment leads to less growth and a drop in consumer spending, affecting businesses, which lay off workers due to losses. A recession occurs when there are two or more consecutive quarters of negative [gross domestic product (GDP)](https://www.investopedia.com/terms/g/gdp.asp) growth. In other words, economic growth slows during a recession. Attributes of an economy experiencing a period of recession include a fall in sales and revenues of corporations, [this results in] a fall in stock prices, falling incomes and a high [unemployment rate](https://www.investopedia.com/terms/u/unemploymentrate.asp). When an economy is facing [recession](https://www.investopedia.com/terms/r/recession.asp), business sales and revenues decrease, which cause businesses to stop expanding. When demand is not high enough, businesses start to report losses and first try to reduce their costs by lowering wages or keeping wages where they are and ceasing to hire new workers, which increases the unemployment rate. A decrease in the GDP causes firms that aren't recession-proof to report losses and can cause some companies to go bankrupt, resulting in massive [layoffs](https://www.investopedia.com/terms/l/layoff.asp) that also increase unemployment. Recession effects can snowball and worsen the situation. When there are massive layoffs and no jobs being created, consumers tend to save money, tightening the [money supply](https://www.investopedia.com/terms/m/moneysupply.asp). When there is a tightened money supply, unemployed workers and workers with low wages tend to save more and spend less, decreasing the demand for goods and services and decreasing consumer spending. This drop in demand lowers the growth rate of companies and the economy, which, in turn, leads to greater losses in non-recession-proof business and higher unemployment. (For related reading, see: [Types of Unemployment](https://www.investopedia.com/exam-guide/cfa-level-1/macroeconomics/unemployment.asp).)

#### Fortunately though, during times of recession the US passes a stimulus package to mitigate the effects. Two specific reasons. First, stimulus packages save jobs. Somerville quantifies that:

Darlene Somerville, 2-17-2014, "Five years later, what did the stimulus bill accomplish?," PBS NewsHour, https://www.pbs.org/newshour/nation/stimulus-bill-turns-5-years-old-still, Date Accessed 1-24-2019 // WS

RANCHO MIRAGE, Calif. – The costly $787 billion spending bill that President Barack Obama signed into law soon after taking office boosted the economy and helped avoid another Great Depression, the White House said in a status report on Monday’s fifth anniversary of the law’s enactment. Republican leaders in Congress took note of the anniversary, too, but argued that the bill spent too much for too little in return. White House economic adviser Jason Furman said the American Recovery and Reinvestment Act made other targeted investments that will pay dividends for years to come. By itself, the stimulus bill saved or created an average of 1.6 million jobs a year for four years through the end of 2012, Furman said in a White House blog post. Half of the total fiscal support for the economy, or about $689 billion, from the recovery act and subsequent measures was in the form of tax cuts directed mostly at families. The remainder was spent on such things as rebuilding roads and bridges, preventing teacher layoffs and providing temporary help for people who lost their jobs or needed other assistance because of the poor economy. The report said recovery act spending will have a positive effect on long-run growth, boost the economy’s potential output and ultimately offset much of the law’s initial cost.

#### Second, small business confidence. Kimberly Amadeo wrote in 2018 that:

Kimberly Amadeo, 10-3-2018, "Did Obama's Stimulus Plan Work?," Balance, https://www.thebalance.com/what-was-obama-s-stimulus-package-3305625, Date Accessed 1-25-2019 // JM

In a [2009 report](https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/reports/03-02-macro_effects_of_arra.pdf), the CBO projected ARRA would stimulate [gross domestic product](https://www.thebalance.com/what-is-the-gdp-growth-rate-3306016) by 1.4 percent to 3.8 percent for the fourth quarter in 2009. The stimulus was successful in [2009 GDP](https://www.thebalance.com/2009-gdp-statistics-3306037). The economy grew 1.5 percent in the third quarter and 4.5 percent in the fourth quarter. That's a big improvement over the first quarter's 4.4 percent drop and the second quarter's 0.6 percent decline. In 2009, the CBO predicted that ARRA would increase employment by [7 million](https://obamawhitehouse.archives.gov/administration/eop/cea/Estimate-of-Job-Creation/) full-time jobs by the end of 2012. In 2015, it estimated the stimulus created between [2 million and 10.9 million](https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49958-ARRA.pdf) jobs. Most of the increase occurred by 2011. Most of the success was due to the Stimulus Package. By March 2009, [expansive monetary policy](https://www.thebalance.com/expansionary-monetary-policy-definition-purpose-tools-3305837) had done all it could. It was evident more [fiscal policy](https://www.thebalance.com/what-is-fiscal-policy-types-objectives-and-tools-3305844) was needed. No doubt, the economic stimulus package inspired the confidence needed to turn the economy around. Once in office, Obama realized he needed to increase the fiscal stimulus from the $190 billion plan he proposed in his campaign. Some components of his campaign plan, such as enacting a foreclosure moratorium, had already been implemented by [Fannie Mae](https://www.thebalance.com/what-is-fannie-mae-fnma-3305986). Others, such as eliminating taxes on seniors making up to $50,000, were still part of Obama's economic agenda elsewhere. Obama's biggest challenge was to create enough of a stimulus to soften the [recession](https://www.thebalance.com/recession-definition-and-meaning-3305958), but not big enough to raise further doubts about the ballooning [U.S. debt](https://www.thebalance.com/the-u-s-debt-and-how-it-got-so-big-3305778). Unfortunately, the plan was blamed for doing both. It failed to initially [reduce unemployment](https://www.thebalance.com/unemployment-solutions-3306211) below 9 percent and added to the debt. Even so, the stimulus plan was not condemned as much as [health care reform](https://www.thebalance.com/why-reform-health-care-3305749), Medicare, and Medicaid for the debt. Success of Each of the Three Components Obama's tax rebates were supposed to encourage [consumer spending](https://www.thebalance.com/consumer-spending-definition-and-determinants-3305917), but many experts doubted it. Why? The rebates showed up as less tax withholding. Unlike the [Bush tax cuts](https://www.thebalance.com/president-george-bush-tax-cuts-3306331), workers did not receive checks. As a result, most people weren't aware they got a tax rebate. The Stimulus for Small Business helped create jobs, increased lending from the Small Business Administration and community [banks](https://www.thebalance.com/what-is-banking-3305812), and reduced [capital gains taxes](https://www.thebalance.com/what-is-the-capital-gains-tax-3305824) for small business investors. The aid helped, but many states were so underwater that their losses outweighed the federal assistance. The public works construction was probably the most well-publicized. Signs were posted wherever stimulus money was used to construct roads or public buildings. It was estimated to retain or add 3 million jobs, many of which were sorely needed in the construction industry. Economic Stimulus for Small Businesses Although most of the media attention was on the $105 billion invested in large banks. But the Treasury's TARP program also invested $92 billion to strengthen community banks across the country. These banks were directed to use the funds to help [small businesses](https://www.thebalance.com/small-business-3305963) in their local area. Second, the Economic Stimulus Package included $54 billion in tax write-offs for small businesses. Here's the breakdown: Deductions for machinery and equipment, such as computer and office equipment, signs, and vehicles were raised to $250,000. The exceptions were SUVs which were limited to $25,000. Property that didn't qualify for the tax credit could be depreciated by 50 percent. Investors in small, publicly-held businesses who held their stock for more than five years received a capital gains tax cut. Small businesses could delay paying the 3 percent withholding tax on goods and services sold to governments. Small businesses that hired [unemployed](https://www.thebalance.com/what-is-unemployment-3306222) veterans and students who looked for work for more than six months received tax credits. Delay taxes for businesses that reduced their debt. The Small Business Administration 7(a) loan guarantee was raised from 75 percent to 90 percent of the value of the loan. Fees were eliminated on the SBA's 504 program, which guaranteed $4 million worth of economic development loans to small businesses.

#### However, affirming in a time of recession will devastate our progress. Kevin Drum indicates the US can’t make the same mistake it made in 2013. He argues that:

Kevin Drum, September 2013, "It's the austerity, stupid: The cherry-picked data behind the biggest lie since WMDs," Mother Jones, https://www.motherjones.com/politics/2013/09/austerity-reinhart-rogoff-stimulus-debt-ceiling/, Date Accessed 1-25-2019 // JM

So what has austerity cost us in the United States? The full price is hard to calculate, but the Congressional Budget Office figures that sequestration alone has [cut GDP growth by about 0.8 percentage points](https://www.cbo.gov/sites/default/wp-content/uploads/cbofiles/attachments/11-08-12-FiscalTightening.pdf). Since sequestration accounts for less than half of total belt-tightening over the past couple of years, a rough guess suggests that our austerity binge has cut economic growth by something like 2 percentage points—about half the total growth we might normally expect following a recession. Ironically, this means that we have indeed suffered the halving of economic growth that Reinhart and Rogoff estimated we’d get from running up the national debt above 90 percent. But we got it from not running up the debt. The chart above illustrates what austerity has done to the economy. Normally, recessions show up as tiny downward blips from the growth trend of “potential” GDP—the size of the economy when it’s operating at full capacity. These blips are quickly erased as the economy returns to its long-term trend. But this time around, our rebound has been agonizingly slow. The CBO now estimates that [we won’t return to full capacity](https://www.cbo.gov/sites/default/wp-content/uploads/cbofiles/attachments/43907-BudgetOutlook.pdf) until about 2017. This difference between actual GDP and potential GDP is called the “[output gap](http://www.investopedia.com/terms/o/outputgap.asp),” a bloodless term that represents a great deal of real-world pain. If we had spent more in order to close the output gap faster, it would have meant [3 million] more jobs—[perhaps as many as 3 million more](http://www.brookings.edu/blogs/jobs/posts/2013/05/03-government-employment-greenstone-looney)—higher wages, healthier retirement accounts, and, ironically, a shrinking deficit thanks to higher tax revenues and lower spending on food stamps, Medicaid, and other programs for the poor. Our obsession with austerity has hurt us in other ways, too. Interest rates, for example, have been at [historic lows for the past four years](http://www.economist.com/news/briefing/21575773-central-banks-have-cushioned-developed-worlds-economy-difficult-period-they-have-yet). Until recently, in fact, real interest rates were [actually negative](http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll), which means the federal government could have spent money and then paid back less than it borrowed in the first place. This was a once-in-a-generation opportunity to repair our decaying infrastructure at bargain rates: roads, bridges, airports, rail lines, local transit, electrical grids, gas pipelines, internet backbones, and much more. And doing so would have been a twofer: These are all projects that employ workers now and contribute to higher economic growth in the future. We’re still going to have to perform all this maintenance eventually, but we’ve missed our chance to do it on the cheap. And that’s not the worst of it. David Stuckler and Sanjay Basu, of Oxford University and Stanford, respectively, have studied austerity episodes both in the past and in other countries, and their conclusion is grim: “[Recessions can hurt, but austerity kills](http://www.guardian.co.uk/society/2013/may/15/recessions-hurt-but-austerity-kills).” During the Great Depression, they found, states that implemented New Deal programs most quickly saw significant declines in infectious diseases, child mortality, and suicides. Their findings were similar for the periods following the fall of communism, the Asian financial crisis of 1998, and the current recession. In every case, austerity programs were literally life-threatening for the poor and unemployed.

## Contention 2 - Investor Confidence

#### Investors depend on long term planning unfortunately the stop gap funding measure that allowed the government to be reopened today decreases investor confidence. Alan Gin indicates:

Roger Showley quoting Alan Gin, 1-26-2018, "Stopgap budgeting: An economic downside?," sandiegouniontribune, https://www.sandiegouniontribune.com/business/growth-development/sd-fi-econometer28jan-20180126-story.html, Date Accessed 1-25-2019 // JM

YES: Funding by short-term continuing resolutions means there is no federal budget. A lack of a budget will hurt federal agencies in terms of long-term planning. On top of that, businesses that deal with the federal government and its agencies will have difficulty making long-term plans. Every few weeks there will be a battle over another continuing resolution and a threat of a government shutdown. That may hurt the economy by affecting consumer and investor confidence.

#### This just adds to the blows investors have been feeling as Thomas Heath who writes in December that

Thomas Heath, 12-24-2018, "Markets stage one of worst Christmas Eves ever, closing down more than 600 points as Trump blames Fed for stock losses in a tweet," Washington Post, https://www.washingtonpost.com/business/economy/us-markets-continue-sharp-sell-off-ignoring-efforts-by-the-trump-administration-to-stabilize-stock-prices/2018/12/24/59d4eae8-078e-11e9-85b6-41c0fe0c5b8f\_story.html, Date Accessed 1-24-2019 // WS

U.S. stock markets suffered their steepest Christmas Eve decline in decades Monday, defying the best efforts by the Trump administration to instill confidence, and coming very close to ending a record 10-year upward run. By the end of Monday’s shortened holiday trading session, the great bull market that began in the lows of March 2009 lay lifeless, capping a three-week, 16 percent sell-off of the S&P 500.President Trump and administration officials faced intense scrutiny of their [unorthodox attempts to steady nervous markets.](https://www.washingtonpost.com/business/2018/12/24/trumps-white-house-tried-calm-markets-it-backfired/) Treasury Secretary Steven Mnuchin’s [phone calls Sunday to major U.S. banks](https://www.washingtonpost.com/business/2018/12/23/treasury-secretary-makes-unusual-pre-christmas-call-top-bank-ceos-amid-market-mayhem/) further stoked anxiety among traders, while Trump’s Monday tweet attacking the Federal Reserve for not having “a feel for the Market” appeared to exacerbate the day’s sell-off. Investors have been shaken by recent economic and political ­developments, including the [abrupt resignation](https://www.washingtonpost.com/2018/12/23/b78a0478-06d2-11e9-a3f0-71c95106d96a_story.html?utm_term=.68b82547198c) of [the] Defense Secretary Jim Mattis; a partial [federal [the December stock market crash,and the] government shutdown ;](https://www.washingtonpost.com/business/economy/very-possible-shutdown-could-last-into-new-year-white-house-budget-director-mick-mulvaney-says/2018/12/23/2e6de67c-06bf-11e9-a3f0-71c95106d96a_story.html?utm_term=.7140e5ced46d) an interest rate hike by the Federal Reserve; speculation that [Trump might seek to fire Fed chief Jerome H. Powell](https://www.washingtonpost.com/business/economy/exasperated-over-the-market-plunge-trump-asks-advisers-whether-he-can-fire-federal-reserve-chairman-jerome-powell/2018/12/22/a71b8df2-0635-11e9-9122-82e98f91ee6f_story.html?utm_term=.5ab88a2e8a3d); Mnuchin’s unusual calls to U.S. banks; and Trump’s sudden decision to withdraw U.S. troops from Syria against the counsel of his national security team.

#### It’s all about investor perception, when investors realize their investments won’t make as much money in US markets since the government has changed their prioritization, they shift their investments elsewhere. Thankfully promoting economic growth re-energizes investor confidence by generating financial certainty. Mark Armbruster argues in 2018 that:

Mark Armbruster, 9-26-2018, "The US Economy: Eight More Years of Expansion?," CFA Institute Enterprising Investor, https://blogs.cfainstitute.org/investor/2018/09/26/the-us-economy-eight-more-years-of-expansion/, Date ;Accessed 12-11-2018 // JM

During the current recovery, however, real GDP sits just 23% above its nadir during the Great Recession of 2008 and 2009. What’s more, the recession of the early 1990s was mild by historical standards, but the recovery was much more robust than the current one by every measure we studied. This is not usually the case. In the past, deep recessions have generally been followed by steep recoveries. Why has this recovery, which followed the worst recession since the Great Depression, diverged from the historical pattern? Some have theorized that the [housing market has not rebounded as quickly as in past recoveries](http://www.nber.org/papers/w18194) or that [policy uncertainty is to blame.](https://academic.oup.com/qje/article/131/4/1593/2468873) Certainly, the regulatory environment shifted in the wake of the last recession. Large financial penalties were levied against those deemed to be at fault and has impacted corporations’ willingness to spend and invest. But things are turning around. During those early recovery years, policy uncertainty hit record highs. Currently, however, it is below its long-term average, according to the baseline policy uncertainty index created by Scott R. Baker, Nick Bloom, and Steven J. Davis. This may be because of the recent regulatory rollbacks under the current administration. New residential construction has also trended up since 2011, according to US Census Bureau data. This suggests that the present expansion, while long in the tooth, still has room to run. In fact, our research indicates that further growth at the average long-term rate for each of the indicators we studied could mean another three years of economic expansion. This assumes only average levels of economic recovery are achieved during this business cycle. If the US economy experiences an expansion like the more robust recovery of the 1960s, it could grow for an additional 8.8 years. There are fundamental reasons for [generates] optimism. [because] Policy uncertainty is low. Monetary policy is accommodative. While short-term interest rates are rising, they are still well below the levels that create economic distortion. Longer-term fiscal policy is also stimulative. The corporate tax cuts, like low policy uncertainty, could spur further capital spending, which could drive a virtuous circle of corporate activity that creates further economic growth. Finally, [the United States may be taking growth from other nations](https://www.ftportfolios.com/retail/blogs/economics/index.aspx). The United States may not be able to stand alone forever while other nations lag behind, but there is cause for bullishness. After all, even former Fed chair Janet Yellen once stated, “I think it’s a myth that expansions die of old age . . . So the fact that this has been quite a long expansion doesn’t lead me to believe that . . . its days are numbered.”

#### Boosting investor confidence results in 2 impacts. First is poverty reduction as Jeffrey Dorfman concludes in 2017 that:

Jeffrey Dorfman, 12-22-2017, "Why Growth Matters," Forbes, https://www.forbes.com/sites/jeffreydorfman/2017/12/22/why-growth-matters/, Date Accessed 12-5-2018 // WS

If there is little to no economic growth, people and politicians devolve to fighting over who gets the biggest slices of the pie. Rent-seeking and crony capitalism reigns. When economic growth is robust, the pie gets bigger, making it easier for people to be self-reliant and not depend on the ephemeral largesse of the federal government for their well-being. And since what the government gives the government can take away, being self-reliant is far better. That is why raising the rate of economic growth is so important. Albert Einstein supposedly called compound interest the most powerful force in the universe. The same principal applies to economic growth. If real GDP per capita grows at 1% per year, it takes 70 years for Americans to double their per capita real income. At 1.5% per year, it only takes only 47 years; at 2%, 35 years; at 2.5%, 28 years. These growth rates are in the range of [recent data](https://fred.stlouisfed.org/series/GDPC1/#0), so you can see that small, plausible increases in economic growth lead to large differences in future wealth. Even tiny changes add up: the difference between 2.0% and 2.2% growth means the economy is 8% larger in 25 years. That is why raising the rate of economic growth is so important. Under President Bill Clinton inflation-adjusted economic growth [averaged](https://www.washingtonpost.com/news/wonk/wp/2012/09/05/the-clinton-economy-in-charts/?utm_term=.a7541dae8573) 3.8% per year. This rapid economic growth helped lead to a 3.6 percentage point decline in the poverty rate [declined 3.6%] once government transfers are accounted for, a drop of 25%. Between economic growth creating jobs, boosting wages, and providing government with the revenue to afford social safety net programs, one in four people living in poverty escaped in those eight years. That is why raising the rate of economic growth is so important.Economic growth[ because it] creates jobs. Economic growth provides families with income and savings that help them pay for education for their children. Economic growth provides financial stability. Economic growth gives workers more power, because employers know that workers can get another job easily. All these things increase financial security and family stability. That is why raising the rate of economic growth is so important. The only reason we are fighting continually over inequality and how much redistribution the government should carry out in response is that economic growth has been so slow during this recovery. When people are unable to achieve the level of economic success they desire, envy sets in and the political battles begin. With a restoration of normal levels of economic growth, people can achieve their own financial success instead of using the government to steal somebody else's. And that would make the country a much more pleasant, less antagonistic place to live. And that, as much as everything else, is why raising the rate of economic growth is so important.

#### Second is investor confidence is critical to the sustainability of the economy as Dan Ikenson writes in 2018 that investments

Dan Ikenson, 10-17-2018, "The Economic Bedrock Of Foreign Direct Investment," Forbes, https://www.forbes.com/sites/danikenson/2018/10/17/the-economic-bedrock-of-foreign-direct-investment/#66ea75be71a4, Date Accessed 12-14-2018 // JM

What the OFII report shows is that international companies contribute significantly to the U.S. economy, raising average economic performance across a wide range of pertinent metrics through their direct contributions, but also because their presence and participation in U.S. markets brings out the best in incumbent domestic firms. The report presents new and compelling evidence that international companies increase U.S. economic growth, vitality, and diversity well beyond the levels that would obtain without their contributions, and that U.S. policies should be designed to attract more of these companies—and more of their intellectual and financial capital—to U.S. shores. Foreign investment in the United States is a barometer of the faith of the rest of the world that the U.S. economy is safe and strong, and will perform well, prospectively, relative to other economies. Meanwhile, investment is essential to economic growth and higher living standards. To remain atop global value chains and at the technological frontier, the U.S. economy requires continuous inflows of fresh capital to replenish the machinery, software, laboratories, research centers, and high-end manufacturing facilities that harness our human capital, animate new ideas, and create wealth. Over the years, foreign companies have contributed significantly to the satisfaction of those capital requirements. With the world’s largest consumer market, relatively [a] transparent business and regulatory environments, a skilled and productive workforce, an innovative culture, and deep and broad capital markets to commercialize that innovation, the United States has some big advantages in the global competition to attract investment.

### Frontlines

Reducing the growth of the debt does not mean paying back investors. It simple means reducing the amount of money the government takes on. That’s means the aff still cannot increase investor confidence.

## Extra Cards

#### Second is by saving foreign investors. If the US shifts its prioritization to debt reduction foreign investors will leave. Rebecca Nelson indicates that:

Rebecca Nelson, 10-28-2013, “Sovereign Debt in Advanced Economies: Overview and Issues for Congress”, Congressional Research Service, <https://fas.org/sgp/crs/misc/R41838.pdf>, Date Accessed 12-14-2018 // JM

Some analysts,44 as well as some Members of Congress, have expressed concern that the United States is headed towards a debt crisis similar to those experienced by some Eurozone countries. They are concerned about loss of investor confidence and the loss of the United States’ ability to borrow at reasonable interest rates. Like these Eurozone countries, it is argued, the United States has been reliant on foreign investors to fund a large budget deficit, resulting in rising debt levels and increasing vulnerability to a sudden reversal in investor confidence. Other economists argue that the U.S. debt position is much stronger than that of the Eurozone economies in crisis.45 Unlike individual Eurozone countries, the United States has a floating exchange rate and its currency is an international reserve currency, which can alleviate many of the pressures associated with rising debt levels.46 Additionally, they argue that the stronger levels of economic growth and the lower borrowing costs of the United States put U.S. debt levels on a more sustainable path over time. The United States also has a strong historical record of debt repayment that helps bolster its reputation in capital markets. Greece, by contrast, has been in a state of default about 50% of the time since independence in the 1830s.47 Bond market data indicate that investors do not view the United States in a similar light to Greece, Ireland, or Portugal. Figure 5 compares the spreads on Greek, Irish, Portuguese, U.S., and UK 10-year bonds (over 10-year German bonds) since 2008. Higher bond spreads indicate higher levels of risk. U.S. bond spreads have remained substantially lower than Greek, Irish, and Portuguese bond spreads throughout the Eurozone crisis. U.S. bond spreads have been much closer in value to UK bond spreads, even during the financial crisis that originated in the U.S. housing market. Additionally, one market research firm (S&P Capital IQ) estimates the likelihood of default over the next five years for a number of governments, and publishes the top 10 most and least risky sovereigns on a quarterly basis. For the third quarter of 2013, it estimated the likelihood of the United States defaulting on its debt over the next five years to be 3.07%, and ranks the United States as the ninth least-likely country to default. Markets may perceive the United States favorably not because they believe the deficits are currently at sustainable levels but because they believe that the government will implement policies that reduce the deficit. However, it is important to note that market perceptions can change quickly, and it can be difficult to predict when markets can lose confidence. How other advanced economies address their debt levels has implications for the U.S. economy. Most advanced economies are addressing high debt levels through fiscal austerity. If large austerity packages in advanced economies [to reduce the debt] slow growth in those countries, demand for U.S. exports could fall. Because advanced economies are major trading partners of the United States, this could impact U.S. exports. Slower growth rates in advanced economies could mak[ing]e investment there less attractive, and could lead to U.S. investors shifting their investment portfolios away from advanced economies and toward emerging markets. Investors in those countries also could shift their portfolios away from U.S. debt. If any advanced economies do default, restructure their public debt, or use inflation to reduce the real value of their debt, U.S. investors could face losses on their investments. Figure 6 shows where U.S. banks have credit committed directly to borrowers overseas in general, not just to sovereign borrowers—also referred to as how heavily U.S. banks are “exposed” overseas. Direct U.S. bank exposure in general is more heavily concentrated among advanced economies than emerging and developing countries. As of June 2013, 71% ($2,299 billion of $3,222 billion) of U.S. bank exposure overseas was concentrated in advanced economies.48 Among advanced economies, U.S. banks were most exposed to the United Kingdom ($529 billion), Japan ($373 billion), France ($233 billion), German ($204 billion), and Canada ($127 billion) in June 2013.

#### Thus, prioritization of economic growth is vital to keeping these foreign investors. Ikenson continues that:

Dan Ikenson, 10-17-2018, "The Economic Bedrock Of Foreign Direct Investment," Forbes, https://www.forbes.com/sites/danikenson/2018/10/17/the-economic-bedrock-of-foreign-direct-investment/#66ea75be71a4, Date Accessed 12-14-2018 // JM

U.S. policymakers — even with all of the advantages the U.S. economy retains — can no longer passively assume that foreign companies will prefer to invest in the United States over other destinations under all circumstances. They cannot be complacent or ambivalent. They must be welcoming. And they must steer clear of protectionist policies, which tend to deter investment inflows. Although one or two observations on a timeline don’t make for a conclusive trend, the fact is that investment inflows have been waning in 2018. Whether that reflects concerns over the inward, protectionist turn of the current administration’s trade policies is unclear but, traditionally, protectionism has been more or a deterrent to, than a magnet for investment. While well-considered, carefully-crafted, transparent policies intended to protect legitimate national security interests may be necessary, the same cannot be said of measures designed to protect particular industries and groups from foreign competition. In the 21st century, governments are competing to lure capital investment from the world’s best companies. Those companies have options and the importance of their contributions to U.S. economic growth and dynamism cannot be overstated.

#### Second, boost low income household spending power. Christian Broda indicates:

Ben Casselman citing Christian Broda and Jonathan Parker, 5-19-2014, "In the Papers: Stimulus Spending, Investing And Paying Off Debt," FiveThirtyEight, https://fivethirtyeight.com/features/in-the-papers-stimulus-spending-investing-and-paying-off-debt/, Date Accessed 1-25-2019 // JM

What they found: U.S. households boosted their spending by 10 percent on average when they received economic stimulus payments in 2008, with lower-income households experiencing the biggest impact. Altogether, the program raised consumer spending by about 1.3 percent in the second quarter of 2008. Why it matters: The Economic Stimulus Act of 2008, the first major policy response to the most recent recession, provided $100 billion directly to U.S. taxpayers. The payments, which averaged about $900 per family, were meant to stimulate economic growth by promoting consumer spending. [Some research](http://research.stlouisfed.org/publications/review/10/05/Taylor.pdf), however, has suggested the program failed because people [saved the money](http://blogs.wsj.com/economics/2009/12/16/most-2008-stimulus-checks-were-saved-not-spent/) rather than spend it. Broda and Parker, however, find households did increase their spending when they received the payments, and that their spending remained somewhat elevated for several months afterward. Counter to what some economic theory would predict, consumers apparently reacted when they got the money, not when the program was announced. Key quote: “In normal times, monetary policy is the main instrument of stabilization policy arguably because the effects of monetary policy are reasonably well understood and because central banks can react rapidly to the possibility of a recession. But monetary policy has limitations — lags in its effect, increases in inflation, and reduced efficacy when financial institutions are capital-poor or when the zero lower bound on nominal interest rates binds. At such times, fiscal policy in the form of tax rebate programs have been able to respond quickly and temporarily to economic slowdowns.” Data they used: Nielsen Consumer Panel.

#### as Vitor Castro argues that:

Vitor Castro, October 2007, “THE DURATION OF ECONOMIC EXPANSIONS AND RECESSIONS: MORE THAN DURATION DEPENDENCE,” University of Warwick, <http://www4.fe.uc.pt/ceue/working_papers/vcastro_48.pdf>, Date Accessed 12-12-2018 // JM

The likelihood of an expansion ending is also affected by the behaviour of private investment, the price of oil and by external influences. The evidence provided by this study shows that the duration of expansions tends to increase when private investment accelerates, reflecting the idea that when economic agents have confidence in the future path of the economy, they end up fulfilling that expectation by investing more. The price of oil is another variable that is commonly related to the occurrence important recessions after WWII, especially in the 1970s. This paper finds empirical evidence regarding this relation and shows that when the price of oil increases the likelihood of an expansion ending increases significantly. In fact, as the energy resources that firms need to operate become more and more expensive – and oil is an important one – their profits tend to decrease, which, in turn, generates an economic slowdown and, possibly, a recession.

#### Dan Ikenson furthers in 2018 that:

Dan Ikenson, 10-17-2018, "The Economic Bedrock Of Foreign Direct Investment," Forbes, https://www.forbes.com/sites/danikenson/2018/10/17/the-economic-bedrock-of-foreign-direct-investment/#66ea75be71a4, Date Accessed 12-14-2018 // JM

Although the United States accounts for nearly a quarter of the global FDI stock, the U.S. share was much a much larger 37%, as recently as 2000. Since then, the competition for FDI has been intensifying. Although the United States accounts for nearly a quarter of the global FDI stock, the U.S. share was much a much larger 37%, as recently as 2000. Since then, the competition for FDI has been intensifying. By growing their economies, improving the education and skills of their workforces, strengthening the rule of law, [other countries have begun] implementing reforms to make their business climates more predictable, and adopting other best practices, countries once considered too risky have started to become viable competitors for a growing share of that investment.

#### This stimulus package can only happen in the negative worlds for two reasons. First, since a Stimulus package is a policy that promotes economic growth, it definitional is a negative arguments and since the recession is coming in 2019 that is an urgent reason to negate. But second because a stimulus package massively adds to the debt, the affirmative would not be able to advocate for such action under the conditions of the resolution.

#### The recent stock market volatility is also raising the risk of recession as Landsman writes earlier this month that

Stephanie Landsman, 1-3-2019, "Wall Street bear David Rosenberg warns that a recession is virtually unavoidable this year," CNBC, https://www.cnbc.com/2019/01/02/a-recession-is-virtually-unavoidable-this-year-david-rosenberg-warns.html, Date Accessed 1-24-2019 // WS

One of Wall Street's biggest bears is warning the economy is on a collision course with a recession. Gluskin Sheff's David Rosenberg has little doubt growth will turn negative in 2019 as the stock market flounders. "We're going [to go] into a recession," the firm's chief economist and strategist said Wednesday on CNBC's "[Trading Nation](https://www.cnbc.com/trading-nation/)." "I think it will be this coming year." Rosenberg [predicted](https://www.cnbc.com/2018/11/29/liquidity-squeeze-could-hit-stocks-hard-david-rosenberg-warns.html?&qsearchterm=david%20rosenberg) in November on the program that the historic bull run was cracking. However, he was uncertain whether it would cause an outright recession. With the [Dow](https://www.cnbc.com/quotes/?symbol=.DJI) and [S&P 500](https://www.cnbc.com/quotes/?symbol=.SPX) plunging 14 and 16 percent, respectively, from their all-time highs, that view has changed. "We've got more than 80 percent chance of recession just based on the fact the Fed is tightening policy," he said. "This tightening of financial conditions that we've seen in the markets is going to end up having a cascading effect on the economy for the first few quarters of this year."

#### Decreasing investor pessimism is critical to saving the economy. Cushman & Wakefield indicate that:

Cushman & Wakefield, 2013, “Key to Economic Growth? More Business Confidence, by Cushman & Wakefield,” August, <http://www.naiop.org/en/E-Library/Business-Trends/Key-to-Economic-Growth-More-Business-Confidence.aspx>, Date Accessed 12-12-2018 // JM

The U.S. economy is growing, but what it needs to improve more quickly is greater confidence on the part of the business sector, according to a new research report by Cushman & Wakefield titled U.S. Economic Update: Ready for Growth. The report asserted that once businesses are more confident, [produces more] investment spending will accelerate, as will hiring. That would help the economy accelerate from today’s 1.5 to 2 percent GDP growth rate to around 3 to 3.5 percent.

#### Third is prioritizing reducing the debt ultimately triggers even more investor pessimism. The CED indicates that the amount of debt that is manageable:

Committee For Economic Development, 4-4-2018, "What is the 'National Debt' and Why Does It Matter," Committee for Economic Development of The Conference Board, https://www.ced.org/reports/what-is-the-national-debt-and-why-does-it-matter, Date Accessed 12-9-2018 // JM

Just how much debt is too much? It depends on investor psychology, such a notoriously irrational thing that even experts can’t be sure. Though it’s framed as a partisan talking point, “the national debt” is not a Republican or Democrat issue; it’s a national issue that we should all keep in mind when casting our votes and determining our priorities. Possible consequences of an unsustainable debt could be anything from nothing happening at all in the best case to the end of US world leadership as we know it in the worst. Russia, Iceland, and, most recently, Greece have all [defaulted](https://www.worldfinance.com/infrastructure-investment/government-policy/top-5-worst-defaults-in-history) on their national debts. All experienced or continue to experience some form of severe economic hardship as a result. The US could be close behind if our government does not quickly turn its budgetary behavior around. Many economists consider the likely outcome as one of two possibilities: a “Whimper” or a “Bang.” The “Whimper” is a certain outcome of too much debt To best picture the Whimper, think of the parable of the boiling frog: if a frog is placed suddenly into boiling water it will jump out, but if it is placed into tepid water that is slowly brought to a boil, it will not perceive the danger and will be boiled to its demise. In the “Whimper” scenario, the US is the frog, and the ever-rising debt is the tepid water coming to a boil. As some economists see it, the strain of repaying the debt would slowly erode the nation’s economic strength and crowd out investments, which in turn would reduce US economic growth. Businesses would not be able to finance their essential investments. Social Security and Medicare beneficiaries would be in need of health care, and men and women in uniform would be left with too few resources. But the effect might be so gradual that it would not grasp anyone’s attention until it was too late to rebound.

#### The next recession is around the corner

John Kemp, January 17 2019. "Here's why the global economy is headed for a recession in 2019," https://gulfbusiness.com/heres-global-economy-headed-recession-2019/, Date Accessed 1-24-2019 // WS

Global growth is slowing and the world economy is headed for a recession in 2019 unless something happens to give it renewed momentum. The Organisation for Economic Co-operation and Development’s (OECD’s) composite leading indicator fell to just 99.3 points in November, its lowest since October 2012, and down from a peak of 100.5 at the end of 2017. Growth momentum has been easing for some time in Britain, Canada, France and Italy and there were tentative signs of slackening momentum in the United States and Germany in November. The composite indicator is likely to fall even further when data for December are published next month, given the weakness already revealed in equity markets and business surveys. The OECD composite leading indicator has been weakening consistently for the last year and now points unambiguously to a contraction ahead. Most of the world’s major economies outside the United States showed clear signs of slackening growth in the fourth quarter of 2018. Even in the United States, the Institute for Supply Management’s manufacturing index for December showed the sharpest deceleration in growth since the recessions of 2008 and 2001. Global trade volumes showed signs of slowing towards the end of 2018 after strong growth in 2017. Air freight through Hong Kong International Airport, the world’s busiest air cargo hub and a proxy for global trade, was down 1.6 per cent year-on-year in the fourth quarter. Air freight volumes in Hong Kong were down by a massive 5 per cent in December compared with the same month a year earlier, according to the Civil Aviation Department.

#### The impact is better economic growth. Josh Bivens indicates in 2017 that:

Josh Bivens, 7-18-2017, "The potential macroeconomic benefits from increasing infrastructure investment," Economic Policy Institute, https://www.epi.org/publication/the-potential-macroeconomic-benefits-from-increasing-infrastructure-investment/, Date Accessed 1-11-2019 // JM

By taking up the last of any remaining demand slack, an increase in infrastructure investment could have an immediate effect in restoring productivity growth to more normal levels. More importantly, there remains [even in a world of full employment there is] a strong economic rationale for investing in infrastructure even after the economy reaches and settles into full employment. Much of the nation’s capital stock is comprised of public capital. Highways, airports, dams, sewer systems, and utilities are all necessary inputs for private production, but they are largely supplied with public funds. When the public capital stock is allowed to degrade through lack of investment, this could in theory lead to slower private-sector productivity growth. Before delving into evidence assessing this effect, however, it is important to note that improving private-sector productivity is just one reason to support expanded public investment. If, for example, public investment had no impact at all on private-sector productivity but allowed public goods to be delivered more efficiently, there would be a benefit. If we were to receive clean water and air, safe food and medicine, and transportation services for less money than we spend currently, this would be a perfectly fine way to enjoy the economic returns to expanded public investment, even if they do not boost private-sector productivity. Further, the possibility that the benefits of public investment are more broadly shared than the benefits of private-sector investment constitutes another compelling reason to support it. While studies examining the link between inequality and public investment are few, several methodologically sound papers have suggested that countries with larger public capital stocks tend to have greater equality of incomes (see, for example, Calderón and Servén 2004). This should not be a shock—by its nature public capital is more broadly based in its ownership than private capital (in the United States, the wealthiest 1 percent of households own more than 40 percent of private wealth) and so its benefits should be more broadly distributed (Getachew 2008). Finally, it should be remembered that many possible benefits of public investment may not show up as increases in cash incomes. Clean water and air and shorter commute times provide clear economic benefits, but these benefits do not generally show up in measurable cash incomes. Serious research on the productivity of public investment was begun almost singlehandedly by David Aschauer in a series of papers in the late 1980s and early 1990s (see Aschauer 1989, 1990, for two of these). The Aschauer findings were generally based on a time-series estimation of public investment in the theoretical context of an aggregate production function model. Aschauer (1989) estimated these aggregate production functions, augmented with public capital stocks (an innovation relative to much empirical growth literature), and found that the elasticity of private-sector output with respect to public capital was between 0.24 and 0.36. The implication of this finding was that the rate of return to public capital was roughly three times higher than that of private capital. Aschauer’s work was buttressed by that of Munnell (1990, 1992), who would later become an undersecretary for the Treasury under President Clinton, as well as by the work of Holtz-Eakin (1988) and Lynde and Richmond (1992, 1993). However, the approach pioneered by Aschauer soon came under criticism from a variety of angles. Critics of the time-series component—particularly Aaron (1990) and Gramlich (1994)—argued that the link between public capital and productivity suffered from problems of both causality and simultaneity. The causality criticism is that faster output growth may simply allow for stepped-up investments in public capital rather than increased public investment driving faster output growth. The simultaneity criticism is that neither public investment nor productivity is a “stationary” time series, and therefore the simple regression of one upon the other may yield an apparent relationship that is in reality spurious. That is, maybe both series just happened to be rising over time, and the correlation between the two simply reflected these contemporaneous trends without indicating an actual economic relationship between the series. One suggested econometric fix for the problem of simultaneity is the transformation of the public capital and productivity data into first differences—essentially looking at the year-over-year change in each series. While this transformation does produce two stationary series and is hence a plausible statistical fix, Munnell (1992) correctly points out that this fix does not allow one to examine long-run relationships between public capital formation and productivity growth, and that the economic hypothesis of the relationship between the two (which is indeed a long-run relationship) hence cannot be tested if this particular statistical fix is adopted. Given that most empirical growth studies are concerned exactly with such long-run relationships, this makes the first-differencing fix fatal to the project of fairly assessing the impact of public capital investments on growth. The simultaneity problem is most clearly addressed by Heintz (2010), who uses more advanced econometric techniques (specifically, a vector error-correction model) to search for a cointegrating relationship between the two series. A cointegrating relationship exists between two nonstationary time series if some linear combination of them is stationary. Heintz (2010) confirms that a cointegrating relationship does exist between public capital and private productivity and uses this relationship to estimate a statistically and economically significant long-run relationship between public capital stocks and private productivity. Heintz (2010) and Everaert and Heylen (2001) also point out that solving the simultaneity problem through error-correction models largely solves the causality problem along the way. Specifically, Heintz allows for the level of public capital to affect both the level and the change in private output. He finds a statistically significant relationship between the level of public capital and the change in private productivity. If, however, the direction of causality actually ran from greater private productivity to larger public capital stocks, then there should be no such relationship between the level of public capital and the change of productivity. Table 2 shows regression results from replicating Heintz’s (2010) methodology with more up-to-date data. Data and methods are described in detail in the technical appendix. The dependent variable is the ratio of private-sector output to capital stock, while the coefficient of interest is the lagged ratio of public to private capital. For a timespan that mirrors Heintz’s—1949 to 2007—we find a coefficient on infrastructure capital of 0.16, quite close to his 0.2. For the period from 1949–2015 (i.e., including more recent years than were available to Heintz), the coefficient is essentially the same (0.147). However, the 1950s saw a more rapid pace of infrastructure investment than what came thereafter, largely due to the construction of the interstate highway system. To test whether or not the infrastructure/productivity association is driven by this one-time burst of spending, we look only at the 1959 period. Again, the coefficient is essentially unchanged. The coefficient values imply that a 10 percent increase in the public capital stock boosts private-sector output by 1.5–2 percent. To provide a more intuitive interpretation, one can multiply this coefficient by the current ratio of private to public capital stocks to get the extra output obtained from each $1 increase in the public capital stock. This also corresponds tightly to the “rate of return” to public investment that is often noted in the literature. For the results from Table 2, this implied rate of return is very large, hovering between 30 and 40 percent.

#### Empirically, we find that this certainty ensures long durations of economic expansion. Vitor Castro argues that:

Vitor Castro, October 2007, “THE DURATION OF ECONOMIC EXPANSIONS AND RECESSIONS: MORE THAN DURATION DEPENDENCE,” University of Warwick, <http://www4.fe.uc.pt/ceue/working_papers/vcastro_48.pdf>, Date Accessed 12-12-2018 // JM

The likelihood of an expansion ending is also affected by the behaviour of private investment, the price of oil and by external influences. The evidence provided by this study shows that the duration of expansions tends to increase when private investment accelerates, reflecting the idea that when economic agents have confidence in the future path of the economy, they end up fulfilling that expectation by investing more. The price of oil is another variable that is commonly related to the occurrence important recessions after WWII, especially in the 1970s. This paper finds empirical evidence regarding this relation and shows that when the price of oil increases the likelihood of an expansion ending increases significantly. In fact, as the energy resources that firms need to operate become more and more expensive – and oil is an important one – their profits tend to decrease, which, in turn, generates an economic slowdown and, possibly, a recession.

#### Niv Ellis concludes in 2018 that:

 [NIV ELIS](https://thehill.com/author/niv-elis) , 10-4-2018, "Top Trump adviser: Economic growth will bring down US debt," TheHill, https://thehill.com/policy/finance/409866-top-trump-adviser-economic-growth-will-bring-down-us-debt, Date Accessed 12-4-2018 // WS

“I’ve never been much of a deficit hawk,” Kudlow said at an event hosted by Economic Club in Washington. “Growth is going to solve a good deal of that deficit and debt burden on the economy." Since Trump took office, the budget deficit has exploded, largely as the result of the GOP tax bill signed into law last December as well as a bipartisan agreement to increase discretionary spending. he budget watchdog group Committee for a Responsible Federal Budget [noted this week](https://thehill.com/business-a-lobbying/409457-congress-added-24-trillion-in-debt-in-fiscal-year-2018-watchdog) that legislation passed by Congress in fiscal year 2018 through 2017, which includes the tax law, would add $2.4 trillion to the debt over a decade. The non-partisan Congressional Budget Office has [projected](https://thehill.com/homenews/administration/397445-white-house-budget-projects-1-trillion-deficit-in-2019) that the 2019 deficit will near $1 trillion, and the White House’s own budget office predicted it would surpass that amount. Still, Kudlow insisted that economic growth would ultimately bring in more revenues and lower the debt level, which is measured in comparison to the size of the economy. The current U.S. national debt is over $21.5 trillion. “I believe the deficit-to-GDP ratios will be coming down eventually -- not immediately, but over time,” he said.

#### This happens because investors will panic if the government changes it prioritization. Neil Buchanan furthers that if the:

Neil Buchanan, 2012, “Why We Should Never Pay Down the National Debt”, George Washington University, <https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1025&context=faculty_publications>, Date Accessed 12-12-2018 // JM

This means that concerns about the high levels of deficits in the aftermath of the 2008 recession are fundamentally misplaced. Even a decade or more of unusually high deficits should not be enough to cause financial markets to refuse to finance the federal government’s borrowing needs. The danger is that financial markets will become convinced that the long-term, permanent debt situation will pass the point of no return. Even if that were to happen, however, all would not necessarily be lost. If the markets reacted in an orderly fashion, interest rates would rise, and the government could respond in a timely way to the warning signal that those increased interest rates would provide. The greatest worry, however, is that financial markets would not react in such a tidy way, but rather would spin out of control in a sudden, chaotic overreaction to some unforeseen triggering event (or even to the mere perception that something important has happened). Once such a cascade of events was under way, the entire financial system would be at risk, with disastrous consequences for the economy.39 In that catastrophic situation, even well-run businesses would find it impossible to obtain financing for the most ordinary purposes, thereby freezing the economy and putting millions of people out of work.40 This grim possibility—that financial markets will become so concerned about the government’s long-term unwillingness to finance its operations that the entire economic system is suddenly brought to a halt—can only become a reality if market participants come to believe that the government’s long-term borrowing will become unmanageable.41 Based on available forecasts of the federal government’s likely spending and taxing levels, only health care costs pose a serious danger of creating the kind of systemic crisis that could bring down the economic system.42 The remainder of the federal government’s finances, including Social Security payments during the retirement years of the Baby Boom generation, is entirely under control, with no indication that long-term borrowing needs would approach anything close to unsustainable levels.43

#### Second is through deregulation as Jeff Cox indicates in 2018 that:

Jeff Cox, 9-7-2018, "Trump has set economic growth on fire. Here is how he did it," CNBC, https://www.cnbc.com/2018/09/07/how-trump-has-set-economic-growth-on-fire.html, Date Accessed 12-11-2018 // JM

Trump's economic program was very simple: [is] an attack on taxes and regulations with an extra dose of spending on infrastructure and the military that would create a supply shock to a moribund [the] economy. On the tax side, the White House pushed through a massive $1.5 trillion reform plan that sliced the highest-in-the-world corporate tax from 35 percent to 21 percent and lowered rates for millions of taxpayers, though the cuts for individuals will expire in 2025. On deregulation, Trump ordered that rules be pared back or eliminated across the board. During his time in office, Congress has cut back on the [Dodd-Frank](https://www.cnbc.com/id/47075854) banking reforms, particularly in areas affecting regional and community institutions, rolled back a multitude of environmental protections that he said were killing jobs and took a hatchet to dozens of other rules. (The left-leaning Brookings Institution think tank has a rolling deregulation [tracker that can be viewed here](https://www.brookings.edu/interactives/tracking-deregulation-in-the-trump-era/).) During the first year of his administration, "significant regulatory activity" had declined 74 percent from where it was in the same period of the Obama administration, according to data collected by Bridget Dooling, research professor at GW's Regulatory Studies Center. The Dodd-Frank rollbacks have been particularly helpful to community banks, whose share prices collectively are up more than 25 percent over the past year. Small-cap stocks in general have strongly outperformed the broader market, gaining 23 percent over the past 12 months at a time when the S&P 500 is up 17 percent. The Federal Register, where business rules are stored and thus serves as a proxy for regulatory activity, was 19.2 percent smaller from Inauguration Day until Aug. 16 under Trump than during the same period for Obama. "You can think of that as turning off the spigot of new regulations," Dooling said in an interview. She said more aggressive movement appears to be on the way. Dooling said recent regulatory changes from the Environmental Protection Agency and the departments of Education and Labor will advance deregulation in an even "more meaningful way." In addition to expected deregulation benefits, there's also anticipation that the true benefits of tax cuts have yet to kick in. [Mick Mulvaney, head of the Office of Management and Budget, recently told CNBC](https://www.cnbc.com/2018/07/27/trump-budget-director-says-gdp-jump-was-no-sugar-high.html) that he attributes the bulk of new economic growth [is because of] to deregulation rather than the tax cuts, whose benefits he expects to come later. "It's still too early to tell. We haven't seen any of the multipliers yet from tax reform," said Jacob Oubina, senior U.S. economist at RBC Capital Markets. "We have enough in terms of ammunition to put in 3 percent growth for the rest of this year and even all of 2019, but we haven't seen sort of this spike in activity yet." There's been another interesting trend that is peculiar to the Trump economy: a drifting of benefits from urban centers to nonmetropolitan areas, which are seeing their first collective population growth since 2010. Trump's tax cuts "should deliver greater tax relief to rural areas where there is a higher rate of small business owners who will benefit from the favorable pass-through tax rates," Joseph Song, U.S. economist at Bank of America Merrill Lynch, said in a recent note to clients.

#### The impact is massive as Mark Gongloff writes that

Mark Gongloff, 7-23-2013, "The Complete Failure Of Austerity, In 1 Chart," HuffPost, <span class="skimlinks-unlinked">https://www.huffingtonpost.com/2013/07/23/austerity-failure-1-chart\_n\_3639674.html</span>, Date Accessed 1-24-2019 // WS

It feels like forever since we checked in on just how badly austerity is failing, so let’s take a quick tour around Europe to see all the different reasons austerians should feel ashamed of themselves today. In the U.K., austerity has shaved 6 percent from[Britain’s] that country’s gross domestic product over the past three years, [estimates Oxford economist](http://mainlymacro.blogspot.com/2013/07/how-much-has-austerity-cost-so-far.html) Simon Wren-Lewis. This amounts to $143.5 billion in lost income during that time, or nearly $5,400 per U.K. household. “Although all governments like to give the impression that they can have a big impact on people’s prosperity, few actually do,” Wren-Lewis writes. “These numbers suggest that the current U.K. government has managed to do so, but unfortunately by making us all poorer.” Some debt scolds, including the government of U.K. Chancellor of the Exchequer George Osborne, might argue that a little bit of economic pain now is worth it if you can avoid a government-debt blowup in the future. That was the gist of Harvard economists Carmen Reinhart and Kenneth Rogoff’s oft-cited paper, “[Growth In A Time Of Debt](http://www.nber.org/papers/w15639.pdf),” which argued that government debt above 90 percent of GDP led to sharply lower economic growth. Reinhart and Rogoff followed up their paper with a [series of op-ed pieces and talks to Congress](http://www.huffingtonpost.com/2013/04/17/reinhart-rogoff-austerity-debate_n_3101765.html?utm_hp_ref=business) to help convince governments here and in Europe to hurry up and cut government debt sooner rather than later.

## Frontline

#### Austerity does not increase investor confidence

Larry Elliott, 5-27-2016, "Austerity policies do more harm than good, IMF study concludes," Guardian, https://www.theguardian.com/business/2016/may/27/austerity-policies-do-more-harm-than-good-imf-study-concludes, Date Accessed 1-24-2019 // WS

“It turns out, however, that the cost could be large – much larger than the benefit. The reason is that, to get to a lower debt level, taxes that distort economic behaviour need to be raised temporarily or productive spending needs to be cut – or both. The costs of the tax increases or expenditure cuts required to bring down the debt may be much larger than the reduced crisis risk engendered by the lower debt.” The economists rejected the notion that austerity could be good for growth by boosting the confidence of the private sector to invest. It said that in practice, “episodes of fiscal consolidation have been followed, on average, by drops rather than by expansions in output. On average, a consolidation of 1% of GDP increases the long-term unemployment rate by 0.6 percentage points.” McDonnell said: “The International Monetary Fund has summarised what a growing consensus among economists across the globe now think, that Osborne-style austerity economics increases inequality and instability, and undermines growth.

## Contention Two: Planes, Trains, and Automobiles

#### Robert Galbraith indicates in 2018 that:

Robert Galbraith, 1-12-2018, "The State of U.S. Infrastructure," Council on Foreign Relations, https://www.cfr.org/backgrounder/state-us-infrastructure, Date Accessed 1-4-2019 // WS

The U.S. population has more than doubled since the 1960s, when most of the country’s major infrastructure systems were designed. Many are reaching the end of their lifespan, and are dangerously overstretched, experts say. The American Society of Civil Engineers (ASCE) has compiled regular “report cards” on the state of U.S. infrastructure since the 1980s. In its [2017 report](https://www.infrastructurereportcard.org/), the ASCE finds that the nation’s infrastructure averages a “D,” meaning that conditions are “mostly below standard,” exhibiting “significant deterioration,” with a “strong risk of failure.” The group estimates that there is a total “infrastructure gap” of nearly $1.5 trillion needed by 2025. Other analysts agree that the shortfall is large. The U.S. Department of Transportation (DOT) [estimates](https://www.transportation.gov/grow-america/fact-sheets/roadways) that over $800 billion is required just to shore up the nation’s roads and bridges. McKinsey researchers [say](http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infrastructure-gaps) that $150 billion per year will be required between 2017 and 2030 to keep abreast of all the country’s infrastructure needs. Transportation will require the largest chunk of funding needs. The DOT finds that one in four bridges are structurally deficient or not designed for the traffic they now support. While America’s airports carry the most passengers of any country in the world, its aviation infrastructure is also overburdened, with some 20 percent of all arrivals and departures delayed, according to the DOT.

#### Unfortunately, the prolonged government shutdown is adding fuel to the fire in America’s infrastructure problem – Amanda Albright explained this morning that most infrastructure programs:

Amanda Albright, Danielle Moran and Martin Z. Braun, 1-11-2019, “How a prolonged government shutdown may ripple down to states,” Bloomberg News, <https://www.chron.com/business/article/How-a-Prolonged-Government-Shutdown-May-Ripple-13526162.php>, Date Accessed 1-11-2019 // JM

Public subways, commuter trains and other transit systems rely heavily on federal grants that would be slowed if employees remain idled. Such funding can account for a fifth of some operating budgets, according to Moody’s, which warned that a disruption could lead to weaker financial positions, delayed projects and higher debt costs. Problem-plagued New Jersey Transit Corp.’s available cash, as of 2017, was only enough to cover about one month’s operations, the rating company said. The uncertainty about the budget may also slow the pace of work on infrastructure projects because states can’t say for sure how much they will get once the budget impasse ends. “States are not going to [start] be letting new projects because of the uncertainty associated with the federal program,” said Jim Tymon, executive director of the American Association of State Highway and Transportation Officials. One state has already done that: Oklahoma officials said they’re [has already] delay[ed]ing new contracts for about 45 upcoming projects totaling more than $137 million because of the shutdown.

#### That’s problematic since Michael Mandel explains that:

MICHAEL MANDEL, 2014,, https://www.progressivepolicy.org/wp-content/uploads/2014/03/2014.03-Carew\_Mandel\_Infrastructure-Investment-and-Economic-Growth\_Surveying-New-Post-Crisis-Evidence.pdf, Date Accessed 1-6-2019 // WS

In this paper, we try to go beyond the sterile back and forth to uncover the real story about the economic spillovers from infrastructure spending. In particular, we look at a series of new studies that have been done since the 2009 policy arguments, using a wide variety of data sources and analytical techniques. New empirical research conclusively supports the view that hiring for government supported infrastructure projects creates a significant number of private sector jobs in the rest of the economy. Further, these studies provide fresh evidence that spending on infrastructure has a large, positive multiplier effect on the economy. In fact, our analysis shows an emerging consensus that for every $1 spent on transportation infrastructure, the increase in economic growth is between [increases] $1.5 and $2. The case for increasing investment in transportation infrastructure—roads, bridges, and public transit systems—is clear. However, such public investment requires both the availability of financing and the will to spend it. Typically, a substantial portion of state and local infrastructure spending is financed by federal funds. At the same time, a substantial portion of local infrastructure spending is financed by state funds, depending on the state.

#### Thus, now is the time to promote economic growth to save our infrastructure. This happens because economic growth generates the needed government revenue that can be reinvested into infrastructure. Nathan Lewis writes in 2018 that just

Nathan Lewis, 5-10-2018, "An Additional 1% Of GDP Growth Per Year Changes The Game Completely," Forbes, https://www.forbes.com/sites/nathanlewis/2018/05/10/an-additional-1-of-gdp-growth-per-year-changes-the-game-completely/, Date Accessed 1-6-2019 // WS

The CBO expects big deficits in the future, but this is due to increasing spending mostly from mandatory programs. For 2019, the net effects of changes in taxes is expected to produce $197 billion less revenue than would have otherwise been the case. This is a decline of about 5%, from 17.3% to 16.6% of GDP. A 1% increase in growth would make that revenue loss disappear in about five years; in ten years, we would be getting [result in] about 5% more revenue, with lower taxes. The CBO expects GDP growth in the range of 1.5% to 1.8% for 2021-2028. That is not a very high hurdle. If GDP is about 1%-per-year higher, or about 10% higher after ten years, that would mean an additional $495 billion in tax revenue[every year] in 2028 alone. In fact, the CBO’s growth estimates [have been off in the past by about 1% per year](https://www.cato.org/blog/could-cbo-be-underestimating-gdp-growth-1-theyve-done-it). Between 1983 and 1999, the CBO issued two-year forecasts that added up to a 2.7% growth rate. The actual rate was 3.7%. Remember, the CBO’s total ten-year “cost” (estimated revenue reduction) of the 2017 tax reform, after adjusting for “economic” factors, was $602 billion. Give up $602 billion, spread over ten years, to get $495+ billion per year in additional revenue due to growth benefits? I wish I could set up a hedge fund to get those kind of returns. It would be so much fun, once you figured out what was going on, that you might want to do it over and over again. Now can you see why Japan, Germany and Ireland started to cut taxes nearly every year? The real budget problem is spending: due to expanding “mandatory” spending due primarily to retiring Boomers, Federal spending/GDP is expected to expand from 20.6% of GDP in 2017 to 23.6% in 2028, resulting in deficits in the 5%-of-GDP range. These deficits could be quickly solved by capping spending to the rate of inflation only. If we assume that all current tax cuts are made permanent, the deficit would gradually shrink and turn to surplus in 2028. If we assume growth of 2.8%, we would turn to surplus in 2025.

#### The impact is massive as Robert Galbraith writes in 2018 that

Robert Galbraith, 1-12-2018, "The State of U.S. Infrastructure," Council on Foreign Relations, https://www.cfr.org/backgrounder/state-us-infrastructure, Date Accessed 1-4-2019 // WS

Many analysts say that investing in both new infrastructure and current maintenance would positively impact the economy in a number of ways. By increasing efficiency and reliability and lowering transportation costs, it would boost long-term U.S. competitiveness and insulate the economy from shocks. It would also directly add demand and employment, as some fourteen million workers, or 11 percent of the total U.S. labor force, are [currently employed](https://www.brookings.edu/interactives/beyond-shovel-ready-the-extent-and-impact-of-u-s-infrastructure-jobs/) in infrastructure-related sectors, according to the Brookings Institution. Economists generally see infrastructure spending as having a significant “multiplier effect,” though estimates differ. A 2014 University of Maryland study [found that infrastructure investments added as much as $3](http://www.nam.org/Issues/Infrastructure/Surface-Infrastructure/Infrastructure-Full-Report-2014.pdf) [PDF] to GDP growth for every dollar spent, with a bigger effect during a recession. Global consulting firm McKinsey [estimates](http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infrastructure-gaps) that increasing U.S. infrastructure spending by 1 percent of GDP would add 1.5 million jobs to the economy.

#### These jobs directly help the poorest and least educated Americans as Joseph Kane writes that they

Joseph Kane and Robert Puentes, 5-7-2015, "Expanding opportunity through infrastructure jobs," Brookings, https://www.brookings.edu/research/expanding-opportunity-through-infrastructure-jobs/, Date Accessed 1-6-2019 // WS

Second, infrastructure jobs usually represent long-term, well-paid opportunities for the two-thirds of U.S. workers who lack four-year college degrees. These jobs not only boast [competitive wages](https://www.brookings.edu/blogs/the-avenue/posts/2014/06/23-wage-potential-infrastructure-jobs-kane-puentes) and have relatively low barriers to entry, but they also have [enormous replacement needs](https://www.brookings.edu/blogs/the-avenue/posts/2014/07/02-americas-infrastructure-workers-kane-puentes), primarily due to an impending wave of retirements. In turn, infrastructure has the potential to promote more durable and equitable growth as the labor market picks up steam following the Great Recession. Using occupational data from the U.S. Bureau of Labor Statistics, this report provides an update to [last year’s analysis measuring the extent and impact of infrastructure jobs](https://www.brookings.edu/research/interactives/2014/infrastructure-jobs#/M45780). It focuses on national and metropolitan levels of infrastructure employment in 2013, in addition to post-recession employment changes since 2010. The report also explores infrastructure wages in greater depth from 2003 to 2013 to highlight trends in pay, especially for workers at lower ends of the income distribution, i.e., at the 10th and 25th percentile of all wage earners. The report finds that: Beyond infrastructure’s enormous economic impact, though, these jobs frequently translate into long-term opportunities for workers across all skill levels. Most [ 78%] workers in the field (78 percent) concentrate on operating infrastructure, rather than constructing (15 percent), designing (6 percent), or governing it (1 percent). Consequently,[and] unlike many other jobs, infrastructure positions often prioritize [on-the-job training](https://www.brookings.edu/blogs/the-avenue/posts/2014/07/22-infrastructure-job-skills-metro-kane-puentes) and have lower educational boundaries to carry out their duties.h Only 12 percent of infrastructure workers have a bachelor’s degree or higher compared to 34 percent nationally. Likewise, just 13 of the 95 infrastructure occupations require a bachelor’s degree or higher for entry—such as civil engineers and landscape architects—while 67 occupations are generally filled by workers with a high school diploma or less. These patterns clearly emerge among the 20 largest infrastructure occupations overall.