Resolved: The United States federal government should prioritize reducing the federal debt over promoting economic growth.

- OVERVIEWS
  - Priority
  - W Debt-reduction > Growth solves debt
  - W Recession > Debt-reduction
  - W Growth > Debt
- INDICTS
  - I2 MMT
  - I2 Reinhart/Rogoff
- A2 AFF
  - A2 Implementations
    - A2 FTT
    - A2 Gradualism
    - A2 Tax cuts
    - A2 Balanced budget amendment
      - A2 Impact - Economic growth
  - A2 Debt bad general
    - A2 Debt:GDP increasing
    - A2 Interest rates rise
      - A2 Correlated
      - A2 Supply outpacing demand
      - A2 I - Austerity policies
      - A2 I - Emerging markets
      - A2 I - College
      - A2 I - Small businesses
    - A2 CO Social security
    - A2 CO Social spending
    - A2 CO Investment
    - A2 CO Recovery
    - A2 Defaulting
    - A2 International borrowing bond market??
    - A2 Example - 1990 expansion
  - A2 Recession
    - A2 General
    - A2 Asset bubbles

        - A2 Political pressure stimulus
        - A2 Overheating
    - A2 Economic growth bad
        - A2 Automation
        - A2 Climate change
    - A2 International impacts
        - A2 Other countries (general) weaponizing debt
        - A2 China weaponizing debt
- A2 NEG
    - A2 Debt has no impact (Japan)
    - A2 Debt good
        - A2 Prevents war
        - A2 Multiplier
    - A2 Implementation
        - A2 Sequestration
        - A2 Tax increases bad
        - A2 Tax cuts
        - A2 More tariffs
        - A2 PAYGO Cuts
        - A2 Infrastructure
        - A2 Army corps of engineers
        - A2 Education spending
        - A2 Foreign Aid
        - A2 Military budget
        - A2 Social spending
            - A2 Social Security
            - A2 Obama cut payroll tax
    - A2 Recession
        - A2 General level
        - A2 Stimulus works (??) → see a2 aff
        - A2 Speculation
            - A2 Corporate debt bubble
            - A2 Corporate buyback bubble
            - A2 Bond stability
        - A2 Asset bubbles
        - A2 I - Political gridlock
    - A2 Econ solves everything

A2 Hege
A2 Crime
A2 Automation/AI
A2 Renewables
A2 FDI
A2 Obama stimulus/multiplier effect
A2 Reduces the debt
A2 Poverty

OVERVIEWS

Priority

1. Merriam Webster defines a priority as "something given or meriting attention before competing alternatives." That's why our advocacy is that we need to prioritize debt-reduction now, while the economy is good. Economic growth should only kick in during a recession-like state.

No Author, xx-xx-xxxx, "Definition of PRIORITY," No Publication, https://www.merriam-webster.com/dictionary/priority

: the quality or state of being prior

(2): precedence in date or position of publication—used of taxa

b(1): superiority in rank, position, or privilege

(2): legal precedence in exercise of rights over the same subject matter

2: a preferential rating*especially* : one that allocates rights to goods and services usually in limited supplythat project has top *priority*

3: something given or meriting attention before competing alternatives

W Debt-reduction > Growth solves debt

1. Not possible. The Committee for a Responsible Federal Budget finds that it would take a 40% increase in annual productivity growth to actually put debt on a clear downward path, which he concludes can't be achieved through government policy changes
2. Furthermore, Cox of Goldman writes in 2018 that this argument that growth will solve debt is problematic as right now, unemployment is falling and wage growth is increasing, creating the perfect conditions for the economy overheating. He concludes that the economy really needs to slow down right now.

Jeff Cox, 11-5-2018, "Goldman Sachs: The economy needs to slow down to avoid a 'dangerous overheating'," CNBC, https://www.cnbc.com/2018/11/05/goldman-economy-needs-to-slow-down-to-avoid-a-dangerous-overheating.html

A thriving labor market is part of a continuing economic boom that will have to slow down or it eventually will cause trouble, according to a Goldman Sachs analysis. Nonfarm payrolls rose by 250,000 in October and the unemployment rate held at a 49-year low of 3.7 percent, according to Labor Department data released Friday. On top of that, average hourly earnings rose 3.1 percent from the same period a year ago, the fastest pace during the post-Great Recession recovery. While that's all good news, concerns are now rising about the pace of gains. The Federal Reserve estimates that the natural rate of unemployment is around 4.5 percent, which Jan Hatzius, Goldman's chief economist, calls "broadly reasonable." Looking down the road, Goldman sees unemployment falling to 3 percent by early 2020 and wage growth to hit the 3.25 percent to 3.5 percent range over the next year or so. "So the economy really needs to slow to avoid a dangerous overheating," Hatzius said in a note that pointed out some signs are emerging of a cooling.

Committee for a Responsible Federal Budget, 10-28-2013, Could Faster Growth Solve Our Debt Woes?, http://www.crfb.org/blogs/could-faster-growth-solve-our-debt-woes

Faster economic growth can help improve debt projections in at least two ways. First, faster growth produces more revenue -- enough to result in $315 billion of deficit reduction for every 0.1 percentage point increase in the annual growth rate. But in addition, faster growth increases the economy's capacity to carry debt. Thought of another way: when we measure debt as a share of GDP, a higher GDP can help lower debt-to-GDP the same as lower nominal debt levels can lower the ratio. As a result, even small improvements in growth can help slow debt accumulation. If growth were 0.1 percentage point higher annually, for example, debt levels would reach 71 percent of GDP by 2023, compared to 73 percent under the CRFB Realistic Baseline. Even just a faster economic recovery that brings GDP back to its potential sooner would bring debt levels to 72 percent of GDP by 2023. Still, it would take a pretty significant improvement in growth to put the debt on a clear downward path as we have called for in the

past. **In fact, by our estimates, doing so would require the economy to grow nearly 0.5 percentage points faster each year. This would mean annual productivity growth nearly 40 percent faster than what is projected and inconsistent with what most analysts think could be generated through government policy changes alone.** Even under this scenario, CBO expects that debt would bottom out in the mid-2020s and begin to rise again thereafter.

W Recession > Debt-reduction

1. Wray '10 of the Levy Economics Institute writes that because tax revenues fall as incomes plummet during a recession, recessions actually result in ballooning deficits. This means that if prioritizing debt-reduction causes a recession, they don't have any solvency at all for any of their arguments.

Wray, L. Randall. "Deficit Hysteria Redux? Why We Should Stop Worrying About U.S. Government Deficits." Levy Economics Institute of Bard College. 2010. https://www.econstor.eu/bitstream/10419/54259/1/631375910.pdf //RJ

Moreover, future generations would find that their attempts to raise taxes (or slash spending) to achieve budget surpluses would fail because the budgetary outcome is mostly "endogenous" or nondiscretionary. **Fiscal austerity slows the economy to the point that tax revenues fall and spending on the social safety net rises, thus preventing budget surpluses**. In other words, **even if future generations decide to raise taxes and burden themselves, they probably will not be able to retire the leftover Treasury debt because their actions will not ensure a budget surplus large enough to run down the debt**. **Recall President Clinton's promise to run surpluses for 15 years in order to retire all the outstanding debt—which failed because the fiscal drag caused a recession that restored budget deficits**. Thus, our grandkids might as well enjoy the Treasuries as net wealth in their portfolios and avoid the pain of higher taxes.

W Growth > Debt

1. The government doesn't even know how to reduce the debt even if they prioritize it. According to Amadeo of the Balance in 2018, Trump pledged debt reduction through eliminating waste in federal spending. Unfortunately, instead, he created unstrategic tax cuts and unsustainable economic growth, which will ultimately increase the debt by 5.3 trillion dollars.
2. Growth is the better link into debt reduction. Summers, a past Treasury secretary, explains in 2013 that "an increase of just 0.2 percent in annual growth would entirely eliminate the projected long-term budget gap" thus "solving" the debt problem. There is no paper that exists that can make a strong case for a causal relationship going from debt to economic growth. In fact, Irons of the Economic Policy Institute in 2010 finds that historically, in the United States, while there is no causation between high debt to growth, slower growth does lead to higher debt. Thus, O'Brien of the Atlantic concludes that fast

nominal GDP growth is the only way the US government has ever successfully reduced debt ratios in the past.

Matthew O'Brien, 2-1-2013, "Why the U.S. Government Never, Ever Has to Pay Back All Its Debt," Atlantic, https://www.theatlantic.com/business/archive/2013/02/why-the-us-government-never-ever-has-to-pay-back-all-its-debt/272747/?fbclid=IwAR3esjVPNMUhBnUnt7hTVX3CGQg3_hXS8Hz2Iu_dIQvERhkmQ6RZD6FJPhI

Here's the budget math. **Between 1946 and 1974, debt-to-GDP fell from 121 to 32 percent, even though the government only ran surpluses in eight of those years (and the surpluses were generally much smaller than the deficits). That's because nominal GDP -- just the cash size of the economy -- grew much faster than debt did. As Greg Ip of The Economist points out, fast nominal GDP growth, and the easy monetary policy that requires, is the only way governments have ever successfully reduced debt ratios in the past. Austerity alone will fail.** (See Europe). Okay, so maybe endless debt and deficits aren't a problem, but won't bond markets go Galt on us if we don't start to get our fiscal house in order? And even if the bond vigilantes turn out to be more like Godot, won't ever-increasing debt lead to ever-decreasing growth? Well, as Mike Konczal of the Roosevelt Institute points out, the oft-cited Rogoff-Reinhart 90 percent debt-to-GDP threshold, after which growth supposedly slows, hasn't been proven. It's just a correlation. If anything, it probably gets the causation backwards, with low growth driving deficits and debt, not vice versa. Now, high deficits during high growth could crowd out private investment, and raise interest rates -- the fabled bond vigilantes -- but it couldn't bankrupt us a là Greece. We borrow in a currency we control, so we can never run out of it; we can always inflate as a last resort. This money-printing escape hatch protects us from the kind of self-fulfilling run -- where markets push up borrowing costs on fear of default, which, perversely, makes default more likely -- that had plagued Europe before ECB chief Mario Draghi promised to do "whatever it takes" to save the euro. The worst we have to fear is some kind of replay of 1992, with rising interest payments forcing some combination of tax hikes and/or spending cuts. There's a little bit more to fear than fear itself, but not too much more. That leaves us with one last reason to worry, and one not to. Long-term healthcare spending is on an unsustainable trajectory ... but there are some signs it might already be slowing to more sustainable levels. That's the worry. The reason not to is the world's insatiable appetite for our debt. Treasury bonds are a kind of money for the financial system -- shadow banks in particular use them as collateral to fund day-to-day operations -- and they're a kind of money the financial system desperately needs more of now. This brave, new financial world was in embryonic form just 30 years ago, but is so developed today that demand for our debt is much less elastic than you might think.

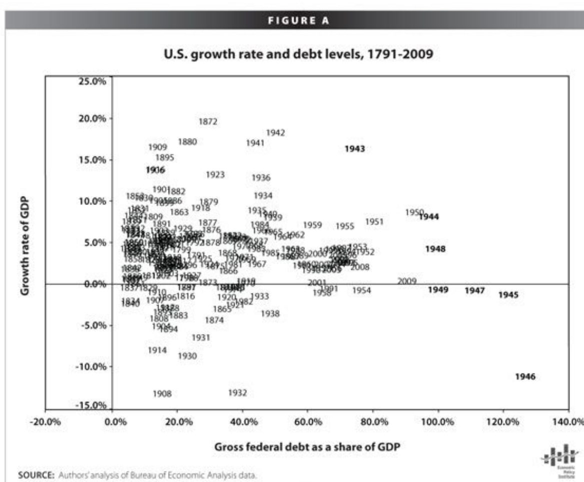
Kimberly Amadeo [Balance], 12-15-2018, Donald Trump's Economic Plan and How It Is Changing the Economy, https://www.thebalance.com/donald-trump-economic-plan-3994106

Trump said he would reduce the debt by eliminating waste in federal spending. He demonstrated this ability in his campaign by using Twitter instead of an expensive PR campaign. He emphasized cost containment in his book "The Art of the Deal." But his debt reduction plan adds $5.3 trillion to the nation's debt. Trump said that cutting taxes will increase growth enough to offset the loss of revenue. Trump's tax plan will cut income taxes and lower the corporate tax rate to 21 percent. But it will increase the debt, not reduce it. Trump's reliance on supply-side economic theory won't work. The Laffer curve says that tax rates must be in the prohibitive zone, above 50 percent, to work. Trump promised to grow the economy by 6 percent annually to increase tax revenues. That would be too fast for healthy economic growth. It would create

inflation, a boom-bust cycle, and then a crash. His tax plan forecasts a 3 percent growth rate. He also said he could continue to "borrow knowing that if the economy crashed, you could make a deal. The U.S. will never default because you can print the money." These are the most dangerous statements Trump has ever uttered. The first one is a blatant falsehood. If the economy collapsed, there would be no one to make a deal with. It would send the dollar into a collapse. That would send the entire world into another Great Depression. Printing money would send the dollar back into decline. Interest rates would rise as creditors lost faith in U.S. Treasurys. That would create a recession.

Panizza 2013, PUBLIC DEBT AND ECONOMIC GROWTH IN ADVANCED ECONOMIES: A SURVEY
http://docs.dises.univpm.it/web/quaderni/pdfmofir/Mofir078.pdf
This paper surveys the recent literature on the links between public debt and economic growth in advanced economies. We find that theoretical models yield ambiguous results. Whether high levels of public debt have a negative effect on long-run growth is thus an empirical question. While many papers have found a negative correlation between debt and growth, our reading of the empirical literature is that there is no paper that can make a strong case for a causal relationship going from debt to economic growth. We also find that the presence of thresholds and, more in general, of a non-monotone relationship between debt and growth is not robust to small changes in data coverage and empirical techniques. We conclude with a discussion of the challenges involved in measuring and defining public debt and some suggestions for future research which, in our view, should emphasize cross-country heterogeneity.

John Irons, 7-26-2010, "Government Debt and Economic Growth," Economic Policy Institute, https://www.epi.org/publication/bp271/



Even if a durable correlation between high levels of debt and contemporaneous growth was found (contrary to most theoretical expectations), it still would not be a sound basis on which to

draw policy conclusions. The analysis and rhetoric in GITD (and those who use it to buttress the case for rapid fiscal retrenchment) assumes that causality runs from higher debt levels to slower contemporaneous economic growth. The data, however, do not speak to causality, and there is considerable reason to believe that causality may run the exact opposite direction. **First, the theory that governs the relation between debt and growth suggests strongly that causality runs more firmly from slower growth to higher debt loads.** Slow economic growth, and especially growth that is slower than policy makers' expectations, will lead to higher levels of debt as revenues fall and as automatic-stabilizer spending increases.

Lawrence Summers, October 13, 2013 Washington Post
https://www.washingtonpost.com/opinions/lawrence-summers-in-shutdown-debate-focus-on-growth-not-deficit/2013/10/13/c944c20c-3428-11e3-be86-6aeaa439845b_story.html?noredirect=on&utm_term=.23755eab811d
To be sure, some steps that matter profoundly for the long run should be priorities today. Data from the CBO imply that an increase of just 0.2 percent in annual growth would entirely eliminate the projected long-term budget gap. Increasing growth, in addition to solving debt problems, would also raise household incomes, increase U.S. economic strength relative to other nations, help state and local governments meet their obligations and prompt investments in research and development.

INDICTS
I2 36% growth debt

1. Their card is talking about debt on a proportional basis compared to itself. Problem is, Amadeo tells you that you can't look at a country's national debt in isolation and instead need to compare it to the GDP of a country, which we provide through our Bloomberg evidence.

Kimberly Amadeo, 1-10-2019, "See How the U.S. Debt Tripled Since 9/11," Balance, https://www.thebalance.com/national-debt-by-year-compared-to-gdp-and-major-events-3306287
You can't look at a country's national debt in isolation. Sometimes expansionary fiscal policy, such as spending and tax cuts, was needed to spur the economy out of recession. Other times, the United States increased military spending to respond to national threats.

For those reasons, the national debt by year should be compared to the size of the economy as measured by the gross domestic product. This gives you the debt to GDP ratio. You can use it to compare the national debt to other countries. It also gives you an idea of how likely the country is to pay its debt back.

Simon Black, Sovereign Man Mar. 21, 2018, 5, 3-21-2018, "The US' national debt is rising 36% faster than the economy," Business Insider, https://www.businessinsider.com/the-national-debt-is-rising-much-faster-than-the-economy-2018-3

Now that might not seem like a big difference. But it is. On a proportional basis, the national debt expanded 36% faster than the US economy (even if you include inflation).Over the course of several years, that effect compounds into something that's quite nasty.At the end of 2008, for example, the size of the US economy was $14.5 trillion. A decade later, the size of the economy is $19.7 trillion, 36% greater.Yet over the past ten years, the national debt has grown from $9.4 trillion to over $21 trillion- a growth rate of 123%!

I2 MMT

1. Delink - Not totally consequenceless. Nobel-prize winning economist Paul Krugman explains that there are limits to how much money the government can coin that leads to inflation. He says that when people expect inflation, they become reluctant to hold cash, increasing prices, and increasing the amount of money the government has to print, resulting in an infinite upward spiral of inflation.

Paul Krugman Blog, 8-15-2011, "MMT, Again," https://krugman.blogs.nytimes.com/2011/08/15/mmt-again/

The point is that there are limits to the amount of real resources that you can extract through seigniorage. When people expect inflation, they become reluctant to hold cash, which drive prices up and means that the government has to print more money to extract a given amount of real resources, which means higher inflation, etc.. Do the math, and it becomes clear that any attempt to extract too much from seigniorage — more than a few percent of GDP, probably — leads to an infinite upward spiral in inflation. In effect, the currency is destroyed. This would not happen, even with the same deficit, if the government can still sell bonds.

I2 Reinhart/Rogoff

1. The Center on Budget and Policy Priorities finds in 2013 that the study is seriously flawed, showcasing quote, “embarrassing computational mistakes and questionable methodological choices.” This includes coding errors on the spreadsheets.

Colbert - http://www.cc.com/video-clips/dcyvro/the-colbert-report-austerity-s-spreadsheet-error

Chad Stone, chief economist at the Center on Budget and Policy Priorities, April 25, 2013, “From a Deficit to a Surplus and Back Again,” US News and World Report,

https://www.usnews.com/opinion/blogs/economic-intelligence/2013/04/25/debt-economic-growth-relationship

Policymakers and pundits who have pushed budget austerity in the face of a sluggish economic recovery and stubbornly high unemployment found intellectual cover in a highly influential study by economists Carmen Reinhart and Kenneth Rogoff purporting to show that countries pay a sharp economic growth penalty if they allow their public debt to rise above 90 percent of gross domestic product (GDP). As it turns out, that result is hogwash. A trio of economists at the University of Massachusetts Amherst recently found embarrassing computational mistakes and questionable methodological choices in the Reinhart-Rogoff study. Financial Times' columnist Martin Wolf provides a smart and balanced adjudication of the debate that has ensued. Check it out, or just watch Steven Colbert.

https://www.ft.com/content/60b7a4ec-ab58-11e2-8c63-00144feabdc0

In 1816, the net public debt of the UK reached 240 per cent of gross domestic product. This was the fiscal legacy of 125 years of war against France. What economic disaster followed this crushing burden of debt? The industrial revolution.

The recent critique by Thomas Herndon, Michael Ash and Robert Pollin of the University of Massachusetts at Amherst makes three specific charges against the conclusions of professors Reinhart and Rogoff: a simple coding error; data omissions; and strange aggregation procedures. After correction, they argue, average annual growth since 1945 in advanced countries with debt above 90 per cent of GDP is 2.2 per cent. This contrasts with 4.2 per cent when debt is below 30 per cent, 3.1 per cent when debt stands between 30 per cent and 60 per cent, and 3.2 per cent if debt is between 60 per cent and 90 per cent**. In their response, professors Reinhart and Rogoff accept the coding errors, but reject the critique of aggregation.** I agree with the critics for reasons given by Gavyn Davies. The argument that data covering a long period of high debt should count for more than data covering a short one is persuasive.

A2 AFF

A2 Implementations

A2 FTT

1. Delink - Really doubtful that anyone wants a FTT. Democrats are the loudest proponents of FTTs, especially politicians like Bernie Sanders, but with a Republican-controlled senate, this policy is never going to pass. Furthermore, Pisani of CNBC explains in 2016 that historically, countries that have had FTTs have repealed them, like Sweden and Germany who had to repeal the tax because too much trading got moved offshore. The burden was too great for the economies so they buckled and canceled the tax.

2. Delink - The FTT isn't even meant as a debt-reducing strategy. Harts of CNBC reports in 2015 that politicians like Bernie Sanders and Martin O'Malley who have called for a FTT are doing so in order to raise revenue to fund programs like free college tuition for all. Even if the government did implement this policy, it would be implemented in order to spend immediately, not touching the debt at all.
3. Delink - Not a definitive debt solution. Follow of The Fiscal Times explains in 2015 that at best, a FTT could extract only 50 billion dollars a year, a sum that pales in context to the 3.5 trillion dollar federal budget and the upwards of 20 trillion dollar national debt. Aff needs to come up with a better idea for debt reduction that isn't just a drop in the bucket.
4. Delink - The next recession isn't going to come from speculation anyway, so the FTT doesn't solve back for that either. Conerly of Forbes in 2018 writes that recessions are seldom caused by bubbles, with the 2008 recession being the exception. He continues that right now, very little spending is tied to wealth in the stock market, correlating more closely with income than net worth.

Bill Conerly, 4-26-2018, "What Will Cause The Next Recession?," Forbes, https://www.forbes.com/sites/billconerly/2018/04/26/what-will-cause-the-next-recession/
A bubble bursting is on many minds, but recessions are seldom caused by bubbles. The 2008-09 recession was certainly caused by excessive housing construction and speculation, but that's the only one. The recession of 2001 is often attributed to the dot-com bust, but don't forget the huge buildup of capital spending in anticipation of Y2K, and the subsequent wind-down in spending after January 1, 2000.

This isn't to say that a stock market crash couldn't trigger a recession, but it's unlikely. Very little current spending is tied to wealth in the stock market. Most consumer spending correlates with income much more than net worth. Business spending can drop due to a weakening stock market, but that's a very small part of capital spending decisions.

Bill Harts, Ceo Of The Modern Markets Initiative, 8-1-2015, "Taxing Wall Street won't work. Here's why," CNBC,
https://www.cnbc.com/2015/08/04/why-taxing-wall-street-wont-work-commentary.html
The goal is lofty, audacious and of perfect sound-bite length: Free college tuition for all, paid for exclusively by a "small" tax on "Wall Street speculators." The idea of a financial-transaction tax has been kicking around for a while but has gotten more notice since presidential candidates Bernie Sanders and Martin O'Malley have been calling for it. Sanders is calling for a 0.5-percent tax on stock trades, a 0.1-percent tax on bond traders and a smaller tax on derivatives (futures and options) trades.

Bob Pisani, 7-22-2016, “Hillary Clinton’s financial transaction tax: Why it may not work,” CNBC,
https://www.cnbc.com/2016/07/22/hillary-clintons-financial-transaction-tax-why-it-may-not-work.html
It’s been tried and hasn’t worked as hoped. The U.S. did impose a tax on stock transactions, for 50 years, from 1914 to 1964. The Revenue Act of 1914 levied a tax of 2 cents per $100 of par value on all sales or transfers of stock (this is far less than Sanders’proposal of 50 cents per $100). The rate was doubled in 1932. A 1934 study concluded that it didn’t raise a lot of money and didn’t check the speculative activity it claimed it would check. It lingered on for 32 years,collecting little money, until it was killed in 1966. Many other countries do have FTTs of various types. Sweden had an FTT from 1984 to 1991, but it was repealed because so much trading moved offshore. Germany abolished its FTT in 1991 for a similar reason.

Rob Garver Follow, 7-8-2015, "The Pros and Cons of Bernie Sanders’ $50 Billion Tax Idea," Fiscal Times,
http://www.thefiscaltimes.com/2015/07/08/Pros-and-Cons-Bernie-Sanders-50-Billion-Tax-Idea
The Tax Policy Center Study examines some of the claims on both sides of the debate. One of the clearest conclusions of the paper is that while an FTT, properly designed, could bring billions in revenue to the U.S. Treasury, it is no cure-all for the country’s budget problems. The researchers determined that the maximum an FTT could extract from the financial markets without doing more harm than good would be in the neighborhood of $50 billion a year — a large sum in most contexts but a small fraction of the $3.5 trillion federal budget.

A2 Gradualism

1. (Pick on or the other)
    a. Delink - The senate is really unlikely to pass drastic, recession-causing policies through the Senate.
    b. Delink - Big program cuts are nonunique. Boeh of Reason explains in 2018 that Trump recently demanded a 5% spending cut from all federal departments, meaning that he is willing and ready to pursue big cuts. He would never settle for the gradualistic implementation that the affirmative advocates for.

Eric Boeh, 10-18-2018, Trump Orders 5 Percent Spending Cuts Across All Federal Departments,
https://reason.com/blog/2018/10/18/trump-orders-5-percent-spending-cuts-acr
President Donald Trump made headlines on Wednesday for telling his cabinet secretaries to plan for 5 percent budget cuts next year. That's a great idea, so it's too bad that it probably won't come

to pass. "I'm going to ask each of you to come back with a 5 percent budget cut from each of your departments," Trump said, encouraging the heads of some unspecified departments to "do even more" and propose further cuts. "I think you can do it," the president said. "Get rid of the fat. Get rid of the waste. I'm sure you can do it." To be sure, with America facing a large and growing federal budget deficit—the Treasury Department reported Monday that the 2018 fiscal year ended with a $779 billion deficit, the largest since 2012—any discussion of paring back federal spending is welcome. It's heartening to see that Trump is apparently interested in addressing the federal government's out-of-control spending, or at least following through with reducing spending to offset the tax cuts passed in 2017. Still, there are at least three good reasons to be skeptical of Trump's announcement.

Kimberly Amadeo, 12-15-2018, Donald Trump's Economic Plan and How It Is Changing the Economy, https://www.thebalance.com/donald-trump-economic-plan-3994106
Trump said he would reduce the debt by eliminating waste in federal spending. He demonstrated this ability in his campaign by using Twitter instead of an expensive PR campaign. He emphasized cost containment in his book "The Art of the Deal." But his debt reduction plan adds $5.3 trillion to the nation's debt. Trump said that cutting taxes will increase growth enough to offset the loss of revenue. Trump's tax plan will cut income taxes and lower the corporate tax rate to 21 percent. But it will increase the debt, not reduce it. Trump's reliance on supply-side economic theory won't work. The Laffer curve says that tax rates must be in the prohibitive zone, above 50 percent, to work. Trump promised to grow the economy by 6 percent annually to increase tax revenues. That would be too fast for healthy economic growth. It would create inflation, a boom-bust cycle, and then a crash. His tax plan forecasts a 3 percent growth rate. He also said he could continue to "borrow knowing that if the economy crashed, you could make a deal. The U.S. will never default because you can print the money." These are the most dangerous statements Trump has ever uttered. The first one is a blatant falsehood. If the economy collapsed, there would be no one to make a deal with. It would send the dollar into a collapse. That would send the entire world into another Great Depression. Printing money would send the dollar back into decline. Interest rates would rise as creditors lost faith in U.S. Treasurys. That would create a recession.

A2 Tax cuts

1. Delink - The budget can’t be balanced with taxes alone. The Committee for a Responsible Federal Budget explains in 2015 that to balance the budget, spending would need to be cut by about 1 trillion in 2025 alone, impossible through taxes alone, requiring cutting social security or Medicare by 30% on average. This translates to the programs being eliminated or drastically curtailed.

a. Thus, you can turn the argument, because according to Pear of the New York Times in 2018, more than 60 million people are on Social Security, Medicare, or both. Thus, any cuts would mean direct harms to these 60 million people.

Robert Pear, 6-5-2018, "Medicare's Trust Fund Is Set to Run Out in 8 Years. Social Security, 16.," No Publication,
https://www.nytimes.com/2018/06/05/us/politics/medicare-social-security-finances.html
More than 60 million people are on Social Security, Medicare or both. The two programs account for about 40 percent of all federal spending.
But Mr. Trump has paid relatively little attention to either program, declining to embrace a major restructuring of Social Security or Medicare, as some previous Republican presidents have. Nor has he endorsed higher taxes to finance the programs, as some Democrats have suggested.
Trump administration officials instead are counting on a strong economy to improve the solvency of Social Security and Medicare.
"The administration's economic agenda — tax cuts, regulatory reform and improved trade agreements — will generate the long-term growth needed to help secure these programs," Treasury Secretary Steven Mnuchin said Tuesday.

Committee for a Responsible Federal Budget, 11-10-2015, "Can the Budget Realistically Be Balanced Without Touching Social Security or Medicare?,"
http://www.crfb.org/blogs/budget-can-realistically-be-balanced-without-touching-social-security-or-medicare
But in reality, doing so would require enormous cuts to remaining federal programs, far larger than anything that's been seriously considered. To balance the budget by 2025, the next President and Congress would have to cut spending and/or raise revenue by over $1 trillion (including interest) in 2025 alone, and would likely need about $6 trillion of savings cumulatively over the decade. Achieving balance while excluding two of the largest government programs would be incredibly difficult – particularly if combined with the enactment of tax cuts. Excluding all mandatory programs would make the task harder still.
Outside of Social Security and Medicare, most federal spending goes toward other mandatory programs (including Medicaid, federal and military employee retirement benefits, veterans' benefits, and a host of programs primarily benefiting people with low incomes), national defense, and annually-appropriated non-defense discretionary programs (including medical research, the Department of Education, the judicial system, and the Department of State).
To balance the budget from these programs alone would require cutting them by 30 percent on average – which as a practical matter would mean eliminating or drastically curtailing many of them.

A2 Balanced budget amendment

1. Delink - The amendment is never going to feasibly pass. Collins in 2018 explains that the House failed to even advance the heavily Republican-backed bill when Republicans controlled Congress, needing a ⅔ majority that the Republicans didn't have. With a Democratic house, there is no chance the amendment will ever even make it to the Senate.

Eliza Collins,, 4-12-2018, "House fails to advance a balanced budget amendment to counter high spending levels," USA TODAY, https://www.usatoday.com/story/news/politics/2018/04/12/house-fails-advance-balanced-budget-amendment-counter-high-spending-levels/508665002/

WASHINGTON — The House failed on Thursday to advance a constitutional amendment that would require Congress not spend more than the nation collects in revenue. Some conservative lawmakers had hoped a vote on the bill would calm grassroots conservatives who had been fuming about recent high levels of spending.

On a mostly party line vote, Republicans failed to advance the bill, 233-184. Normally, legislation requires 218 votes to win approval in the House and can be passed with just Republican votes. The balanced budget amendment, however, required bipartisan support with a two-thirds majority vote because it was a constitutional amendment.

The balanced budget amendment introduced by Republican Judiciary Committee Chairman Rep. Bob Goodlatte of Virginia, said Congress can't spend more than it takes in, unless three-fifths of both the House and Senate vote to do so. Congress could achieve the balanced budget through spending cuts or by raising taxes, though the latter step would also require a three-fifths vote in both the House and the Senate. Similarly, Congress could not raise the debt ceiling without super majority votes.

A2 Impact - Economic growth

1. Turn - The amendment would actually decrease economic growth. Rampell of the Washington Post explains in 2018 that because the government needs freedom to spend more money when responding to recessions as a result of tax revenue naturally falling, with a balanced budget amendment in place, the government wouldn't be able to ramp up spending to fill the hole created by the contracting private sector. She concludes that had the balanced budget amendment been in effect since 2012, it would have doubled the current unemployment rate today.

Catherine Rampell, xx-xx-xxxx, "Opinion," Washington Post, https://www.washingtonpost.com/opinions/a-balanced-budget-amendment-is-always-stupid-right

-now-its-a-joke/2018/04/12/9f873934-3e89-11e8-8d53-eba0ed2371cc_story.html?utm_term=.a78e67c6407c

Sometimes the government needs to spend more money than it receives in a given year to respond to a crisis, such as war, natural disaster or recession. In the case of recession, for instance, federal tax revenue automatically falls as the economy shrinks and businesses and individuals earn less. Under a balanced-budget requirement, this situation would require Congress to slash federal spending, raise taxes or both.

Which is exactly the opposite of what economists prescribe during a recession, when you want the government to plug the hole left by a contracting private sector.

Had a balanced-budget amendment been in effect in fiscal 2012, as the economy was still recovering from the Great Recession, for example, it would have nearly doubled the unemployment rate, the research firm Macroeconomic Advisers forecast at the time.

Nonetheless, good economy or bad, Republicans claim to want fiscal discipline. I say "claim" because to date this commitment remains purely, laughably theoretical.

Every time they've had the opportunity to go on a fiscal diet, they've pigged out instead.

A2 Debt bad general

A2 Debt:GDP increasing

1. Delink - Not even factually true since the Great Recession ended. Smith of Bloomberg in 2018 explains that while during the Great Recession, when debt did grow faster than the economy, todays' improved economy is growing at a 3.4% rate whereas debt is growing at a 3% rate, values that are perfectly sustainable.

Smith - https://www.bloomberg.com/opinion/articles/2016-04-18/america-is-nowhere-close-to-having-a-debt-crisis

Also, some of these writers are saying that the debt is growing faster than the economy. This was true during the years of the Great Recession, but it's no longer the case. The federal debt held by the public is now growing at about a 3 percent rate, while the economy is growing at about a 3.4 percent rate (these are both in nominal terms). In other words, the U.S. deficit is now perfectly sustainable. This represents a remarkable -- possibly even excessive -- display of fiscal responsibility by the U.S. government. During the Great Recession, when millions were out of work, the government ran big deficit in an effort to stimulate the economy.

A2 Interest rates rise

A2 Correlated

1. Delink - Debt and interest rates weren't correlated during the Obama administration. Tanous of CNBC in 2018 explains that during the Obama administration, while total

national debt rose to $20 trillion from $12.3 trillion, interest rates sank to an all time low. Thus, Hubbard '11 of Columbia University writes that our deficit has historically only had a 0.15 correlation with our interest rates. Pollin of Oxford in 2019 gives two reasons why this is the case.

a. First, financial market investors globally are risk averse since the financial collapse, resulting in high support of government bonds as a safe store of wealth.
b. Second, Federal Reserve policy has been aggressively accommodative since the financial crisis began and the primary tool for maintaining an accommodative stance has been to maintain low interest rates.

2. Delink - Tamny '17 of Forbes writes that the decline of Treasury yields indicate that investors are not worried at all about our ability to finance the debt, because advances in automation are about to dramatically expand our country's economic capacity, rendering debts exceedingly small.
3. Delink - Robb of Market Watch writes days ago that there's a 75% chance that interest rates remain the same in 2019, and these rates are actually projected to drop in 2020, so these interest rate hikes are coming to an end.

Robb, Greg. "Why Wall Street might be right that the next move from the Fed will be an interest-rate cut." Market Watch. Jan. 2019. https://www.marketwatch.com/story/why-wall-street-might-be-right-that-the-next-move-from-the-fed-will-be-an-interest-rate-cut-2019-01-02 //RJ

The financial market's notion that the next move by the Federal Reserve be to cut interest rates in early 2020 is not out of the question, analysts said. "You can't rule it out," said Lewis Alexander, chief U.S. economist at Nomura. Kevin Cummings, senior U.S. economist at Natwest, agreed. "It's possible, but it wouldn't be my base case." **The market's view on interest-rate probabilities tracked by the CME's Fed Watch tool, show over a 75% chance that the federal funds rate ends 2019 in a range between 2.25%-2.5%, the same level rates are now. In 2020, the market sees rates falling closer to a mid-point of 2.18%**, according to fed funds futures contracts on the Chicago Board of Trade tracked by Bloomberg, according to Alexander.

Hubbard, Glenn. "Consequences of Government Deficits and Debt." Columbia University. 2011. https://www.bostonfed.org/-/media/Documents/economic/conf/Monetary-Fiscal-Topics-2011/papers/hubbard.pdf //RJ

Financing decisions of the federal government along with those of private sector borrowers, state and local government borrowers, domestic and foreign savers, and the Federal Reserve all interact in the U.S. and international credit market to influence interest rates on U.S. Treasury debt and other debt. To get a sense of what effect U.S. federal government debt has had on interest rates, it is instructive to look at the historical evolution in federal debt (relative to GDP) compared to interest rates over the past 50 years. **While federal debt relative to GDP has varied substantially, the real interest rate has been less variable, and is currently equal to its average value over the past 50 years of about three percent.** Indeed, Engen and Hubbard (2005) estimate **the simple correlation between the stock of federal debt and this measure of the real interest rate over the entire period shown is only 0.15. Over the 20-year period from the early 1950s to the early 1970s—when federal debt decreased by 50 percent relative to the size of the economy—the real interest rate remained relatively constant**. The real interest rate did rise in

the early 1980s, coincident with an increase in federal debt, but the real interest rate then declined and remained quite steady even as federal debt continued to grow in the 1980s and early 1990s, and then fell in the late 1990s.

Tamny, John. “Ignore The Endless Talk Of Doom, Budget Deficits Really Don't Matter.” Forbes. Sept. 2017. https://www.forbes.com/sites/johntamny/2017/09/24/forget-the-protests-of-conservatives-deficits-really-dont-matter/#3602310a3707 //RJ

At the same time, **the substantial decline of Treasury yields is a certain signal from one of the deepest markets in the world that investors are not remotely worried about Treasury’s ability to pay back the $20 trillion owed**, or hundreds of trillions if we factor in the entitlement math of our most ardent deficit hysterics. Thinking about the hand wringers who are convinced the U.S. as we know it is set to end thanks to existing and looming Treasury debt, and paraphrasing Ken Fisher, **the markets have already priced the allegedly dire federal debt scenarios swimming through their heads**. **And having priced all that the U.S. Treasury owes, those same investors have aggressively bid up future dollar income streams that will be paid out by that same U.S. Treasury. In short, federal debt is the least of the U.S.’s problems. As evidenced by plummeting yields on the 10-year over the decades, investors figure that future debt servicing will be exceedingly easy.** As for reasons why, the speculation from here is that **we’re on the verge of a staggering productivity boom thanks to amazing advances in technological pursuits of the automation and robotics variety.** Figure that if the discovery of dirty, prosaic coal rendered American workers twenty times more productive, imagine what internet, automation and robotic advances will mean for our future output. It’s just a guess, but **these surges in our individual capacity to create will unleash stunning wealth creation on a level that we can’t presently contemplate such that Treasury debts will become exceedingly small.**

Robert Pollin, US government deficits and debt amid the great recession: what the evidence shows, January 2019, Oxford Journals, Cambridge Journal of Economics https://www.jstor.org/stable/pdf/24232386.pdf?loggedin=true
By the fourth quarter of 2009, it peaks at $1.6 trillion. At the same time, as we see in Figure 2, US Treasury borrowing rates did not rise at all, but rather fell sharply over this period. The rate on five-year Treasuries was at 5.0% in the second quarter of 2006. By the end of 2009, this five-year Treasury rate was 2.3%. **This rate was still lower by the end of the first quarter of 2011, despite the fact that fiscal deficits by that point had been sustained in the range of 10% of GDP for 2.5 Why have interest rates on government bonds remained so low despite the large deficits?** Two factors are at play. **The first is that financial market investors globally have been highly risk averse since the financial collapse**, in a dramatic reversal of their mindset during the bubble years. Within that mindset, investors have been voting strongly in support of US government bonds as the single safest store of their wealth. The European fiscal crisis that began in the spring of 2010 and was ongoing as of November 2011 provided yet another reminder that however bad the conditions are in the USA, they can easily become worse someplace else. In addition, as discussed further below, **Federal Reserve policy has been aggressively accommodative** since the financial crisis began and the primary tool for maintaining an accommodative stance has been to maintain low interest rates. The Fed has targeted both the traditional short-term federal funds rate as well as longer-term bonds, through their two 'quantitative easing' initiatives.

Peter J. Tanous [CNBC], 2-27-2018, Rising interest rates will be devastating to the US economy for one big reason, https://www.cnbc.com/2018/03/05/rising-interest-rates-will-be-devastating-to-the-us-economy-for-one-big-reason.html

During the eight years of the Obama administration, two economic events occurred that befuddled most economists: Our total national debt rose to $20 trillion from $12.3 trillion while interest rates sank to a new all-time low. The national debt figure includes money owed by the government to itself. The debt held by the public is what matters to us since the government must pay out the interest to those bondholders. In 2009, the year President Obama took office, the national debt held by the public was $7.27 trillion. At the end of fiscal 2016, that had soared to approximately $14 trillion. Given that our marketable debt doubled from 2009 to 2016, it's remarkable that the annual cost of the interest on the debt rose far less, from $185 billion to $223 billion. Thank you, Federal Reserve. Some observers suggest that the staggering interest cost on the national debt is the main reason interest rates were kept so low.

A2 Supply outpacing demand

1. Delink - Leong '18 of Reuters writes that Wall Street is completely sopping up the increased supply of Treasuries after Trump's tax cuts. This is because Sonenshine of the Street writes days ago that fears of a slowing economy in China is causing a flight to quality treasury bonds, indicating that demand is matching supply.
2. Delink - Dorfman '18 of Forbes writes that Federal Reserve uses quantitative easing policies where they buy trillions in bonds in order to increase the money supply and stimulate the economy. Fortunately, these policies artificially keep interest rates low by checking back on deficit spending, thus preventing interest rates from rising. That's why Hubbard '11 of Columbia University writes that our deficit has historically only had a 0.15 correlation with our interest rates.
3. Delink - Sonenshine continues that Treasury yield rates are at the lowest level in a year, which clearly indicates demand is actually outpacing supply.

Leong, Richard. "Wall Street dealers absorb rising U.S. Treasury supply." Reuters. Oct. 2018. https://www.reuters.com/article/us-usa-auction-allotment/wall-street-dealers-absorb-rising-u-s-treasury-supply-idUSKCN1MJ2NX //RJ

Wall Street's bond firms are sopping up a growing amount of Treasury debt as the U.S. government seeks to fund a rising budget deficit stemming from the massive tax cut enacted last December, Treasury Department data released on Tuesday showed. In late September, the Treasury sold a combined $106 billion in two-year, five-year and seven-year fixed-rate debt to soft investor demand. The Treasury will sell three-year, 10-year and 30-year bond supply this week, worth $74 billion.

Sonenshine, Jacob. "Ten-Year Treasury Yield at Lowest Level in a Year as Investors Flee for Safety." The Street. Jan. 2019.

https://www.thestreet.com/markets/10-year-treasury-yield-at-lowest-level-in-a-year-as-investors-pile-into-safety-14824166 //RJ

Ever since Federal Reserve Chairman Jerome Powell struck a more dovish tone late in 2018, **U.S. Treasury yields have fallen considerably. But yields are now far lower than most expected them to be by this point**. **The 10-year Treasury note's yield hit its lowest level since Jan.16, 2018**, when it was at 2.538%. The 10-year yield briefly hit 2.564% Thursday morning, before settling at roughly 2.58%. Meanwhile, the one-year Treasury yield is at 2.566%, causing the two yields to be dangerously close to inverting. Bond yields fall as bond prices rise. "**This is a classic flight to quality**," Charlie Ripley, assistant vice president of capital markets and trading at Allianz investment Management, told TheStreet. Fears of slowing global economic growth have hit markets recently, and **Thursday investors are particularly concerned about demand in the Chinese economy,** as Apple Inc. (AAPL - Get Report) said sales in China will likely come in lower than initially expected.

A2 I - Austerity policies

1: Delink: Ivanova ‘18 of CBS News writes that interest rates are higher when the economy is good, so the higher tax revenues from higher incomes offset higher interest payments.
2: Delink: Spross ‘18 of the Week writes that interest payments don’t crowd out social spending because the government prints new dollars to pay off the interest, which doesn’t raise inflation because the money goes towards people who are saving treasuries, not spending the money. Ivanova ‘18 of CBS News writes that even if interest rates dramatically rise, they’re still lower than in the 1990s even with more debt because interest rates are much lower now.

Ivanova, Irina. “The U.S.’s Interest Payments are about to skyrocket. Does it matter?” CBS News. Dec. 2018.
https://www.cbsnews.com/news/u-s-national-debt-interest-costs-are-about-to-skyrocket-does-it-matter/ //RJ

But **for the U.S., expensive debt is nothing new. In the 1990s, interest rates were much higher, so although the U.S. carried a smaller debt, Americans paid much more to service it. Today's interest expenses are still below their historical highs**, noted Mark Weisbrot, co-director of the Center on Economic and Policy Priorities. **Even if interest rates increase dramatically, it would only bring interest payments to the relative level they had in the 1990s.**

"**You're not suddenly going to wake up in the next year or two and see a huge burden on our debt**," Weisbrot said. "Of course interest rates go up. But **interest rates only go up when the economy is growing, so the burden of high interest rates is relieved by [higher] GDP**."

Spross, Jeff. “America is going to pay a lot of interest soon. But don’t fear a debt crisis.” The Week. Oct. 2018.
https://theweek.com/articles/798463/america-going-pay-lot-interest-soon-but-dont-fear-debt-crisis
//RJ

The standard argument you hear is that federal interest payments will crowd out other priorities in the national budget. "The heavy burden of interest payments could make it harder for the government to repair aging infrastructure or take on other big new projects," warned The New York Times. The paper even suggested the interest burden could force the government to cut spending and raise taxes in the next recession, despite the economy needing

additional stimulus to recover. "There will eventually be another recession, and this increases the chances we will have to slam on the brakes when the car is already going too slowly," Jeffrey Frankel, a Harvard economist, told the Times. **It's difficult to overemphasize how utterly wrong this is. The U.S. government controls the supply of U.S. dollars. While private households, businesses, or even state and local governments must bring in dollars before they can spend them, the federal government must spend dollars before it can tax them.** This is more intuitive than it sounds. Since the government literally prints dollars for circulation, it must provide money before it can take it back. (If you don't believe me, here's former New York Federal Reserve Chairman Beardsley Ruml, making the same point way back in 1946.) **When one line item in the federal budget grows, it doesn't "crowd out" other priorities because the government can never run out of dollars. "But what about inflation?"** you might ask. That is the proper question: The inflation level, not the risk of a debt crisis, is what actually determines the government's room to spend on public priorities. When inflationary pressure is too great, the U.S. can relieve it by raising taxes or hiking interest rates to remove money from the economy.

But **simply introducing new dollars into the economy does not necessarily lead to price increases.** Where the money goes is crucial. **To create inflation, new dollars must go into new spending and consumer demand. Interest payments on the national debt are extremely unlikely to do that. The key thing to understand here is that most U.S. government debt is denominated in treasury bonds, which are pretty much the most liquid asset in the world.** If you own a treasury bond, but you'd rather have cash, you will have no trouble finding a buyer. **That means pretty much anyone who owns a treasury bond prefers it to cash because they're looking to save it. And since owning a treasury bond is the prerequisite for receiving federal interest payments, people are almost certainly going to save those payments as well.**

A2 I - Downgrading the debt

1: Delink: Burton '13 of MarketWatch writes that after 2011's downgrading of the debt, the stock market and bond market immediately bounced back, which is why there wasn't a recession during this time period.

2: Turn: Cox '18 of CNBC writes that all of the ratings agencies reaffirmed confidence in our treasuries, giving it a AAA rating because of strong economic growth allowing America to pay off our debt. However, if a recession happens, this would change because the reason rating agencies have faith in America is because of our strong growth.

Burton, Jonathan. "U.S. default could pay off for bond investors." MarketWatch. Oct. 2013. https://www.marketwatch.com/story/us-default-could-pay-off-for-bond-investors-2013-10-16 //RJ

The U.S. Treasury evidently has enough cash to make payments through October, according to many objective estimates. **After that, though, all bets are off. Important obligations** — perhaps even military pay or disability benefits — **would be deferred and both U.S. and global economic growth would take a hit.** So could stocks. Yet higher-quality bonds, perversely including Treasurys, could benefit as investors seek the most stable and safe assets. "Default" in this case reflects a government that is unwilling to meet its obligations on time. Indeed, **the intransigence** of some U.S. lawmakers **to raise the Treasury's borrowing limit** in an orderly fashion **should be giving bond investors fits. Instead, the bond market has mostly viewed this high-stakes political drama with a big, fat yawn. So-called bond vigilantes, who normally put governments that mismanage their finances on the firing line, are nowhere to be found.** The only bond category to suffer real damage so far is one-month Treasury bills that come due in October and November. Yields have risen sharply and prices, accordingly, have tumbled out of fear that these payments would be delayed. **Even stock investors, who really have something to worry about in the event of a default, are putting their full faith and credit in the belief that the same lawmakers who created this mess will get us out of it. Stock and bond investors alike are convinced that a Treasury default can't happen here** — Congress came to a similar risky brink in 2011 and made a last-ditch deal; they'll blink again. Or so the thinking goes. "Been there; done that," says Paul Nolte, managing director at investment manager Dearborn Partners in Chicago.

"We saw the movie and we know the ending." And why not be complacent? In 2011 another unthinkable happened: **U.S. debt was downgraded for the first time, to AA from AAA by Standard & Poor's** — even after Congress brokered a compromise that raised the debt limit and cut spending. **Since then the U.S. economy has improved and stocks have been on a tear. Bonds haven't done shabbily either.**

Cox, Jeff. "With debt at $21 trillion and growing, ratings agencies still give US highest marks." CNBC. Apr. 2018. https://www.cnbc.com/2018/04/26/ratings-agencies-still-give-u-s-highest-marks.html //RJ

The $21 trillion debt the U.S. has amassed on its balance sheet isn't weighing on the minds of credit rating agencies. Moody's and Fitch in recent days have reaffirmed the nation's top-notch credit standing, reasoning that even with the massive pile of IOUs, the nation has sufficient resources to keep its standing. "**The affirmation of the US' Aaa rating reflects the US' exceptional economic strength, the very high strength of its institutions and its very low exposure to credit-related shocks given the unique and central roles of the US dollar and US Treasury bond market in the global financial system,**" Moody's analysts said in a report Wednesday afternoon. Those relatively glowing remarks come even as the debt tally continues to rise. Total public debt outstanding was at $21.06 trillion as of Tuesday, a 2.8 percent rise since the beginning of the year. Of that total, $15.34 trillion is owed by the public. There have been multiple warnings lately about the surging level — the Congressional Budget Office said the U.S. would be running a $1 trillion budget deficit within the next couple of years, and Federal Reserve Chairman Jerome Powell has said repeatedly that the nation is on an unsustainable fiscal path. However, **the ratings agencies say the country has sufficient buffers to withstand debt pressures. "The U.S. sovereign rating is supported by structural strengths including the size of the economy, high per capita income, and a dynamic business environment,"** Charles Seville, senior director at Fitch Ratings, wrote in a report earlier this month. "While there has been a recent loosening in fiscal policy, Fitch considers debt tolerance to be higher than that of other sovereigns." Both Fitch and Moody's reaffirmed "AAA" and "Aaa" ratings, respectively, both of which reflect top-quality debt.

A2 I - Emerging markets

1. Alt-Causal - Spiro '18 of the South China Morning Post writes that any capital flight has been because investors are worried about current account deficits in emerging markets, not interest rate hikes.
2. Delink: Vaishampayan '18 of Wall Street Journal writes that emerging markets don't raise interest rates when America has higher rates anymore for two reasons:
    a. Low inflation rates make interest rate hikes impossible for emerging markets.
    b. The dollar has been weakening while currencies in emerging markets have been strengthening, which means investors are preferring to stay in these emerging markets, thus removing the need for the other countries to raise their interest rates.
3. Delink: The Federal Reserve is raising short-term interest rates anyways in the status quo, which means that any effects they talk about are happening inevitably.
4. Delink: Mihm '18 of Bloomberg writes that the correlation between higher interest rates in America and higher interest rates elsewhere is extremely limited. For example, during both the Mexican crisis in 1981 and the 2008 global financial crisis, higher interest rates in America actually happened as capital increased in emerging markets. Vaishampayan '18 of Wall Street Journal writes that emerging markets don't raise interest rates when America does anymore because low inflation makes hikes impossible.

5. Turn: Mihm ’18 of Bloomberg writes that investors only invest when emerging markets are growing much faster than advanced economies because emerging markets are a lot more attractive. Indeed, he writes that 2/3 of the changes in capital flows to emerging markets is due to this growth differential. Thus, when interest rates in America rise and slow down the American economy, it actually increases the growth differential and encourages more investment into emerging markets.
6. Weighing - Recessions short-circuit their argument. Voa in 2009 reports that the 2008 recession meant developing nations needed to find between 270 and 700 billion dollars in financing if they wanted a hope of recovery. Combined with falling commodity prices, the recession forced developing nations to depend more than ever on foreign generosity. The World Bank furthers that the 2008 recession threw millions into extreme poverty in the developing world and further slowed progress in poverty reduction.

Federal Reserve Bank of St. Louis in 2015
https://www.stlouisfed.org/publications/regional-economist/october-2015/recovery-from-the-great-recession-has-varied-around-the-world

Aggregate Cumulative GDP Growth (2008-2014)

	2008 to 2009	**2009 to 2014**
Africa	−2.49%	52.87%
Asia (excluding Tigers, Japan, China)	4.37%	54.18%
Asian Tigers (plus Japan and China)	5.47%	48.13%
Eastern Europe	−20.80%	37.59%
Europe (excluding Eastern Europe)	−10.18%	9.65%
Latin America	−7.90%	42.44%
Middle East	−11.29%	48.31%
North America	−2.90%	21.65%
Oceania	−5.90%	47.00%

World Bank No Author, xx-xx-xxxx, "," No Publication,
http://siteresources.worldbank.org/INTGLOMONREP2009/Resources/5924349-1239742507025/GMR09_ch01.pdf

he deepening global recession, rising unemployment, and high volatility of commodity prices in 2008 and 2009 have severely affected progress toward poverty reduction (Millennium Development Goal [MDG] 1). The steady increases in food prices in recent years, culminating in exceptional price shocks around mid-2008, have thrown millions into extreme poverty, and the deteriorating growth prospects in developing countries will further slow progress in poverty reduction. The prospects for an economic recovery, essential for alleviating poverty, are highly dependent on effective policy actions to restore confidence in the financial system and to counter falling international demand. While much of the responsibility for restoring global growth lies with policy makers in advanced economies, emerging and developing countries have a key role to play in improving the growth outlook, maintaining macroeconomic stability, and strength

VOA, 3-13-2009, "Global Recession Hits the Developing World," https://learningenglish.voanews.com/a/a-23-2009-03-12-voa2-83143067/130296.html

The World Bank estimates that developing nations will need between two hundred seventy and seven hundred billion dollars in financing. The amount depends on the depth of the recession.

The I.M.F. is seeking to expand its lending ability. And World Bank President Robert Zoellick has called on rich nations to put some of their economic recovery spending into a crisis fund to help poor countries.

Bank economist Jeff Chelsky says the poorest countries are in the greatest danger. They cannot borrow in credit markets and they depend on exports of commodities like crops or minerals. But falling commodity prices mean they now depend more than ever on foreign aid.

Spiro, Nicholas. “Emerging markets’ dollar flight: the Fed is not to blame, and it knows it.” South China Morning Post. June 2018. https://www.scmp.com/comment/insight-opinion/united-states/article/2150181/emerging-markets-dollar-flight-fed-not-blame //RJ

Yet, while Patel is right to argue that the sharp declines in emerging market asset prices have little to do with Fed rate increases – **inflows into emerging market bond and equity funds reached a record high of almost US$200 billion last year despite three rate hikes** – he fails to mention the role of **domestic factors**, which **are more important than external ones in explaining much of the current selling pressure.** While this year’s surge in the dollar and Treasury yields may have triggered the turmoil in emerging markets, **it is the common vulnerabilities in several leading developing economies which account for the bulk of the price declines in the past two months, causing the entire asset class to come under strain**. As was the case during the so-called taper tantrum in 2013, **markets are penalising countries with large current account deficits or a heavier reliance on external sources of financing. This is why Argentina and Turkey**, which are running current account shortfalls of between 5 and 6 per cent of gross domestic product, **have been hardest hit**, with their currencies losing a staggering 36 per cent and 18 per cent respectively against the dollar so far this year. **Moreover, vulnerabilities tend to beget more vulnerabilities, drawing attention to other areas of weakness in emerging markets.** The latest country to come under severe strain is Brazil. While its current account deficit is less than 1 per cent of GDP, its government’s poor handling of a national truckers’ strike accounts for most of the nearly 12 per cent fall in the real, Brazil’s currency, since early April. The government reimposed controls on petrol prices, reminding markets of Brazil’s populist past, just as a presidential election campaign gets under way in which populist candidates are the front runners. South Africa, which runs a larger current account deficit, is also suffering mainly because of homegrown problems. Last Tuesday, a report by the country’s statistics office revealed that, in the first quarter of this year, South Africa’s economy contracted at its sharpest pace in almost a decade, puncturing the optimism generated by the departure of former president Jacob Zuma earlier this year. **These country-specific weaknesses have become more apparent as financial conditions begin to**

tighten. They also exonerate the Fed from most of the blame for the current turmoil in emerging markets, making it less likely that America's central bank will feel compelled to delay the withdrawal of stimulus.

Vaishampayan, Saumya. "As Fed Raises Interest Rates, Emerging Markets Aren't Following Suit" Wall Street Journal, March 2018, https://www.wsj.com/articles/as-fed-raises-interest-rates-emerging-markets-arent-following-suit-1521713841 //MS

The Federal Reserve may be set on raising interest rates at least two more times this year, but many of its emerging market peers are in no rush to follow. Central banks in the Philippines, Taiwan and Indonesia held interest rates steady on Thursday following the Fed's unanimous decision overnight to lift its benchmark rate by a quarter-percentage point to a range of 1.5% to 1.75%. And while China's central bank raised its de facto benchmark interest rate, the adjustment was just 0.05 percentage point. **The relative lack of response to U.S. rate rises is unusual**. The last time the Fed embarked on an interest-rate tightening cycle from 2004 to 2006, rate-setters in leading emerging markets like Brazil, India, Indonesia and Malaysia all followed suit in that period—albeit not by the same magnitude. But **this time around, more emerging-market central banks have pushed through interest rate cuts—rather than increases—since the Fed started raising rates in December 2015**, according to Capital Economics. **Central banks in Peru, Colombia, Brazil and Russia have all lowered rates so far in 2018**. "The most striking thing remains how few central banks have followed in the Fed's footsteps," Capital Economics wrote in a note. **The reluctance to follow the Fed is** partly **due to domestic factors**. **Inflation has been manageable across many emerging markets, giving central banks little spur to tighten monetary conditions.** And while emerging countries have been recording healthy export-led growth, that could be under threat if the global economy moderates later this year—as some analysts forecast. "**Nobody can afford to do three hikes in Asia this year**," said Edmund Goh, Asian fixed income investment manager at Aberdeen Standard Investments. **Another key factor? The dollar's continued weakness**. **Investors typically send cash to countries where interest rates are rising, attracted by the potential for higher returns. In turn, that boosts the value of those countries' currencies. But even as the Fed raised rates on Wednesday, the WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, notched its largest one-day drop in roughly two months. The dollar index has lost more than 7% in the past 12 months.** While the Fed's rate increases have been well-telegraphed, investors have become more excited about the possibility for tighter monetary policy in Europe and Japan, helping to push their currencies up versus the dollar. **For emerging markets, the dollar's decline has been significant. In the past, fear that money would flee such countries when the Fed hikes rates has forced their central banks to match U.S. moves. Emerging-market currencies, though, notched hefty gains against the greenback in 2017, and many have continued this year**. The Thai baht, Malaysian ringgit and South African rand have all gained roughly 4% against the dollar in 2018. **As long as the dollar's slump continues, analysts believe investors will be content to keep their funds in emerging markets, buoying their currencies**. "**If there is no capital exodus, then there is no need for Asian central banks to hike rates to keep that capital**," said Aidan Yao, senior emerging Asia economist at AXA Investment Managers in Hong Kong.

Mihm, Stephen. "Don't Blame the Fed for the Emerging-Markets Meltdown." Bloomberg. Sept. 2018. https://www.bloomberg.com/opinion/articles/2018-09-18/emerging-markets-fed-s-rate-increases-didn-t-cause-the-meltdown?fbclid=IwAR03sqcTVw0FCfitiuckgi4V9QobLWrXd3FWA_ZqfMqXRUeMQl5qe8Sa6ms //RJ

But **some commentators blame the Federal Reserve's rate hikes for fueling the capital flight from the world's riskier economies, and drawing investors chasing yield to the U.S.** The meltdown may be far from over, though **the Fed probably won't have much to do with it**. **The historical record shows that the relationship**

between emerging-market economies and U.S. monetary policy has never been a straightforward matter of cause and effect. It's far more complicated. Mexico in the 1980s is the textbook case of the Fed kicking an emerging economy over a cliff. Between 1979 and 1981, the central bank raised rates from 10.25 percent to 20 percent. Mexico had plenty of short-term dollar liabilities that couldn't be rolled over because of the soaring U.S. rates, triggering a crisis. What's often forgotten is that factors other than the Fed, such as declining oil prices that hit Mexico hard, played a significant role. But even if Fed Chair Paul Volcker contributed to the crisis, this episode was an anomaly. Annual net capital flows to emerging markets actually increased after Volcker initiated his rate-raising campaign — and they continued increasing until late 1981. Only then did capital flows begin a slow decline that lasted the remainder of the decade. But this trend did not coincide with further tightening from the Fed because the central bank had begun reducing rates. Simply put, this earlier era provides little evidence in support of the idea that Fed policy drives capital to emerging economies when interest rates are low and draws it out when rates are high. The ensuing years present a similarly complicated picture. Beginning around 1987, private inflows of capital to emerging markets turned positive, increasing at a steady pace for more than eight years. This happened as the Fed both increased rates and then cut them. It's hard to see an obvious correlation. More recent history is equally ambiguous. The global financial crisis that hit in 2008 prompted an unprecedented response from the Fed, as it slashed rates to near zero and instituted quantitative easing. In the popular imagination, these unorthodox policies drove huge amounts of capital to emerging markets in search of higher yields. But that's not what happened. Before 2008, the Fed had gradually hiked rates, eventually hitting a high of 5.25 percent in 2006. Yet during that same period, the flow of private capital into emerging economies actually increased. One study observed that capital flows to emerging economies "peaked before the loosening of advanced economy monetary policies" instituted in the wake of the crash. The flows did plummet after the crash, but the Fed had no role. They rose again, peaked in 2010, and then began falling, well before the U.S. central bank took its first steps toward raising rates. But if the Fed isn't to blame, what does cause capital to flow out of emerging markets? A recent statistical analysis that evaluated a number of possible culprits concluded that the fluctuation in capital flows to emerging-market economies is largely driven by two factors: commodity prices and the so-called "growth differential." High commodity prices are good for emerging markets, attracting capital. But when prices decline, investors withdraw money and put it elsewhere. The same holds for the "growth differential," the gap between growth rates in advanced versus emerging markets. When the gap narrows, emerging markets lose their appeal, and capital flows out. These forces account for two-thirds of the changes in capital flows. And they're likely driving much of the recent shift out of emerging markets.

A2 I - College

1. Delink - The small jump isn't enough to hurt students. Weisbaum of NBC explains in 2017 that the small jump in the interest rate of the loan isn't going to be a dealbreaker for most students, translating into only a $3.29 increase in payments a month for a student who took out $10,000 in loans.

Herb Weisbaum, 5-30-2017, "Taking out a student loan is about to cost you more," NBC News, https://www.nbcnews.com/business/consumer/cost-borrowing-college-about-go-n765986
"The rates are going up because the Federal Reserve has started raising interest rates at a regular pace and we can expect that they'll continue to go up," said Mark Kantrowitz, the publisher of Cappex, a website that helps families search colleges and the scholarships. "I wouldn't be surprised if we see an increase in the federal student loan interest rates each of the next few years

of between half and three-quarters of a percentage point.” Interest rates on federal student loans have been historically low for many years now. This is the first increase since 2014. An undergrad who borrows $10,000 at the new interest rate would pay an extra $3.29 a month or $395 more in interest over 10 years, according to the student loan calculator at NerdWallet. “This small jump in the interest rate of the loan is not going to be a deal breaker for most students,” said Penelope Wang, deputy money editor at Consumer Reports. “The bigger problem is the overall student debt in the U.S. and this certainly does not make the situation any better.”

A2 I - Small businesses

1. Take out their uniqueness - US small businesses are doing fine. Quittner of the INC finds in 2016 that from 2013 to 2016, small businesses increased their employee headcounts at an average annual rate of 2.2%, compared to an average rate of 1.9% at the biggest U.S. corporations.
2. Turn - Blake of Forbes explains in 2018 that higher interest rates help small businesses in two ways.
    a. First, they increase the incentive for banks to approve loans which grants small businesses more opportunities to access capital as banks and lenders offer more funding operations.
    b. Second, higher interest rates, which tend to be induced by mild inflation, results in higher prices of goods and services, giving small businesses more flexibility to increase prices. Thanks to the combination of better cash flow and higher prices, small businesses gain additional flexibility and breathing room.

Brock Blake, 6-30-2018, "Could Rising Interest Rates Be A Great Thing For Small Business?," Forbes, https://www.forbes.com/sites/brockblake/2018/06/30/rising-interest-rates-small-business/#103e8ae633ec

Banks hold the reserve requirement either at the local Fed branch office or in their vaults. If a bank is short of cash at the end of the day, it borrows from a bank with extra money. The Federal Reserve uses the federal funds rate as a tool to control economic growth. It is the most important interest rate in the world. Banks use the federal funds rate as a base for all other short-term interest rates, which includes the London Interbank Offered Rate (LIBOR). LIBOR is the rate banks charge each other for one-month, three-month, six-month, and one-year loans. When it comes to their best customers, banks charge them the prime rate, which is also based on the federal funds rate. That's how the federal funds rate affects most other interest rates, including those on deposits, bank loans, credit cards and adjustable-rate mortgages. Let’s start with the best news: rising interest means an improved economy and more profitable deals for banks, which translates to greater incentive to approve loan requests. Higher rates create a more competitive lending market, and this changing rate environment could grant small businesses more opportunities to access capital as banks and lenders begin to offer more funding options. We know that one of the most significant challenges for small business owners is maintaining healthy cash flow. If you were planning to apply for a business loan to give your business more flexible cash flow, now would be a good time for it, before the next Fed rate hike kicks in. Planning ahead for 2019 by proactively seeking financing will also give you more breathing room to weigh your options, instead of scrambling for the first

deal you can find. Another potential long-term benefit of rising interest rates? Improved margins. The underlying driver of a rate increase like this is inflation. When there's mild inflation, prices for goods and services tend to move higher, giving small businesses room to increase their prices over time. With better cash flow and higher rates, you can improve your margins, leading to additional flexibility and breathing room.

Jeremy Quittner, 02-22-2016, "Why Small Businesses Are Growing (When Big Companies Aren't)," Inc, https://www.inc.com/jeremy-quittner/small-business-strength-could-keep-united-states-economy-out-of-recession.html
For months now, economists and other business experts have raised concerns that the U.S. could be heading into another recession. World markets have seesawed since last summer on news that growth in China's economy is slowing. The global commodities rout has sparked significant concerns that we could head into a deflationary spiral. And closer to home, wages are growing at a tepid 2 percent, which will tamp down consumer demand and probably keep the economy growing at a comparable rate for some time. But using small business as a yardstick--an important one, since entrepreneurs are responsible for the bulk of jobs and hiring in the U.S.--things appear to be just fine. For the past three years, small businesses have increased their employee head counts at a average annual rate of 2.2 percent, according to the most recent data from payroll processor ADP, The Wall Street Journal reports. That compares with [compared to] an average rate of 1.9 percent at the biggest U.S. companies.

A2 CO Social security

1. Mitigate - Most social security income isn't from interest payments on the debt. Williams in 2018 of the Motley Fool writes interest income that Social Security generates from its asset reserves only accounted for 8.5% of all revenue collected in 2017 and is expected to decline as a percentage of total revenue over the next decade.
2. Delink - Social security will never run out of money. Skidmore in 2012 explains that historically, the government has always stepped in to refund Social Security. For instance, back in 1983 under Reagan when Social Security funds were running low, a bipartisan commision was appointed and reforms passed Congress rapidly.

Williams 2018
https://www.fool.com/retirement/2018/07/03/heres-why-our-national-debt-isnt-a-concern-for-soc.aspx
To begin with, the interest income that Social Security generates from its asset reserves only accounted for 8.5% of all revenue collected ($85.1 billion) in 2017, and is expected to decline as a percentage of total revenue over the next decade. Most of the heavy lifting is done by Social Security's 12.4% payroll tax on earned income ($873.6 billion in revenue generated in

2017), and to a smaller extent the taxation of benefits, which is estimated to surpass interest income in aggregate revenue generated by 2026. These two sources of revenue ensure that money will continue to flow into the program, allowing the Social Security Administration to make payments to eligible beneficiaries, regardless of whether debt levels continue to climb.

Skidmore 2012

https://scholars.org/sites/scholars/files/ssn_basic_facts_skidmore_on_deficit_reduction_and_social_security.pdf

According to the Trustees' best-case scenario, Social Security will never exhaust its funds. But the public never hears about this projection, because only the "intermediate" projection is publicized, which says that the Trust Fund might cover less than full benefits starting in the late 2020s and (if nothing were done) could run out of funds altogether in 2033. This sounds scary -- but we should keep in mind that the projections are imprecise and changeable. During the 1990s, for example, the projected date for exhaustion of the Trust Fund was 2029, earlier than it is now. Why should our country make drastic changes based on imprecise figures that the Trustees themselves call "uncertain"? **Is it possible that there will, indeed, turn out to be shortfalls in Social Security funds? Of course, but any such development could be handled as it was in 1983 when, in a matter of months, a bipartisan commission appointed by President Reagan developed reforms that Congress passed quite quickly. There is no need for rash action decades in advance, especially when we cannot be sure a serious problem really exists.**

A2 CO Social spending

1. Delink - Spross '18 of the Week writes that interest payments won't crowd out our ability to spend on social spending because the government can simply introduce new dollars to pay off the interest. This is because interest payments don't raise inflation because the government is simply liquidating the treasury bonds that people hold.
2. Delink - A spike in increase rates and payments will never happen because US bonds are very low risk. The US bonds are risk-free since the US will never default on its debt due to two reasons:
    a. The international community is extremely confident in the United States. Logue '16 of Next explains that while U.S. debt levels are high, wealthy people internationally still want to invest in the United States because it is a safe investment. Compared to countries like China and Brazil, US government bonds come with so much safety that investors will never back off leading to a default. We can borrow indefinitely to pay off interest and bonds.

Spross, Jeff. "America is going to pay a lot of interest soon. But don't fear a debt crisis." The Week. Oct. 2018.

https://theweek.com/articles/798463/america-going-pay-lot-interest-soon-but-dont-fear-debt-crisis

//RJ

The standard argument you hear is that federal interest payments will crowd out other priorities in the national budget. "The heavy burden of interest payments could make it harder for the government to repair aging infrastructure or take on other big new projects," warned The New York Times. The paper even suggested the interest burden could force the government to cut spending and raise taxes in the next recession, despite the economy needing additional stimulus to recover. "There will eventually be another recession, and this increases the chances we will have to slam on the brakes when the car is already going too slowly," Jeffrey Frankel, a Harvard economist, told the Times. **It's difficult to overemphasize how utterly wrong this is. The U.S. government controls the supply of U.S. dollars. While private households, businesses, or even state and local governments must bring in dollars before they can spend them, the federal government must spend dollars before it can tax them.** This is more intuitive than it sounds. Since the government literally prints dollars for circulation, it must provide money before it can take it back. (If you don't believe me, here's former New York Federal Reserve Chairman Beardsley Ruml, making the same point way back in 1946.) **When one line item in the federal budget grows, it doesn't "crowd out" other priorities because the government can never run out of dollars. "But what about inflation?"** you might ask. That is the proper question: The inflation level, not the risk of a debt crisis, is what actually determines the government's room to spend on public priorities. When inflationary pressure is too great, the U.S. can relieve it by raising taxes or hiking interest rates to remove money from the economy.

But **simply introducing new dollars into the economy does not necessarily lead to price increases.** Where the money goes is crucial. **To create inflation, new dollars must go into new spending and consumer demand. Interest payments on the national debt are extremely unlikely to do that. The key thing to understand here is that most U.S. government debt is denominated in treasury bonds, which are pretty much the most liquid asset in the world.** If you own a treasury bond, but you'd rather have cash, you will have no trouble finding a buyer. **That means pretty much anyone who owns a treasury bond prefers it to cash because they're looking to save it. And since owning a treasury bond is the prerequisite for receiving federal interest payments, people are almost certainly going to save those payments as well.**

Ivanova, Irina. “The U.S.’s Interest Payments are about to skyrocket. Does it matter?” CBS News. Dec. 2018.
https://www.cbsnews.com/news/u-s-national-debt-interest-costs-are-about-to-skyrocket-does-it-matter/ //RJ

But **for the U.S., expensive debt is nothing new. In the 1990s, interest rates were much higher, so although the U.S. carried a smaller debt, Americans paid much more to service it. Today's interest expenses are still below their historical highs**, noted Mark Weisbrot, co-director of the Center on Economic and Policy Priorities. **Even if interest rates increase dramatically, it would only bring interest payments to the relative level they had in the 1990s.**

A2 CO Investment

1. Delink - The Economist’s View ‘08 writes that crowding out assumes that there is only a fixed money supply. However, government spending expands the overall economy, thereby preventing crowding out.
2. Turn - Krugman ‘09 of New York Times writes that deficit spending actually crowds-in investment because investors are only willing to risk investing their money into companies when the state of the economy is booming. Thus, he continues that high deficits are actually correlated with lower interest rates because people are more willing to borrow and invest due to better economic times from government spending.

Dorfman, Jeffrey. "18 Trillion Reasons Why Interest Rates Will Stay Low." Forbes. Feb. 2015. https://www.forbes.com/sites/jeffreydorfman/2015/02/17/18-trillion-reasons-why-interest-rates-will-stay-low/#373cd5e87e54 //RJ

The Fed has enabled out-of-control federal spending and borrowing in a second way. As part of its quantitative easing policy (commonly known as QE) **the Fed has bought up trillions of dollars in government bonds. While the federal government pays the Fed interest on these bonds, the Fed refunds its annual operating profit to the Treasury so essentially the interest on all those bonds is returned to the Treasury**. Because **the Fed is basically allowing the government to borrow several trillion dollars interest free, the Fed's QE programs have saved the government several hundred billion dollars**, thereby lowering both the deficit and national debt. For example, in 2014 the Fed refunded $98.7 billion to the Treasury. At least for now the Fed has ended QE, but it has announced no plans to shrink its balance sheet. Thus, **the Fed's subsidy to the government apparently will continue to hold down the deficit for a while longer**.

Hubbard, Glenn. "Consequences of Government Deficits and Debt." Columbia University. 2011. https://www.bostonfed.org/-/media/Documents/economic/conf/Monetary-Fiscal-Topics-2011/papers/hubbard.pdf //RJ

Financing decisions of the federal government along with those of private sector borrowers, state and local government borrowers, domestic and foreign savers, and the Federal Reserve all interact in the U.S. and international credit market to influence interest rates on U.S. Treasury debt and other debt. To get a sense of what effect U.S. federal government debt has had on interest rates, it is instructive to look at the historical evolution in federal debt (relative to GDP) compared to interest rates over the past 50 years. **While federal debt relative to GDP has varied substantially, the real interest rate has been less variable, and is currently equal to its average value over the past 50 years of about three percent.** Indeed, Engen and Hubbard (2005) estimate **the simple correlation between the stock of federal debt and this measure of the real interest rate over the entire period shown is only 0.15. Over the 20-year period from the early 1950s to the early 1970s—when federal debt decreased by 50 percent relative to the size of the economy—the real interest rate remained relatively constant**. The real interest rate did rise in the early 1980s, coincident with an increase in federal debt, but the real interest rate then declined and remained quite steady even as federal debt continued to grow in the 1980s and early 1990s, and then fell in the late 1990s.

Krugman, Paul. "Deficits and Interest Rates." New York Times. Aug. 2009. https://krugman.blogs.nytimes.com/2009/08/14/deficits-and-interest-rates/ //RJ

Net federal saving is, roughly, the budget surplus (so it's negative if there's a deficit.) It turns out that **there's a strong correlation between budget deficits and interest rates — namely, when deficits are high, interest rates are low**. On reflection, it's obvious why: **a weak economy both drives up deficits and drives down the demand for funds, while a strong economy does the reverse**. Thus **the surpluses of the late Clinton years were associated with high interest rates, while the current recession has depressed both rates and revenues**. And what about the bounce in interest rates over the past few months? It reflects a gradual reduction in the end-of-the-world discount: interest rates have risen along with stock prices as investors have gradually become convinced that we're avoiding a second Great Depression. Overall, Brad's point is exactly right: **the US government is**

borrowing huge sums, but interest rates remain low by historical standards — which is exactly what you'd expect given what we learned from John Hicks, 72 years ago.

Economist's View, 12-6-2008, "Economist's View: Crowding-Out and Crowding-In," No Publication, https://economistsview.typepad.com/economistsview/2008/12/crowding-out-an.html

But how can this be true in view of the crowding-out argument? Certainly, **if the government borrows more and the total volume of private saving is fixed, then private industry must borrow less.** That's just arithmetic. **The fallacy in the strict crowding-out argument lies in supposing that the economy's flow of saving is really fixed**. **If government deficits succeed in raising output, we will have more income and therefore more saving. In that way, both government and industry can borrow more. Crowding out is rarely strong enough to cancel out the entire expansionary thrust of government spending.** Some net stimulus to the economy remains.

https://l.messenger.com/l.php?u=https%3A%2F%2Fmodernmoney.wordpress.com%2F2010%2F09%2F20%2Fthe-myth-of-crowding-out%2F&h=AT0VnvfVKfVtScz4Hep5k4aS1VHzRK9XJ0ukajllgpxOd0bKMrpB2jOjF8sSdR3ESLFlVMeLOF87rWP40E33NJRG2KER7xT6ZoTwyvE98DWFRzwnGLdUidQ2xrSAjW-8JdpKAS3DfMPYJ-p6juLE_T8nfNE

The Myth of Crowding Out Posted on 20/09/2010 | 2 Comments This is the final blog post of the Deficit Spending 101 series, it immediately follows the Central Bank Role blog. We now know that it is a myth to perpetuate the idea that a currency-issuing government is financially constrained. This myth underpins arguments by orthodox economists against government activism in macroeconomic policy. There is another persistent myth that needs to be dispelled – that government expenditures crowd out private expenditures through their effects on the interest rate. We have seen that the central bank necessarily administers the risk-free interest rate and is not subject to direct market forces. The orthodox macroeconomic approach argues that persistent deficits reduce national savings … [and require] … higher real interest rates and lower levels of investment spending. Think back to the 7.30 Report transcript I provided. Unfortunately, proponents of this logic which automatically links budget deficits to increasing debt issuance and hence rising interest rates fail to understand how interest rates are set and the role that debt issuance plays in the economy. Clearly, the central bank can choose to set and leave the interest rate at 0 per cent, regardless, should that be favourable to the longer maturity investment rates. While we have seen that the funds that government spends do not come from anywhere and taxes collected do not go anywhere, there are substantial liquidity impacts from net government positions as discussed. **If the funds that purchase the bonds come from government spending as the accounting dictates, then any notion that government spending rations finite savings that could be used for private investment is a nonsense.** A financial expert in the US, Tom Nugent sums it up like this: *One can also see that the fears of rising interest rates in the face of rising budget deficits make little sense when all of the impact of government deficit spending is taken into account, since* **the supply of treasury securities offered by the federal government is always equal to the newly created funds**. **The net effect is always a wash, and the interest rate is always that which the Fed votes on**. *Note that in Japan, with the highest public debt ever recorded, and repeated downgrades, the Japanese government issues treasury bills at .0001%! If deficits really caused high interest rates, Japan would have shut down long ago!* As I have previously explained, only transactions between the federal government and the private sector change the system balance. Government spending and purchases of government securities (treasury bonds) by the central bank add liquidity and taxation and sales of government securities drain liquidity. These transactions influence the cash position of the system on a daily basis and on any one day they can result in a system surplus (deficit) due to the outflow of funds from the official sector being above (below) the funds inflow to the official sector. The system cash position has crucial implications for central bank monetary policy in that it is an important determinant of the use of open market operations (bond purchases and sales) by the central bank. Here is another diagram that I have drawn to help you put together this part of the argument. You might like to click it to show it in a new window and print it out for reference to make the argument easier to follow. You can see the individual functions of the arms of government are summarised: (a) The Treasury runs fiscal policy which we summarise as government spending and taxation which on any day has some net impact on the economy – either a surplus (G > T) or a deficit (G < T); and (b) The RBA conducts monetary policy through setting an interest rate target. It also has to manage the system-wide cash balances to keep control of its target rate. It does this by selling/buying government debt to influence the reserve positions of the commercial banks. So why does the government issue debt if it is not to finance spending? Well it is rather to maintain these bank reserves such that a particular overnight rate can be defended by the central bank. You can see from the diagram that G adds to reserves and T drains them. So on any particular day, if G > T (a budget deficit) then reserves are rising overall. Any particular bank might be short of reserves but overall the sum of the bank reserves are in excess. In Australia, overnight reserves earn less than the target rate (whereas in some countries they earn nothing). So it is in the commercial banks interests to try to eliminate any unneeded reserves each night. Surplus banks will try to loan their excess reserves on the Interbank market. Some deficit banks will clearly be interested in these loans to shore up their position and avoid going to the RBA's discount window which is more expensive. The upshot, however, is that the competition between the surplus banks to shed their excess reserves **drives the short-term interest rate down**. But, if you understood the discussion above about horizontal transactions (they all net to zero!) then you will appreciate that the non-government banking system cannot by itself (conducting horizontal transactions between commercial banks – that is, borrowing and lending on the interbank market) eliminate a system-wide excess of reserves that the budget deficit created. What is needed is a vertical transaction – that is, an interaction between the government and non-government sector. In the diagram you will see that bond sales can drain reserves by offering the banks an attractive interest-bearing security (government debt) which it can purchase to eliminate its excess reserves. That is, the bond sales (debt issuance) allows the RBA to drain any excess reserves in the cash-system and therefore curtail the downward pressure on the interest rate. In doing so it maintains control of monetary policy. Importantly: budget deficits place **downward** pressure on interest rates; bond sales maintain interest rates at the RBA target rate; Accordingly, the concept of debt monetisation is a non sequitur. Once the overnight rate target is set the central bank should only trade government securities if liquidity changes are required to support this target. Given the central bank cannot control the reserves then debt monetisation is strictly impossible. Imagine that the central bank traded government securities with the

treasury, which then increased government spending. The excess reserves would force the central bank to sell the same amount of government securities to the private market or allow the overnight rate to fall to the support level. This is not monetisation but rather the central bank simply acting as broker in the context of the logic of the interest rate setting monetary policy. Ultimately, private agents may refuse to hold any further stocks of cash or bonds. With no debt issuance, the interest rates will fall to the central bank support limit (which may be zero). It is then also clear that the private sector at the micro level can only dispense with unwanted cash balances in the absence of government paper by increasing their consumption levels. Given the current tax structure, this reduced desire to net save would generate a private expansion and reduce the deficit, eventually restoring the portfolio balance at higher private employment levels and lower the required budget deficit as long as savings desires remain low. Clearly, there would be no desire for the government to expand the economy beyond its real limit. Whether this generates inflation depends on the ability of the economy to expand real output to meet rising nominal demand. That is not compromised by the size of the budget deficit. Here is a summary of the main conclusions of this blog. The central bank (RBA) sets the short-term interest rate based on its policy aspirations. Operationally, Budget deficits put downward pressure on interest rates contrary to the myths that appear in macroeconomic textbooks about crowding out. The central bank can counter this pressure by selling government bonds, which is equivalent to government borrowing from the public. The penalty for not borrowing is that the interest rate will fall to the bottom of the corridor prevailing in the country which may be zero if the central bank does not offer a return on reserves, For example, Japan has been able to maintain a zero interest rate policy for years with record budget deficits simply by spending more than it borrows. This also illustrates that government spending is independent of borrowing, with the latter best thought of as coming after spending. Government debt-issuance is a monetary policy consideration rather than being intrinsic to fiscal policy; and A budget surplus describes from an accounting perspective what the government had done not what it has received. In short, **we should reject any notion that the emerging federal deficits are damaging and will indebt the future generations.** The government has chosen to maintain a positive short-term interest rate and that requires the issuance of debt if there are downward pressures on that rate emerging from the cash system.

Krugman, Paul. "Crowding In." New York Times. Sept. 2009.
https://krugman.blogs.nytimes.com/2009/09/28/crowding-in/?mtrref=www.google.com //RJ
But the really dramatic difference is for argument (2). **Under the kind of conditions we're now facing, the main determinant of business investment is the state of the economy**, as evidenced by the plunge in investment shown in the figure. **This, in turn, means that anything that improves the state of the economy, including fiscal stimulus, leads to more investment, and hence raises the economy's future potential.** That is, **under current conditions deficit spending doesn't lead to crowding out — it leads to crowding in.** In fact, you could argue that the worst thing we can do for future generations is NOT to run sufficiently large deficits right now.

Economist's View, 12-6-2008, "Economist's View: Crowding-Out and Crowding-In," No Publication, https://economistsview.typepad.com/economistsview/2008/12/crowding-out-an.html
But how can this be true in view of the crowding-out argument? Certainly, if the government borrows more and the total volume of private saving is fixed, then private industry must borrow less. That's just arithmetic. The fallacy in the strict crowding-out argument lies in supposing that the economy's flow of saving is really fixed. If government deficits succeed in raising output, we will have more income and therefore more saving. In that way, both government and industry can borrow more. Crowding out is rarely strong enough to cancel out the entire expansionary thrust of government spending. Some net stimulus to the economy remains.

Paul Krugman Blog, 11-15-2014, "The Unwisdom of Crowding Out (Wonkish),"
https://krugman.blogs.nytimes.com/2014/11/15/the-unwisdom-of-crowding-out-wonkish/
Third, there's the standard textbook crowding out story, in which increased government spending in the face of a fixed money supply, or maybe a nominal income target, causes interest rates to rise and private investment to fall. **The money supply argument doesn't work when we're at the zero lower bound**, which is after all why we're talking about fiscal policy in the first place; but there is a school of thought that insists that the Fed and the ECB and the BoJ could achieve

full employment if only they wanted to. I disagree, and I think this is mostly wishful thinking, but at least it's not the kind of raw nonsense involved in arguments #1 and #2.

A2 CO Recovery

1. Delink - Spross '18 of the Week writes that interest payments won't crowd out our ability to spend because the government can simply introduce new dollars to pay off the interest. This is because interest payments don't raise inflation because the government is simply liquidating the treasury bonds that people hold.
2. Delink - Stimulus packages don't even work. Riedl of Heritage in 2015 cites 5 examples where fiscal stimuli failed to actually improve the economy – probability is on our side. The warrant is that fiscal stimuli takes money from the economy and just artificially injects it back in – the government is just taking money and putting it back in.
3. In fact, you can turn the argument – government spending on fiscal stimuli is comparatively worse than letting the money flow naturally into the economy from investors because investors are often more targeted. Both DeRby in 2009 and Bourne of Cato report in 2017 that increased government deficit spending might increase growth in the short term, but in the long term, due to the crowding out of private-sector investment through the substitution of private sector spending with public sector spending into less efficient projects, government spending actually reduces GDP in the longer term.
4. Mitigate - Make them prove how much they can actually lower the debt before their recession. The 2019 budget is already set, meaning they will have no time to actually lower debt.
5. Weighing - If what they say is true and the 2020 recession is coming, the neg world is comparatively better than the aff world. This is because in order to reduce the federal debt, the government would have to drastically slash spending, leading to the cutting of automatic stabilizers. When automatic stabilizers are cut, that means that when a recession hits, even if they begin advocating for economic growth, the recession is going to be significantly worse for those under and nearing the poverty line. This is because automatic stabilizers wouldn't be brought back, even if the government starts to advocate for recessionary spending.

Veronique De Rugy From The November 2009 Issue, xx-xx-xxxx, "The Myth of the Multiplier," Reason, https://reason.com/archives/2009/10/19/the-myth-of-the-multiplier

As appealing as the Keynesian story sounds, many economists have long doubted it. In 1991, looking across 100 countries, Robert Barro of Harvard presented historical evidence that high government spending actually hurts economies in the long run by crowding out private spending and shifting resources to the uses preferred by politicians rather than consumers. For a dollar of government spending, we end up seeing less than a dollar of growth. Can long-term poison be short-term medicine?

Brian Riedl [Heritage Foundation], 01-05-2010, Why Government Spending Does Not Stimulate Economic Growth: Answering the Critics, https://www.heritage.org/budget-and-spending/report/why-government-spending-does-not-stimulate-economic-growth-answering-the

During the 1930s, New Deal lawmakers doubled federal spending--yet unemployment remained above 20 percent until World War II. Japan responded to a 1990 recession by passing 10 stimulus spending bills over 8 years (building the largest national debt in the industrialized world)--yet its economy remained stagnant. In 2001, President Bush responded to a recession by "injecting" tax rebates into the economy. The economy did not respond until two years later, when tax rate reductions were implemented. In 2008, President Bush tried to head off the current recession with another round of tax rebates. The recession continued to worsen. Now, the most recent $787 billion stimulus bill was intended to keep the unemployment rate from exceeding 8 percent. In November, it topped 10 percent… In fact, large stimulus bills often reduce long-term productivity by transferring resources from the more productive private sector to the less productive government. The government rarely receives good value for the dollars it spends. However, stimulus bills provide politicians with the political justification to grant tax dollars to favored constituencies. By increasing the budget deficit, large stimulus bills eventually contribute to higher interest rates while dropping even more debt on future generations.

Spross, Jeff. "America is going to pay a lot of interest soon. But don't fear a debt crisis." The Week. Oct. 2018.
https://theweek.com/articles/798463/america-going-pay-lot-interest-soon-but-dont-fear-debt-crisis //RJ

The standard argument you hear is that federal interest payments will crowd out other priorities in the national budget. "The heavy burden of interest payments could make it harder for the government to repair aging infrastructure or take on other big new projects," warned The New York Times. The paper even suggested the interest burden could force the government to cut spending and raise taxes in the next recession, despite the economy needing additional stimulus to recover. "There will eventually be another recession, and this increases the chances we will have to slam on the brakes when the car is already going too slowly," Jeffrey Frankel, a Harvard economist, told the Times. **It's difficult to overemphasize how utterly wrong this is. The U.S. government controls the supply of U.S. dollars. While private households, businesses, or even state and local governments must bring in dollars before they can spend them, the federal government must spend dollars before it can tax them.** This is more intuitive than it sounds. Since the government literally prints dollars for circulation, it must provide money before it can take it back. (If you don't believe me, here's former New York Federal Reserve Chairman Beardsley Ruml, making the same point way back in 1946.) **When one line item in the federal budget grows, it doesn't "crowd out" other priorities because the government can never run out of dollars. "But what about inflation?**" you might ask. That is the proper question: The inflation level, not the risk of a debt crisis, is what actually determines the government's room to spend on public priorities. When inflationary pressure is too great, the U.S. can relieve it by raising taxes or hiking interest rates to remove money from the economy.

But **simply introducing new dollars into the economy does not necessarily lead to price increases.** Where the money goes is crucial. **To create inflation, new dollars must go into new spending and consumer demand. Interest payments on the national debt are extremely unlikely to do that. The key thing to understand here is that most U.S. government debt is denominated in treasury bonds, which are pretty much the most liquid asset in the world.** If you own a treasury bond, but you'd rather have cash, you will have no trouble finding a buyer. **That means pretty much anyone who owns a treasury bond prefers it to cash because they're looking to save it. And since owning a treasury bond is the prerequisite for receiving federal interest payments, people are almost certainly going to save those payments as well.**

A2 Defaulting

1. Delink - The international community is extremely confident in the United States. Logue of Next explains in 2016 that while U.S. debt levels are high, wealthy people internationally still want to invest in the United States because it is a safe investment. Compared to countries like China and Brazil, US government bonds come with so much safety that investors will never back off leading to a default. We can borrow indefinitely to pay off interest and bonds.
2. Delink - The US cannot default on its debt. According to Harvey of Forbes in 2015, the US government cannot default on its own debt because it can print more money, unlike countries like Greece, which were dependent on the euro, a currency they didn't have the power to coin more of.

Logue [Next], 3-29-2016, U.S. Debt Is Massive and Other Countries Are Desperate to Keep It That Way,
https://howwegettonext.com/here-s-why-other-countries-are-desperate-to-add-to-the-u-s-government-s-massive-debt-7d4ae66397cd?gi=d4604dfbfc7b
Sure, that U.S. debt level may seem alarming, but the borrowers aren't worried. Wealthy people all over the world still want to invest in the United States — because it's a safe investment. Over half of the outstanding U.S. government bonds are held by people outside of the United States. The top five foreign holders of Treasury accounts? Mainland China, Japan, banking centers in the Caribbean, a collective of oil-exporting countries including Saudi Arabia and Iran, and Brazil. China and Brazil are developing countries whose economies come with a lot of risk, and U.S. government bonds offer a way to keep money safe. As with an FDIC-insured bank savings account, the interest rate of bonds is low, but so is the risk.

Havey of Forbes
"The United States can pay any debt it has because we can always print money to do that. So there is zero probability of default." Alan Greenspan

"In the case of United States, default is absolutely impossible. All U.S. government debt is denominated in U.S. dollar assets." Peter Zeihan, Vice President of Analysis for STRATFOR

"In the case of governments boasting monetary sovereignty and debt denominated in its own currency, like the United States (but also Japan and the U.K.), it is technically impossible to fall into debt default." Erwan Mahe, European asset allocation and options strategies adviser

A2 International borrowing bond market??

Debt and interest rates have no connection Jericho 12

https://www.abc.net.au/news/2012-04-18/jericho-interest-rate-debate3a-it-might-sound-reasonable.../3957366

Now the view that Government debt is having a significant impact on interest rates might pass muster if we lived in a closed economy where the Government and banks had to fight for the same domestic source of finance. But *the reality is banks now raise funds through a number of ways* (as I discussed in February). *The sense that the Government's borrowing is increasing the costs for banks to raise money on the international bond market is [untrue] laughable.* The line however contains enough "oh he's talking about finance stuff, he must know what's going on" to allow him to get away with it. And if he says it enough, well then people start to think it is truth, and it gets nary a challenge. Except here's a shock: *banking costs in the past few months have actually gone down.* Yep down. As I also noted back in February, 50 per cent of banks' funding costs are due to deposit rates - i.e. the price banks have to pay you to get your money. So how has the spread between what banks offer you for term deposits and the cash rate been going in the past 12 months? Yep, it's been going down. It went up in November-December last year (which was the major reason behind the banks all increasing home loan rates in February independent of the RBA) but it has fallen since then and the past month has seen it stable. What about the costs of 'short-term debt' (which accounts for 20 per cent of bank funding costs)? Well let's look at the difference (or "spread")

A2 Example - 1990 expansion

1. Turn - Economic growth lead to the budget surplus in the 1990s, not the other way around. Harvey of Forbes explains in 2015 that thanks to economic growth, tax revenues increased and spending on social welfare programs fell, leading to the budget surplus. That's why the expansion covered first quarter 1991 through first quarter 2001, while the surpluses were 1998 through 2001.

John T. Harvey, 8-10-2015, "Five Reasons Why A National Balanced Budget Amendment Is Lunacy," Forbes, https://www.forbes.com/sites/johntharvey/2015/08/10/five-reasons-balanced-budget-is-lunacy/#243c6f395bbe

I have seen a number of people confuse the line of causation between the economic expansion of the 1990s and the budget surplus. Their argument relies on the fact that the longest peacetime expansion in history occurred when there was a budget surplus. This proves that the latter is good for the economy. They further say that the large deficits during the Great Depression and the Great Recession that followed the Financial Crisis only strengthens their case. In other words: The reasons are very simple. First, consider the fact that the government budget balance is equal to taxes minus government spending. When that number is positive, we have a surplus, and when it is negative, we have a deficit. Second, tax revenues fall during contractions because incomes fall and tax revenues rise during expansions because incomes rise. Third, spending for income support programs like unemployment insurance and welfare will automatically rise during contractions and fall in expansions. Hence, budgets move toward balance in expansions because tax revenues rise and government spending falls while they move toward deficit in contractions because taxes fall and spending rises: Consider this, too. If the "Surpluses => Economic Growth" camp was right, then the Clinton surplus would have come before or at the beginning of the 1990s expansion. It didn't, it was at the very end. The expansion covered first quarter 1991 through first quarter 2001, while the

surpluses were 1998 through 2001. Likewise, we all know very well that the recent very large budget deficits occurred after the Financial Crisis, not before.

A2 Recession

A2 General

1. Delink - Armbruster '18 of the CFA Institute writes that due to current economic conditions with stimulative long-term fiscal and monetary policies, our economy still has plenty of room to grow.Just because business cycles indicate that recessions are inevitable doesn't mean it has to be soon; Australia, for instance, hasn't had a recession since 1991. Overall, Bercetche '18 of CNBC writes that when analyzing the four most common triggers of a recession, it seems incredibly unlikely we see a recession by 2020.
2. Weighing - Economic growth is the better link into a recession. Hall in 2018 explains that recessions occur when there are two or more consecutive quarters of negative gross domestic product growth. This is a stupid response.

Armbruster, Mark. "The U.S Economy: Eight More Years of Expansion?" CFA Institute. Sept. 2018. https://blogs.cfainstitute.org/investor/2018/09/26/the-us-economy-eight-more-years-of-expansion/ //RJ

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 or that policy uncertainty is to blame. 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 optimism. **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.

Bercetche, Joumanna. "Talk of a US recession in 2020 is a little premature." CNBC. October 2018. https://www.cnbc.com/2018/10/16/us-recession-in-2020-is-a-little-premature.html //RJ

And yet, the economy is growing at a robust pace of around 3 percent for 2018 and is set to grow at 2.5 percent in 2019 (according to IMF's latest world economic outlook): a moderation due to waning fiscal impulse and trade wars. But when does a late cycle economy transition into an economy that's verging on a recession? TS Lombard analyst Dario Perkins has highlighted **the four conditions for a recession to occur**:

1) accelerating inflation 2) a squeeze on corporate profits 3) tight monetary policy and 4) macroeconomic imbalances such as asset bubbles. **While inflation has been rising, wage growth of sub-3 percent is still far from pre-great financial crisis levels north of 4 percent.** In a note published last week, Goldman Sachs Chief U.S. Economist Jan Hatzius remarked that **despite the unemployment rate standing the lowest level in 48 years** (at 3.7 percent), core personal consumption expenditure (PCE) **inflation** — the metric the Federal Reserve looks at — **has remained steady at around 2 percent. There may be more slack in the labor market and hence, monetary policy cannot be too tight yet.** Rising wages would typically be associated with a squeeze in corporate profits. Perkins calculates that **rising wages have been matched by productivity so there hasn't been a corporate squeeze yet.** In fact **profit share**, as a percentage of gross domestic product, **is about 10 percent higher than it was 20 years ago**, according to Perkins. **Top-line earnings are still growing.** That leaves us with asset valuations. Aggregate global debt continues to climb, U.S. asset prices are about 50 percent higher in aggregate than five years ago. And the market is certainly starting to get a little jittery if last week is anything to go by. Crucially however, the economy and companies' revenues are still growing. **The labor market is not showing signs of overheating.**

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

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) 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, a fall in stock prices, falling incomes and a high unemployment rate. When an economy is facing recession, 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 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. 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.)

A2 Asset bubbles

1. Strubel '18 of Seeking Alpha writes that the only types of bubbles that matter are those that threaten the economy as a whole, indicating that these bubbles have to exist across different sectors of the economy. Of these bubbles,
    a. Household Debt: while pundits claim that household debt is at an all-time high, when we consider it relative to GDP, household debt is actually on the decline, indicating that there isn't a bubble right now.
    b. Stock Market Valuations: while people say that stock market valuations have risen sharply, this is because the stock market has shifted increasingly towards tech-based companies with higher profit margins, thus logically increasing valuations, and there isn't an actual bubble.

c. For other bubbles, he continues that even if there were asset bubbles in other sectors, these bubbles are too small to bring down the economy as a whole.

Strubel Investment Management. "There's a Bubble in Bubble." Seeking Alpha. Dec. 2018. https://seekingalpha.com/article/4229115-u-s-economy-going-recession //RJ

Ever since the economic recovery began pundits have been seeing bubbles everywhere. There are no signs of a bubble for any of the three most common allegations - household debt, government debt, stock valuations. While there may be bubbles in tiny markets or small asset classes, nothing appears serious. Ever since the housing bubble, subprime crash, Great Recession, or whatever you want to call it, it seems like every one has been tripping over themselves trying to call the next bubble. **Over the past decade we've had calls for bond market bubble, interest rate bubbles, stock market bubbles, housing market bubbles, student debt bubbles, government debt bubbles, and on and on.** I'd say that about a decade into the current economic expansion, we have a bubble in people calling for bubbles! In this article, I want to go over three of the most common "bubble" calls and why they are not in fact bubbles. **One of the most frequent "chart crimes" I come across is people using the chart below to show that we have a new household debt bubble forming.** The chart clearly shows household debt exceeding its pre-crisis peak. The problem is that the chart lacks any context. **Inflation, a growing economy, and increasing household formation mean that over time the aggregate amount of household debt is going to grow.** Even if households are reducing debt in real terms, the aggregate measure can still show growth. And in fact, that is what we have. **Below is the same chart, just this time divided by GDP.** We can now see that **household debt is actually falling.** Yes, it's leveled off a bit but **we are not in the midst of another bubble.** The federal debt now stands at a record $15T (or $100T if you are bad at accounting). Surely, we must be in the midst of a debt bubble. Heck, it's even growing when you show it as a percent of GDP (chart below). Well, for the US, and any country whose debt is denominated in a currency it controls, the national debt is basically meaningless. It's simply an accounting identity that corresponds to the national savings. Not only that, sovereign debt has no real predictive value. It's an accounting of what has happened in the past. The current level of debt (or perhaps more accurately private sector savings) is the result of deficit spending that has already occurred. If this was going to cause some great calamity, say high inflation, it would have already happened. While there are limits on debt and deficits relating to inflation that isn't something that is worth worrying about while we still have substantial labor market slack, no-to-low wage growth, and spare industrial capacity. It seems as though as soon as the market recovered to near its pre-recession mark **there have been constant warnings about a stock market bubble.** Given that the market has not traded too far out of its historical forward P/E range, the most pointed to sign of a bubble seems to be the CAPE ratio, Shiller PE, PE10, or cyclically adjusted PE ratio (all referring to the same market price divided by the last decade's earnings per share average). A chart of the market's CAPE ratio dating back to the late 1800s is below. As you can see, we are well above the historical average. The thing is the historical average is pretty much worthless. **The market today is vastly different than the market of history.** In 1896 when the Dow Jones Average was first created, it included twelve stocks divided equally among utility companies, materials companies, industrial companies, and consumer goods companies (there's room for argument that some of the stocks could be classified differently but the gist of the breakdown is similar). **There was no technology sector, no real estate sector, no financial sector, and no healthcare sector.** Later on the index was expanded and other indexes were formed as well. But even as recently as the 1950s the stock market was radically different. The graphic below shows the changes in sector weightings for the S&P 500 over the decades. **The stock market of the 1950s was mostly railroads, utilities, and industrial companies.** By the 1970s financial companies started to have a significant presence but we still were lacking technology stocks in any size. **Fast forward to today and the dominant sectors of yesterday make up a minority of the index. A software company with high profit margins and high returns on capital is going to be valued much differently than a regulated utility or a capital-intensive railroad.** Perhaps more important is that the stock market is not the economy. The aggregate level of after-tax corporate profit in the economy last quarter was around $1.8B. The S&P 500 accounted for just around $280B of after-tax profit or about 16% of the entire corporate sector's profit. What's happening in the corporate sector as a whole is not always going to be reflected exactly in the stock market. **The make-up of the market** (and its indices) **varies greatly and margins and returns on capital of publicly traded companies might vary substantially from time period to time period** depending on the number and types of companies that are public and their inclusion (or exclusion) from an index. **Even if corporate America doesn't change drastically, the stock market can change depending on what portion of the corporate sector it represents**. **While we don't see any major bubbles out there that isn't to say there aren't minor bubbles here or there. Bitcoin and other cryptocurrencies could be a bubble, but none of that is large enough to bring down the economy**. **Student debt is of course growing** and causing lots of real economic problems**, but again not enough to slow down the economy**. **The market and**

the economy have also weathered things like the bursting of the Chinese A-share bubble in 2015.

Individual curated monthly subscription services, meal kits, and electric scooters are all seemingly ubiquitous. We may have a bubble in all three but a few thousand broken scooters littering the streets of San Francisco and no more random boxes of dog treats aren't going to crash your 401(k). **For now, the current economic expansion looks to continue its slow, steady pace despite the calls for bubbles everywhere.**

A2 Political pressure stimulus

1. Delink - No one cares about debt anymore. Fox of Bloomberg in 2018 explains that Democrats threw in the towel after they saw how well the stimulus in 2008 worked. Republicans gave up after this year's corporate tax cuts. In fact, Pew reports that reducing the debt has severely declined as a policy priority for many Americans.

Justin Fox, 2-8-2018, "The Deficit Spending Boom Won't Last Forever," Bloomberg, https://www.bloomberg.com/opinion/articles/2018-02-08/the-deficit-spending-boom-won-t-last-forever

Since the 1990 tax increase that helped torpedo George H.W. Bush's chances of a second term as president, Republicans have been for reducing deficits when a Democrat is in the White House and increasing them when their party has the presidency. I don't doubt that the Tea Party House members who grumbled to the Wall Street Journal about the spending deal are legitimately frustrated, but as their electoral appeal seems to have been based more on their obstreperousness than their devotion to small government, 3 I don't think this frustration will have much political impact. The Democrats have followed a more consistent path of at least saying worried-sounding things about the deficit no matter who's president, but the events of the past few months (especially the GOP majority's enactment of large, deficit-increasing corporate tax cuts) appear to have soured them on fiscal responsibility as well.

And really, it's hard to blame the politicians for this. The dire warnings of deficit hawks over the past four decades have generally not come true, voters are losing interest in the topic, and there may even be a reasonable case to be made for experimenting with bigger fiscal stimulus as a way to break the economy out of its slow-growth path and free the Federal Reserve to continue its normalization of monetary policy.

Pew Research Center for the People and the Press, xx-xx-xxxx, "Economic Policy Issues See Decline In Public Importance," http://www.people-press.org/2018/01/25/economic-issues-decline-among-publics-policy-priorities/

public's improving economic outlook is reflected in its policy agenda for President Trump and Congress in the coming year. Economic issues – improving the job situation, strengthening the economy and reducing the budget deficit – are viewed as less important policy priorities than

they were just a few years ago.

Other issues, which had been less prominent public priorities in the past, have grown in importance. The share of Americans saying that protecting the environment should be a top policy priority has increased 18 percentage points since 2010 (from 44% to 62%), and seven points in the past year alone.

A2 Overheating

1. Underemployment Delink; Lazear '18 of the Wall Street Journal writes that in order for the economy to overheating, wage growth has to dramatically outpace productivity, thus driving high levels of inflation. There are two reasons that our economy isn't overheating:
    a. First, wage stagnation. Lazear writes that our wage growth is super low right now and isn't inflationary, indicating that overheating risks are overhyped. Garcia '18 of NPR writes that 33% of college graduates are underemployed, and Bershidsky '18 of Bloomberg writes that this underemployment is stagnanting wage growth. Thus, our economy still has a lot more room to grow. As new jobs are created, underemployed workers are able to move into higher positions, leaving more jobs open for those unemployed.
    b. Second, rising productivity. Lazear '18 continues that our productivity is high as well at 3.3% over the past year, matching increased wage growth. This means that demand is being matched by more productivity, and our economy is not overheating.

Lazear, Edward. "America's Economy Isn't Overheating." Wall Street Journal. October 2018. https://www.wsj.com/articles/americas-economy-isnt-overheating-1539125398 //RJ

Finally, **the rate of wage growth indicates that the labor market isn't overheated**. **When the economy runs out of workers, labor demand drives increased wages rather than employment as employers compete with each other for the scarce labor. Absent labor-market slack, wages tend to grow at rates above those consistent with target inflation and productivity increases. Wage growth at rates consistent with productivity growth isn't inflationary, since additional output from increased productivity reduces upward pressure on prices. U.S. productivity growth has averaged 1.3% over the past four quarters. Add the Fed's 2% target inflation figure to get 3.3%.** This exceeds the 2.8% actual rate of wage growth over the past 12 months. **If the economy were overheating, wages would be growing at a faster rate. Despite the low unemployment rate of 3.7%, the U.S. labor market has some room to expand before it hits full employment.** That's good news: The Fed need not worry that the tight labor market is indicative of an overheated economy—yet.

Garcia-Navarro, Lulu. "How Underemployment Is Affecting The Job Market." NPR. July 2018. https://www.npr.org/2018/07/15/629212924/the-call-in-underemployment //RJ

While unemployment has hit record lows, there's another number that also gets a lot of attention — underemployment. Around 33 percent of college graduates are underemployed. Underemployment measures the number of workers placed in jobs that are below their qualifications from a bachelor's degree and beyond. But the effects can be different, depending on the field of work. Julia Fallon is about to graduate from her paralegal certification program in a few weeks. She received her bachelor's in American Sign Language interpretation, but couldn't find stable work. She says her biggest frustration now is not the lack of jobs for paralegals, but the pay. "I've been astonished at the low-balling that is going on even for attorneys, let alone paralegals, which at the beginning of the program I was told would be much better paying than what I'm actually looking at," Fallon says. Like Fallon, Josh Borchard also decided to change careers. He graduated with his master's degree in space studies and planetary sciences, but after years of working odd jobs and barely making ends meet, he decided to go back to get his teaching license. "I worked three years off and on doing odd jobs — research jobs all the way to working retail," Borchard says. "I'm almost 30 years old now, and I have never made more than about $25,000 a year."

Bershidsky, Leonid. "Underemployment is the New Unemployment." Bloomberg. Sept. 2018. https://www.bloomberg.com/opinion/articles/2018-09-26/unemployment-numbers-hide-the-effects-of-underemployment //RJ

Some major Western economies are close to full employment, but **only in comparison to their official unemployment rate. Relying on that benchmark alone is a mistake**: Since the global financial crisis, **underemployment has become the new unemployment**. In **a recent paper**, David Bell and David Blanchflower **singled out underemployment as a reason why wages in the U.S.** and Europe **are growing slower than they did before the global financial crisis**, despite unemployment levels that are close to historic lows. In some economies with lax labor market regulation — the U.K. and the Netherlands, for example — more people are on precarious part-time contracts than out of work. That could allow politicians to use just the headline unemployment number without going into details about the quality of the jobs people manage to hold down.

A2 Economic growth bad

A2 Automation

1. Turn - Automation creates more jobs. Shaban of the Washington Post writes in 2018 that while automation is projected to cost 75 million jobs from companies shifting to automation, 133 million jobs will emerge as businesses develop a new division of labor between people and machines, thus creating 58 million more jobs by 2022.

Hamza Shaban, September 18 2018
https://www.washingtonpost.com/technology/2018/09/18/machines-will-create-million-more-jobs-than-they-displace-by-world-economic-forum-says/?utm_term=.eefabe9da509

In the next four years, more than 75 million jobs may be lost as companies shift to more automation, according to new estimates by the World Economic Forum. But the projections have an upside: 133 million new jobs will emerge during that period, as businesses develop a new division of labor between people and machines.

The Future of Jobs Report arrives as the rising tide of automation is expected to displace millions of American workers in the long term and as corporations, educational institutions and elected officials grapple with a global technological shift that may leave many people behind. The

report, published Monday, envisions massive changes in the worldwide workforce as businesses expand the use of artificial intelligence and automation in their operations. Machines account for 29 percent of the total hours worked in major industries, compared with 71 percent performed by people. By 2022, however, the report predicts that 42 percent of task hours will be performed by machines and 58 percent by people.

A2 Climate change

1. Delink - The link between economic growth and climate change is tenuous at best. Johnson of Foreign Policy in 2016 cites a report by the International Energy Agency that demonstrates that while global GDP increased by 3%, energy-related emissions stayed virtually flat and haven't really changed since 2013. The IEA concludes that this is further evidence that "the link between economic growth and emissions growth is weakening."
2. Turn - Economic growth promotes a shift toward green technology. According to Osborne in 2018, Democrats are poised to grow environmental protections and promote anti-climate change policies once in office. This is key because green technology is a way to promote economic growth. For instance, Samuelson of Fortune in 2017 explains that renewable energy creates jobs at a rate that is 12 times faster than that of the rest of the US economy.

Kate Samuelson January 27, 2017, 1-27-2017, "Renewable Energy Industry Creates Jobs 12 Times Faster Than Rest of U.S.," Fortune,
http://fortune.com/2017/01/27/solar-wind-renewable-jobs/
The solar and wind industries are each creating jobs at a rate 12 times faster than that of the rest of the U.S. economy, according to a new report.

The study, published by the Environmental Defense Fund's (EDF) Climate Corps program, says that solar and wind jobs have grown at rates of about 20% annually in recent years, and sustainability now collectively represents four to four and a half million jobs in the U.S., up from 3.4 million in 2011.

The renewable energy sector has seen rapid growth over recent years, driven largely by significant reductions in manufacturing and installation costs. Building developers and owners have been fueled by state and local building efficiency policies and incentives, the report explains.

James Osborne, 11-5-2018, "With Democrats poised to take House, energy sector faces reckoning," HoustonChronicle,

https://www.houstonchronicle.com/business/energy/article/With-Democrats-poised-to-take-House-energy-13362916.php
Rep. Frank Pallone, D-N.J., who is expected to lead the House Energy and Commerce Committee should Democrats gain a majority, could play a critical role in checking Trump's environmental action. Pallone said climate change is a critical issue for the party, along with the economy and jobs, and Democrats would focus on "holding the Trump administration accountable for dangerous policies that only make it worse."

"We also have serious concerns with how Trump's EPA has consistently sided with the special interests over people's health and the environment," he said in a statement. "We will look to restore the environmental protections that have been gutted over the last two years."

Keith Johnson, 2016, "Turns Out Economic Growth Doesn't Mean Destroying the Planet," Foreign Policy,
https://foreignpolicy.com/2016/03/16/turns-out-economic-growth-doesnt-mean-destroying-the-planet/
For the second straight year, global economic growth rose while carbon dioxide emissions from the energy sector remained flat, according to a new study by the International Energy Agency in Paris. In 2015, global GDP growth was about 3 percent, yet energy-related emissions stayed virtually flat and haven't really budged since 2013.

It is especially noteworthy because in the past, the only time energy-sector greenhouse gas emissions went down was during big economic recessions, such as in the early 1980s and 1990s and the global financial meltdown in 2009. Continued growth and flat emissions suggest "further evidence that the link between economic growth and emissions growth is weakening," the IEA said.

A2 International impacts
A2 Other countries (general) weaponizing debt

1. Delink - Other countries would be hurt more by this. Rogoff of the Brookings Institution writes in 2007 that any attempts by a foreign government to use its financial leverage to upset the US economy would backfire as the US is extremely credible in international debt markets to the point that it would be virtually impossible for any such crisis to precipitate a default by the United States. Rogoff furthers that even if a US crisis were forced, the ensuring dollar decline would inflict massive capital losses on the inciting country, making such a move extremely improbable.

Kenneth Rogoff, 6-26-2007, "Foreign Holdings of U.S. Debt: Is Our Economy Vulnerable?," Brookings,
https://www.brookings.edu/testimonies/foreign-holdings-of-u-s-debt-is-our-economy-vulnerable/
As foreign wealth continues to explode in a number of transparency-challenged countries, we are likely to see some spectacular financial debacles. Governments have a long tradition of losing massive amounts of money in financial markets. This tradition is not likely to end anytime soon, which is good new for global private investors, some of whom continue to reap huge profits at governments' expense. However, any attempt by a well-heeled foreign government to use its financial leverage to upset the U.S. economy will almost certainly backfire. The U.S. economy will not wilt, and the foreign instigator will either lose a bundle of money immediately, or get caught and be forced to forfeit the gains. The key to U.S. resilience is our country's credibility in debt markets; the U.S. governments' credibility in international debt markets is so great that it is virtually impossible for any such crisis to precipitate a default. Absent, this risk, it is very unlikely for a foreign-instigated financial crisis to spin beyond the control of the Federal Reserve and other regulators. For example, were China to suddenly reallocate a large share of its predominantly dollar portfolio into Euros, the ensuing dollar decline would inflict a massive capital loss on the Central Bank of China. A 20 percent drop in the dollar against the Yuan would cost the Chinese Central Bank well over a hundred billion dollars. Fundamentally, when a debtor owes the bank a large enough amount, the debt becomes the bank's problem. China, whose reserves amount to 50 percent of its GDP, faces risks far to great to ever seriously consider this option. Of course, over time, one can expect China to significantly diversify out of dollar assets, but the time frame will be one that markets can easily accommodate.

A2 China weaponizing debt

1. Delink - China would never weaponize the debt.
    a. First, Samuelson of Marketplace explains in 2018 that China first off, doesn't have significant US bond control, only owning less than 5% of the US total debt, and second, would never sell its current supply as China would suffer huge capital losses.
    b. Second, Krueger of the Wall Street Journal in 2018 elaborates that China selling bonds would erode the value of any securities that China continues to hold and would hurt China's dollar-denominated holdings, thus concluding that China selling treasury bonds would be "mutually assured destruction." China would never sell off America's treasuries because it uses these treasuries to maintain financial stability inside their own financial markets.
2. Mitigate - Even if China did sell all treasury bonds, the impact would be minimal. Krueger continues that even if China were to sell all 1.18 trillion dollars worth of bonds, it would only raise the interest rate on a treasury note by as little as .3%.

Daniel Kruger, 6-27-2018, "Why Investors Aren't Worried China Will Weaponize Its Treasurys Hoard ," WSJ,
https://www.wsj.com/articles/why-investors-arent-worried-china-will-weaponize-its-treasurys-hoard-1530124335

Some argue that even if China wanted to sell its Treasury portfolio, it might not prove to be that effective a strategy. Mr. Setser, estimates that if China were to sell all of its $1.18 trillion of Treasurys, along with about $100 billion in custodial accounts held abroad, particularly in Belgium, it would raise the yield on the 10-year Treasury note by as little as 0.3 percentage point.

The most likely way for China to retaliate against U.S. tariffs without raising trade levies of its own would be to tighten regulations and increase inspections of U.S. businesses operating in China, making the climate less hospitable, several analysts said.

Daniel Kruger, 6-27-2018, "Why Investors Aren't Worried China Will Weaponize Its Treasurys Hoard ," WSJ,
https://www.wsj.com/articles/why-investors-arent-worried-china-will-weaponize-its-treasurys-hoard-1530124335
A decision by China to sell Treasurys could be the economic equivalent of "mutually assured destruction," said Mark McCormick, head of currency strategy at TD Securities.
So China would be loath to weaponize its financial assets, analysts say.
For starters, driving down prices on U.S. government bonds would erode the value of any securities China continues to hold. It could also damage the value of China's other extensive dollar-denominated holdings, such as corporate bonds and stocks.

Tracy Samuelson, Marketplace, 10-17-2018, "Would China weaponize its U.S. debt as a trade war tactic?," No Publication,
https://www.marketplace.org/2018/10/17/economy/would-china-weaponize-its-us-debt-trade-war-tactic
While China's holdings are significant, they amount to less than 5 percent of the U.S. total debt. What's more, the country hasn't been adding much to its reserves in recent years.
Selling its current supply would be an aggressive move that China would not undertake unless provoked, said Wing Woo, an economic professor at the University of California-Davis. China wouldn't instigate a sale "unless they are outraged by some American actions which they view as excessive," he said. "A fire sale means that the price of bonds will be lower. The Chinese would suffer big capital losses."
In the short term, as U.S. bond prices fell, their yields would increase. Those increases would likely increase interest rates on many of types of loans.

A2 NEG

A2 Debt has no impact (Japan)

1. Delink - Not a comparable example at all. Pham of Forbes in 2017 explains that in Japan, the government can sell most of its debts to its citizens, which is known as domestically held debt. Deflation (decreasing prices of goods and services) that occurs for long periods of time make government debt and other low yielding assets much more attractive. For example, if the price of goods drops by 1% while government bond yields 1%, then the overall return would be 2%. Japanese investors are currently satisfied with these returns, but the country has to increase national savings so that domestic purchasers continue to buy new government debt. The problem here is that US investors are more likely to turn to international bonds than the Japanese and are also not facing an economy that is deflating.

Peter Pham, 12-11-2017, "When Will Japan's Debt Crisis Implode?," Forbes, https://www.forbes.com/sites/peterpham/2017/12/11/when-will-japans-debt-crisis-implode/#44708e174c6d

As we stated above, Japan is still on the high ground because the government can sell most of its debts to its citizens, which is known as domestically held debt. Deflation (decreasing prices of goods and services) that occurs for long periods of time make government debt and other low yielding assets much more attractive.

For example, if the price of goods drops by 1% while government bond yields 1%, then the overall return would be 2%. Japanese investors are currently satisfied with these returns, but the country has to increase national savings so that domestic purchasers continue to buy new government debt.

A2 Debt good

A2 Prevents war

1. Ok so who wants to fight us, probability wise, even without debt?? US has a greater role in international community than just monetary stability. MAD alone means no conflict.
2. Turn - Debt increases the chances of international monetary conflict. Borzykowski of CNBC explains in 2018 that China currently controls around 1 trillion of U.S. bonds and selling them off to hurt Trump in response to the trade war would result in the supply of U.S. bonds increasing, a rise in yields, and making it harder for U.S. companies and consumers to borrow, ultimately causing a disastrous economic slowdown.
3. Turn - Debt increases the chances of armed conflict. OffTheGridNews explains that both WWI and WWII were partially caused by debt, through both countries trying to force other countries to pay back debt and other countries allying with warring countries to try to prevent the collapse of economies that hold large portions of debt.

Off The Grid News Staff, xx-xx-xxxx, "Debt Leads To War? Can The World Pay $247 Trillion To Avoid It?," Off The Grid News,
https://www.offthegridnews.com/financial/world-pay-247-trillion-debt-leads-to-war/
To make matters worse, history teaches that debt leads to war. Furthermore, both World War One and World War Two were partially caused by debt.
During World War One, the British Empire probably racked up a debt of $142 billion. They owed most of that money to the United States.
The United States likely entered World War One in 1917 to ensure British victory. The fear was that Britain would not pay its debts if the Central Powers (Germany, Austria-Hungary, and Turkey) won.
A partial cause of World War Two was the efforts to make defeated Germany pay for World War One. The Allies aggressively tried to make Germany pay $33 billion it did not have in reparations.

Bryan Borzykowski, 4-5-2018, "China's $1.2 trillion weapon that could be used in a trade war with the US," CNBC,
https://www.cnbc.com/2018/04/05/chinas-1-point-2-trillion-weapon-that-could-be-used-in-a-us-trade-war.html
If this trade fight does escalate, then more tariffs could be slapped on more goods. But China could fire back in a far more significant way: selling a large chunk of the $1.17 trillion of U.S. treasury bonds it holds.
Over the last several years, China has bought scores of treasury bonds partly because it has U.S. dollars it needs to spend. Just like any investor, China wants to put some of the greenbacks it's made off its exports to the United States into safe investments, and there's nothing safer than U.S. bonds.
For the most part, China, which has owned around $1 trillion of U.S. bonds for several years, has held on to these assets, collecting billions in interest payments. It did reduce some of those assets in late 2016 and early 2017 to help offset an increase in the yuan, but it's already bought back much of what it sold.
If China did decide to sell off those bonds in a fit of rage aimed at President Donald Trump, then it could cause major havoc on international markets, said Jeff Mills, co-chief investment strategist at PNC Financial Services Group. "It's certainly something they could do," he said.
The biggest impact would be on interest rates and bond prices, he says. If China floods the market with treasuries, and the supply of U.S. bonds spikes, then fixed income prices would fall and yields would rise. If yields climb then it would become more expensive for U.S. companies and consumers to borrow and that would **cause the U.S. economy to slow down.**

A2 Multiplier

1. To win Aff, Aff doesn't have to prove that the debt gets eradicated, just reduced. This is key, because as we point out in case, while debt might be alright at some levels, the level it is currently at is leading to… [cross application]

A2 Implementation

A2 Sequestration

1. Amadeo of the Balance – sequestration was super unpopular; no one in Congress supported it. Democrats 10000% won't let those programs get cut; Republicans don't control Congress anymore; needs to prove those specific cuts will pass through gridlocked Congress. Welfare cuts aren't even Trump's plan to reduce debts; he's primarily focused on cutting wasteful spending in each department rather than specific programs.

Kimberly Amadeo [Balance], 12-20-2018, 3 Reasons Why the United States Probably Won't Ever Get Out of Debt, https://www.thebalance.com/will-the-u-s-debt-ever-be-paid-off-3970473
There are only three ways to decrease the debt. The first is to cut spending. Sequestration tried to force the government to cut discretionary spending by 10 percent. No one in Congress thought it was a good idea. Members adopted it to force themselves to come up with something better. The Simpson-Bowles report recommended many good ways to cut the debt. But Congress ignored it. Even with sequestration, the debt continued to grow. To truly cut the debt, Congress would have to cut spending so severely that it would slow economic growth. That's because government spending is a component of gross domestic product

A2 Tax increases bad

1. Delink; Hungerford '12 of the Congressional Research Service finds that there is no correlation between the tax rate and economic growth.

Hungerford, Thomas. "Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945 (Updated)." CRS. 12 December 2012. https://fas.org/sgp/crs/misc/R42729.pdf

The top statutory income tax rates have changed considerably since the end of World War II. Throughout the late-1940s and 1950s, the top marginal tax rate was typically above 90%; today it is 35%. Additionally, the top capital gains tax rate was 25% in the 1950s and 1960s, 35% in the 1970s; today it is 15%. Statutory tax rates affecting taxpayers at the top of the income distribution are currently at their lowest levels since the end of the second World War. Whether or not the top statutory tax rates should be raised at the end of 2012, as scheduled under current law, is currently an issue before Congress.

The results of the analysis in this report suggest that changes o**ver the past 65 years in the top marginal tax rate and the top capital gains tax rate do not appear correlated with economic growth.** The reduction in the top statutory tax rates appears to be uncorrelated with saving, investment, and productivity growth. The top tax rates appear to have little or no relation to the size of the economic pie. But as a small proportion of taxpayers are affected by changes in the top statutory tax rates, this finding is not unexpected.

However, the top tax rate reductions appear to be correlated with the increasing concentration of income at the top of the income distribution. As measured by IRS data, the share of income accruing to the top 0.1% of U.S. families increased from 4.2% in 1945 to 12.3% by 2007 before falling to 9.2% due to the 2007-2009 recession. At the same time, the average tax rate paid by the top 0.1% fell from over 50% in 1945 to about 25% in 2009. The statistical analysis in this report suggests that tax policy could be related to how the economic pie is sliced—lower top tax rates may be associated with greater income disparities.

A2 Tax cuts

1. Delink - Bryan '18 of Business Insider writes further tax cuts now would be politically unlikely for to pass because Republicans are already worried that the last Trump tax cut was rushed and expanded the federal deficit too much, and this time, Republicans would need Democrats on board.
2. Turn - Shah '18 of Principal Global Investors writes that introducing expansionary policy when the economy is already strong dramatically increases the risk of overheating, where the economy grows too fast beyond its productive capacity and inflation rises rapidly. That's really bad, because Lachman '18 of US News explains that the U.S. would need to raise interest rates quickly which would pop countless asset bubbles in the world, plunging the world into recession.

Bryan, Bob, October 22, 2018, Business Insider, "Trump is already backtracking on his promise for a 'very major tax cut' before the midterms", https://www.businessinsider.com/trump-gop-midterm-tax-cut-plan-promise-2018-10

For one thing, Congress is not in session until after Election Day, as most members are out on the campaign trail. **And any plan would be likely to get blowback from lawmakers — even Republicans — who were concerned that the GOP tax law passed in December, the Tax Cuts and Jobs Act, was rushed and expanded the federal deficit by too much. Finally,** to pass any more tax legislation, **the GOP, to avoid a filibuster, would need to get a handful of Democrats on board with the plan, which would be highly unlikely.**

Shah, Seema. "Short and Sharp: US fiscal stimulus – when too much of a good thing becomes a bad thing." Principal Global Investors. Oct. 2018. https://blog.principal.com/2018/10/05/short-and-sharp-us-fiscal-stimulus-when-too-much-of-a-good-thing-becomes-a-bad-thing/ //RJ

Typically, governments introduce expansionary fiscal policy during times of slowdown to kickstart the economy. **Providing stimulus when growth is already strong and unemployment is at historic lows tends to be considered ill-timed, because it increases the chances of overheating.** The recent surge in 10-year US Treasury yields in the wake of stronger-than-expected employment data and non-manufacturing sector activity suggests those concerns could be materializing.

Lachman, Desmond. "A Crisis is Coming." US News. Feb. 2018. https://www.usnews.com/opinion/economic-intelligence/articles/2018-02-14/us-economy-is-in-danger-of-overheating-and-exploding-into-financial-crisis //RJ

There are two basic reasons to fear another full-blown global economic crisis soon: The first is that we have in place all the ingredients for such a crisis. The second is that **due to major economic policy mistakes by both the Federal Reserve and the U.S. administration, the U.S. economy is in danger of soon overheating, which will bring inflation in its wake. That in turn is all too likely to lead to rising interest rates, which could very well be the trigger that bursts the all too many asset price bubbles around the world.**

A2 More tariffs

1. Delink - Not economically feasible. William of the CSIS explains in 2018 that in order to start paying down the debt, tariffs have to be high enough to turn the budget deficit into a surplus, meaning they have to raise $140 billion in tariff revenue. Unfortunately, to do so, the government would need to raise tariff rates to more than 100%, doubling the amount Americans have to pay on international goods, something that would never pass Congress.

William, Alan Reinsch, 18, (), "Can We Really Pay Down the National Debt with Tariffs?", No Publication, 8-10-2018, https://www.csis.org/analysis/can-we-really-pay-down-national-debt-tariffs , DOA-12-21-2018 (MO)

To help start to pay down the debt, tariffs must first turn the budget deficit into a surplus. But even $140 billion in potential tariff revenue would not come close to achieving this. As a thought exercise, assume the quantity of imports stayed constant as tariffs rose, and that other sources of government revenue were similarly static—which, as we said above, is never the case. What level would the proposed tariffs have to reach before they would begin to pay down the debt? Last year, the U.S. imported $505 billion worth of goods from China and $359 billion worth of cars and car parts from all over the world (about $20 billion worth of those auto parts come from China , so there is a slight overlap). The Treasury Department projects a $984 billion budget deficit next year. If President Trump wanted to use these two proposed sets of tariffs to eliminate the deficit, he would therefore have to raise the proposed tariff rates to more than 100 percent, immediately more than doubling the price U.S. citizens have to pay for cars or consumer items from tee shirts to televisions. At that point, it becomes even more difficult to imagine purchasing patterns would stay the same. The average price of a car in the United States is $36,000; how

many people would buy that same car if it suddenly cost $72,000? This highlights the central point: Tariffs are a source of government revenue, but nowhere near large enough to pay down the debt. After all, they will not come close to eliminating the federal budget deficit, which means they will not come close to paying down even one dollar of the national debt.

A2 PAYGO Cuts

1. Delink - Congress always gets around PAYGO cuts. The Committee for a Responsible Federal Budget explains in 2017 that Congress is great at getting around statuatory PAYGO laws, such as by including provisions in legislation that exempts the costs from the final total or by passing legislation at the end of the year that stops squesters, wiping the PAYGO scorecard clean. Congress notably did this in the late 1990s and early 2000s, most notably with the Bush tax cuts in 2001. Democrats would especially support the bill to avoid cuts to entitlement spending.

Committee for a Responsible Federal Budget, How PAYGO Rules Could Affect Tax Reform, 10/18/17, http://www.crfb.org/blogs/how-paygo-rules-could-affect-tax-reform
Congress has often circumvented statutory PAYGO by including a provision in the legislation that excludes the costs of it from the PAYGO scorecard. This tactic would not work in a budget reconciliation bill because it would violate the Byrd Rule (because waiver itself does not produce a change in outlays or revenues). If tax reform increased deficits and no other action was taken to offset that cost, the PAYGO scorecard would reflect the deficit increase and put into motion a sequester at the end of the year. The other way Congress could get around statutory PAYGO is by passing legislation before the end of the year stopping a sequester. This legislation would "wipe the PAYGO scorecard clean" to remove the deficit increase so that no sequester is triggered. Doing this would require 60 votes in the Senate, but it is quite possible that the bill would clear that hurdle if Democrats supported the bill to prevent potentially draconian sequester cuts or if it were attached to must-pass legislation. That is what Congress did in the late 1990s and early 2000s when it passed legislation increasing the deficit, most notably the Bush tax cuts in 2001.

A2 Infrastructure

1. Not the implementation - Levitz '18 of Intelligencer writes that Democrats refuse to vote for a bill that cuts social spending, reduces environmental regulation, and shifts infrastructure spending away from blue cities. Indeed, Wagner '18 of the Washington Post writes that neither Senate Minority Leader Chuck Schumer nor the House Speaker Nancy Pelosi would be willing to vote for the infrastructure plan unless it addresses climate change policy.

But then, you can delink their solvency in five ways.

2. Delink - Turrentine ‘18 of Natural Resources Defense Council writes that the Trump infrastructure plan would shift the share of infrastructure costs onto local and state governments, forcing these governments to finance 80% of costs related to infrastructure, much higher than the 20% they do now. Unfortunately, he continues that states already struggle to raise money for infrastructure due to budget shortfalls, and it would be impossible under the Trump plan.
3. Delink - The LA Times Editorial Board ‘18 writes that Trump’s Infrastructure Plan only allocates $10 billion to actually repairing our crumbling infrastructure, which is a mere dent in the $2 trillion needed for repairs.
4. Delink - The LA Times Editorial Board ‘18 writes that Trump’s Infrastructure Plan doesn’t actually increase the amount of funding going into infrastructure because the funding for the plan comes by cutting the budget of other infrastructure programs like the Department of Transportation.
5. Delink - Rugy ‘17 writes that this infrastructure spending will not boost short-term jobs or economic growth, and they’re not wise for the long term, as most spending orchestrated by the federal government suffers from terrible incentives that lead to malinvestment where resources are wasted in inefficient ways and on low-priority efforts. Projects get approved for political reasons and are either totally unnecessary or harmed by cost overruns and corruption.
6. Delink - Sargent ‘19 of the Heritage Foundation writes that the current problems with infrastructure are not due to the lack of federal funds but rather the structure of the regulatory and funding system. He furthers that due to the environmental review and permitting processes, projects face major burdens that threaten to keep projects in the regulatory limbo for decades. These delays amount to billions of dollars in additional costs for the government.
7. Turn - Infrastructure spending actually makes the country worse. Charles Marohn of Strong Towns explains in 2017 that in a long term view, infrastructure spending harms growth in 5 ways.
    a. First, cities take on long term liabilities. The federal government always starts projects and tasks lower-level governments to maintain them, leaving cities with long-term promises they can’t keep. This drowns cities in unproductive liabilities that harm growth.
    b. Second, diminishing returns have made each additional dollar spent on infrastructure less productive. Empirically, the newer the development, the higher the cost and lower the financial productivity.
    c. Third, spending will almost always go towards new construction, when it should be going towards maintenance. This exacerbates future problems for infrastructure maintenance, since there’s simply more of it to maintain.

d. Fourth, local governments take on more debt. In order to meet their required contributions, local governments must take on additional debt. This magnifies their already cash-strapped and liability-worn conditions.
e. Fifth, the allure of increased federal spending blinds local governments to following through with projects they could do by themselves right now. The want for more money prevents local governments from looking at more net-productive projects that can be performed in-budget to spur growth.

Levitz, Eric. "Trump's Infrastructure 'Plan' Is Shoddily Built – and Sure to Collapse." Intelligencer. Feb. 2018. http://nymag.com/intelligencer/2018/02/trumps-infrastructure-plan-is-badly-built-sure-to-collapse.html //RJ

And **the White House proposal is every bit as unworkable in political terms** as it is in policy ones. **The administration needs significant support from Senate Democrats to pass any infrastructure bill into law.** And yet, Trump's plan calls for the federal government to fund its $200 billion share of the package entirely through spending cuts. The White House did not specify the targets of this austerity in its briefing with the Times, but previous reports suggest that the money would come from cuts to funding for social welfare programs and, of all things, mass transit. Meanwhile, the plan stipulates that rural communities would receive a disproportionate share of the federal funds, and calls for scrapping various regulations that impede development — including some meant to protect the environment. Even if the president had copied the Democratic Party's official infrastructure plan verbatim, Chuck Schumer's caucus might be reluctant to vote for it. The Donkey Party has a shot at winning a wave election this November, and, thus, has little incentive to help Trump pass a popular, bipartisan bill before then. Thus, **the idea that nine Senate Democrats would vote for an infrastructure package that cuts social spending and transit funding** (a.k.a. infrastructure funding for urban areas, where Democrats live), **reduces environmental regulation, and steers a disproportionate share of its funds to (predominantly red) rural areas is utterly delusional.**

Wagner, John. "Schumer, Pelosi want climate-change measures in any infrastructure deal with Trump." Washington Post. Dec. 2018. https://www.washingtonpost.com/powerpost/schumer-pelosi-want-climate-change-measures-in-any-infrastructure-deal-with-trump/2018/12/07/62aa868a-fa20-11e8-863c-9e2f864d47e7_story.html?noredirect=on&utm_term=.c53fa9d00c98 //RJ

Democratic congressional leaders are insisting that any deal cut with President Trump on legislation to rebuild the nation's ailing infrastructure include provisions intended to promote clean energy and combat climate change. With Democrats poised to take control of the House in January, Trump has suggested that investing in infrastructure could be a shared priority, given the Democratic Party has long advocated public spending as a means to create jobs. In an op-ed published Thursday night in The Washington Post, **Senate Minority Leader Charles E. Schumer (D-N.Y.) said that** he sees potential for compromise with Trump but "**if the president wanted to earn Democratic support in the Senate, any infrastructure bill would have to include policies and funding that help transition our country to a clean-energy economy and mitigate the risks the United States already faces from climate change.**" Rep. **Nancy Pelosi** (D-Calif.), **whom Democrats have nominated to be speaker next year, echoed those sentiments in a statement Friday morning**, saying "when Democrats take the gavel, we will rebuild America with clean energy, smart technology and resilient infrastructure."

Turrentine, Jeff. "Why Nobody Likes Trump's Infrastructure Plan." Natural Resources Defense Council. Feb. 2018. https://www.nrdc.org/onearth/why-nobody-likes-trumps-infrastructure-plan //RJ

First came the revelation that **this much-touted blueprint**, advertised by the administration as a $1.5 trillion plan, **was really more of a $200 billion plan. That's how much actual money the federal government would give to states and localities** in the form of direct funds, block grants, loans, and other forms of financing meant to spur additional investment. So where would **the other $1.3 trillion come from**? From **cash-strapped local governments and profit-seeking private investors.** It took just a few hours for critics from the left, right, and center to point out the many flaws in this line of thinking and to pronounce the infrastructure plan a nonstarter. **With nearly half of the states in the country facing budget shortfalls, raising money for infrastructure, whether through tax increases or spending cuts in other areas, is already difficult. The Trump plan would make it much, much harder.** In fact, **it would entirely reverse the polarity of how infrastructure projects are traditionally cofinanced. States and localities currently pay about 50 percent of new mass-transit costs and 20 percent of new highway costs**, for instance, with Washington kicking in most of the rest. **Under the new plan, their share of total costs would rise to as much as 80 percent.**

The Los Angeles Times Editorial Board. "Trump's infrastructure plan isn't a plan. It's a fantasy." Los Angeles Times. Feb. 2018.
https://www.latimes.com/opinion/editorials/la-ed-trump-infrastructure-20180213-story.html //RJ

Trump's long-awaited plan was supposed to be an ambitious effort to build, as he put it, "**the best, fastest and most reliable infrastructure in the world.**" It was also a rare opportunity for bipartisan cooperation; Democrats and Republicans generally agree that crumbling roads and bridges are bad, and together they have been drawing up multibillion-dollar infrastructure spending plans for decades. **But the Trump framework is short on funding and pragmatism. The plan calls for $200 billion in federal spending over a decade**, but much of that money is set aside for rural communities and loan programs. **One hundred billion dollars would go to competitive grants, providing a mere $10 billion a year for roads, railroads, airports, water treatment plants, flood control systems and contaminated land cleanups. That's barely enough money to make a dent in the estimated $2 trillion of needed transportation, water and energy system upgrades.** By way of comparison, the federal government spent $96 billion on transportation and water projects alone in 2014. **The $200 billion wouldn't be new money. It would be paid for by cutting other infrastructure-funding programs. Trump's budget**, which was also released Monday, **would slash funding for the Department of Transportation and the Environmental Protection Agency**, among other agencies.

Rugy, Veronique. "Federal Infrastructure Spending Is A Bad Deal." *Reason.com*. N. p., 2017. Web. 5 Jan. 2019.

https://reason.com/archives/2017/02/09/federal-infrastructure-spendin

But not all infrastructure spending is equal. Ample literature shows, in fact, that **it's a particularly bad vehicle for stimulus and does not, in practice, boost short-term jobs or economic growth**. To work that way, government spending would have to be used quickly to put the unemployed to work on shovel-ready projects. But as Obama discovered in 2009 when he tried to spend $47 billion from the American Recovery and Reinvestment Act on infrastructure, there aren't that many shovel-ready projects lying around. And **since job seekers rarely have the skills needed to start building a bridge or highway right away, employers are forced to poach workers from their existing jobs.**
Publicly funded infrastructure projects often aren't good investments in the long term, either. **Most spending orchestrated by the federal government suffers from terrible incentives that lead to *malinvestment*—resources wasted in inefficient ways and on low-priority efforts**. Projects get approved for political reasons and are **either totally unnecessary or harmed by cost overruns and corruption**. For example, we know that infrastructure investment produces the highest returns when it supports

already-expanding cities and regions. Yet politicians' tendency is to spend in declining areas, where dollars can't help as many people, such as Detroit and Cleveland.

Sargent, Michael. "What'S Really Wrong With U.S. Infrastructure? The Feds Are Standing In The Way." The Heritage Foundation. N. p., 2019. Web. 5 Jan. 2019.

While this reality should cause taxpayers to think twice about the need for a massive federal spending plan, it is not to imply that the nation's infrastructure is in pristine condition across the board. **There are** indeed **public structures that require repair**: local roads to repave, decrepit locks to refurbish, and water systems to replace. However**, this is not** the case **due to lack of federal funds**. **It is a symptom of a federal regulatory and funding system that makes it harder to accomplish vital repairs**. First**, the cumbersome environmental review and permitting processes place a huge burden on all major infrastructure projects**. On average, **it takes more than five years** just **to receive an environmental impact statement,**one step of many in the process. Some **projects are stuck in regulatory limbo for decades**. These **delays amount to billions of dollars in additional costs for governmental** and private **projects** alike **without providing any obvious environmental benefits**. (Other environmentally conscious countries manage to approve projects much more quickly than does the U.S.). Trump correctly called these delays a "disgrace." Streamlining the current labyrinthine system to a maximum of two years should continue to be a priority for an administration that has prided itself on sensible deregulation. **Another area that requires drastic improvement is the top-down funding system that** too often **inserts the federal government into local infrastructure decisions. For** highways, airports and inland waterways **infrastructure** alike, **the federal government acts as an intermediary by collecting taxes on users and redistributing them back to the states or project sponsors after stuffing the funds with costly mandates and diverting resources to pet projects.**

Marohn, Charles, Strong Towns, January 3, 2017, "Five Ways Federal Infrastructure Spending Makes Cities Poorer"

https://www.strongtowns.org/journal/2017/1/2/five-ways-federal-infrastructure-spending-makes-cities-poorer

The United States Congress seems poised to spend a trillion dollars or more on infrastructure in a bipartisan consensus to stimulate the economy. Without major changes in our approach, this spending is going to make our cities poorer, weaken our country and -- once the temporary stimulus has passed -- leave America in worse financial shape. ***Here are five ways a federal infrastructure program will make our cities, towns and neighborhoods poorer.***

1. The National Economy might grow today, but cities take on the long term liabilities.

Policymakers generally believe that infrastructure spending is a common sense way to create economic growth. The federal government invests in infrastructure, this creates jobs during the construction that then helps the private sector be more competitive. All of this grows the economy and improves the Gross Domestic Product (GDP). It's simple. What's not to love?

***Since World War II, what we've seen time and again is that the federal government will pay to build things and then state and local governments are tasked with maintaining them. The transactions create GDP growth, but they leave cities with long term promises that they cannot keep. Those promises don't come due for decades*, which makes the ribbon cuttings all the more seductive to local officials.**

John Maynard Keynes suggested that, in a depressed economy, the government should pay people to dig holes in the ground and then fill them back up. If the federal government just did that, we'd finish where we started. *When a federal program instead pays to build a new bridge, we now have another bridge to maintain.*

Our cities are drowning in unproductive liabilities. The last thing they need is more.

2. Federal infrastructure spending goes primarily to the least financially productive parts of the American development pattern.

Productivity is a measure of outputs to inputs. For infrastructure, how much do we get back for each dollar spent?

In the early days of constructing the interstate system, the return on our national infrastructure investments was very high. We were connecting places remote from each other and transforming the entire economy in the process. Those returns have steadily diminished, for obvious reasons: a community's fifth interchange, sixth mile of frontage road or seventh river crossing cannot possibly be as transformative as the first, despite costing magnitudes more.

Joe Minicozzi and the team at Urban 3 have done the most thorough job today of documenting the productive parts of the American development pattern (wealth per acre). *In hundreds of cities across the country that have been modeled, the trend is clear: the newer the development the higher the cost and the lower the financial productivity*.

Control of both houses of Congress is now aligned with suburban and exurban development interests, areas with the highest cost and lowest returning infrastructure investments. Small towns and urban areas -- particularly when they are making better use of existing infrastructure -- present far higher returning alternatives.

3. Federal infrastructure spending prioritizes new construction. What cities need most is maintenance.

Gresham's law states that bad money drives out good. This can be seen in local infrastructure spending decisions. Too often, cities that have more infrastructure than they have tax base to sustain are induced into moving money from maintenance and into new construction as a local match for federal infrastructure programs. The good money -- maintenance -- is chased

out by the bad money -- new construction -- accelerating the critical declines in existing systems while perversely adding even more infrastructure to maintain.

It would be really easy to say that politicians love ribbon cuttings and, since there are no good photo opportunities for filling potholes and replacing leaky pipes, politicians prefer new construction to maintenance. There is some truth to this, but what we actually are seeing is the inertia of an economy that doesn't quite have the incentives to pivot from the old, failing model.

Our economy is based on growth. All our pension promises, public debt payments and entitlement spending rely on aggressive levels of future growth. We used to be able to create this growth through infrastructure investments; build an interchange and a frontage road and get the big box stores, strip malls and housing subdivisions that result. Our entire economy -- from local zoning codes to bank financing programs to insurance underwriting to auto sales and on and on -- is oriented around repeating this simple formula, despite the diminishing returns.

What we have not figured out -- and what we won't figure out with another flood of federal infrastructure spending -- is how to translate maintenance into growth. How do we go out and fill potholes and fix leaking pipes and have that result in additional wealth in our neighborhoods? *This is a daunting challenge that requires us to rethink -- from bottom to top -- how we develop our places*. We need to modernize our zoning codes, building standards, housing incentives, insurance programs, etc. There are a lot of people trying to do this, but they get cast aside every time the federal gravy train rolls into town.

4. Federal infrastructure spending induces local governments to take on unproductive debt.

The Transportation Investment Generating Economic Recovery (TIGER) grant program is one of the most popular federal infrastructure spending programs ever. The discretionary grants are awarded on a competitive basis based on criteria, one of the most important being the following:

(i) Jurisdictional and Stakeholder Collaboration. DOT will consider the extent to which projects involve multiple partners in project development and funding, such as State and local governments, other public entities, and/or private or nonprofit entities.

In other words: Who else is stepping up with money? Local governments -- already strapped for cash and weighed down by liabilities -- must frequently agree to take on additional debt as their local contribution. This happens with TIGER and nearly all other federal infrastructure programs.

Productive debt is debt that can be paid back with the proceeds collected from the project. Local governments generally rely on property and sales tax, but federal projects rarely add

enough to the local tax base to extinguish the debt while sales tax revenue from a project, if there is any, ends with the project. It's really hard for local governments to turn down large dollar amounts, but it is comparatively simple to increase the local debt burden.

5. Federal infrastructure spending blinds local governments to better projects they could do themselves right now.

The primary lesson of the Great Depression and World War II was that, if we focus our resources and energy on a task, Americans can do amazing things. We put this lesson to work after the war building the interstates and suburbia. When the two 70-year-old presidential candidates in our most recent election spoke nostalgically about what America used to be, this is the time period they were speaking of.

America is a very different and more complex country today, but the inertia of those post-war systems is overwhelming. We're still trying to fund highways, bridges and interchanges in a country that really needs better sidewalks, crosswalks and street trees. ***When we look for the highest returning investments, they are almost all small. We desperately need to make better use of the infrastructure we've already built. That is fine grained work not well-suited for a federal program.***

The way we have structured our governments, cities sit at the bottom of the food chain. Their bureaucracies are oriented up that chain, looking to the programs of state and federal governments for solutions. Instead, they need to be reoriented to the neighborhoods in their own communities. Local officials must humble themselves to ask one simple question day after day after day: What is the next smallest thing we can do right now to make this place better? If local governments did that, the result would transform America. The allure of federal programs is the biggest obstacle to making this critical shift and having the needs of cities, towns and neighborhoods drive our national agenda.

Later this week, we're going to look at ways a federal infrastructure bill could be structured to strengthen our cities, towns and neighborhoods.

Sylvain Leduc Is A Research Advisor In The Economic Research Department Of The Federal Reserve Bank Of San Francisco., 11-26-2012, "Research, Economic Research, Federal Grants, Government Spending, Infrastructure, American Recovery and Reinvestment Act," Federal Reserve Bank of San Francisco,
https://www.frbsf.org/economic-research/publications/economic-letter/2012/november/highway-grants/
We also assess how much bang each additional buck of highway spending creates by calculating the multiplier, that is, the magnitude of the effect of each dollar of infrastructure spending on

economic activity. We find that the multiplier is at least two. In other words, for each dollar of federal highway grants received by a state, that state's GSP rises by at least two dollars.

David Schaper, 11-12-2018, "Bridging The Partisan Divide: Can Infrastructure Unite Democrats And Republicans?," NPR.org, https://www.npr.org/2018/11/12/666971627/bridging-the-partisan-divide-can-infrastructure-unite-democrats-and-republicans
The I-word is popping up again in Washington D.C.: infrastructure.
It's one of the few issues on which President Trump and Democrats in Congress might be able to agree. Both sides say they're willing to work together on a plan to rebuild the nation's roads, bridges, transit and water systems.
"It really could be a beautiful bipartisan type of situation," Trump said in his news conference last Wednesday. While he was combative on a lot of issues, this wasn't one of them: "We have a lot of things in common on infrastructure," he added.
"Look, this guy's a builder. He gets it," says Rep. Peter DeFazio, the Oregon Democrat who is likely to be the incoming chairman of the House Transportation and Infrastructure Committee. "It sounds like the president is sincere and wants to deliver."

A2 Army corps of engineers

1. Ichniowski '17 - "Signals are strong that Congress will reject President Trump's proposed sharp spending cut in fiscal year 2018 for the Army Corps of Engineers civil-works program." In fact, a house appropriations subcommittee cleared a bill that actually encourages increasing funding to the Corps by 2% to 6.16 billion in total.

Tom Ichniowski, 6-29-2017, "Appropriators Oppose Trump Budget Cut for Army Corps," No Publication, https://www.enr.com/articles/42262-appropriators-oppose-trump-budget-cut-for-army-corps
Signals are strong that Congress will reject President Trump's proposed sharp spending cut in fiscal year 2018 for the Army Corps of Engineers civil-works program, which includes funds for river locks and dams, flood control and environmental restoration projects.

Trump's FY18 budget request, sent to Congress on May 22, would slash Corps civil-works spending by $1 billion, or 17%, to $5 billion. But a House appropriations subcommittee has spurned the president's proposal. The panel cleared a bill on June 28 that recommends increasing Corps 2018 civil-works spending by 2%, to $6.16 billion. [Read the draft bill text.]

A2 Education spending

1. Delink - Leachman '16 of the Center on Budget and Policy Priorities reports that the federal government only provides 9% of the total money allocated towards education which means national education cuts wouldn't affect anything.

Leachman, Michael, Center on Budget and Policy Priorities, January 25, 2016, "Most States Have Cut School Funding, and Some Continue Cutting" https://www.cbpp.org/research/state-budget-and-tax/most-states-have-cut-school-funding-and-some-continue-cutting

K-12 schools in every state rely heavily on state aid. On average, some 46 percent of school revenues in the United States come from state funds. **Local governments provide another 45 percent; the rest comes from the federal government.** (See Figure 1.)

States typically distribute most of their funding through a formula that allocates money to school districts. **Each state uses its own formula.** Many states, for instance, target at least some funds to districts with greater student need (e.g., more students from low-income families) and less ability to raise funds from property taxes and other local revenues, although typically this targeting doesn't fully equalize educational spending across wealthy and poor school districts.[4]

A2 Foreign Aid

1. Delink - No one wants to cut foreign aid. Saldinger of Devex explains in 2018 that although Trump wanted a 33% cut in the foreign aid budget, both Republicans and Democrats opposed the plan and ultimately passed a tax plan that kept foreign aid levels at about the same rates. Morello of the Washington Post in 2018 gives the reason why: lawmakers on both sides of the aisle feared cuts would hurt U.S. efforts to fight terrorism and health epidemics and make military deployments more likely.
2. Delink - Foreign Aid isn't effective at promoting econ growth. Paldam '07 of the University of Arhaus finds in a meta-analysis of 40 years worth of research that foreign aid is ineffective at promoting economic growth.
3. Delink - Keo explains in 2015 that Foreign aid cant solve and spurs cycles of poverty. USAID itself has said that they've dotted international countries with "a growing phalanx of corrupt, meddling, and overpaid bureaucrats."
4. Mitigate - It's a tiny part of the budget. Simmons '17 of the LA Times writes that Foreign Aid only makes up 1% of the federal budget.
5. Turn - Foreign aid cripples recipient nation's economies through predatory loans: Malik '18 of The Guardian explains that a high proportion of foreign aid is given through loans, making the recipient nation become indebted, paying back more in interest payments to the US than they were given.
6. Turn - Foreign Aid creates corruption and increases the chances of civil war. Angus Deaton, Princeton Economist and Nobel Prize Recipient in 2015 argues that foreign aid makes regimes less accountable to the people because they no longer rely on them as much as a source of revenue. As such, they hold no incentive to please their constituents,

> creating unrest and an incentive to revolt, citing Rwanda, Ethiopia, and Somolia as examples of countries where aid created a divide between the government and people, facilitating conflict and oppression. Lyons thus concludes that emprically, there is a clear correlation between increased aid and increased corruption.

Juliette Lyons, 10-13-2014, "Foreign aid is hurting, not helping Sub-Saharan Africa," Le Journal International - Archives, <a class="vglnk" href="https://www.lejournalinternational.fr/Foreign-aid-is-hurting-not-helping-Sub-Saharan-Africa_a2085.html" rel="nofollow"
Aid strengthens corruption in countries where it is already widespread. Unfortunately this is the case for many of the countries that make up Sub-Saharan Africa. The largest recipients of foreign aid are in Sub-Saharan Africa, which happens to be where the world's lowest ranked countries in many areas of governance are, especially in terms of corruption, according to Transparency International. This shows that foreign aid simply reinforces the amount of resources available to already corrupt specific elite groups of people, thus tipping or keeping the balance of power into the hands of the executive branch of government. There is a clear correlation between increased aid and statistically significant increase in corruption. The money is not distributed evenly among the population or used to promote growth and to help the poor but is instead used on military equipment, white elephant projects, dishonest procurements, etc. It is also used by leaders who are short of time with policies and want to achieve them quickly, i.e. : increasing the size of the government with civil servants (who don't necessarily contribute anything more to the system or development) to cut down the unemployment rate. Another consequence is aid dependence. These countries have become used to receiving such large sums of money that they don't promote local business because they have "free" money at their disposal instead. This prevents any form of improvement in terms of human development and per capita income.

Keo 15
http://thediplomat.com/2013/11/the-dark-side-of-foreign-aid/) RK

Foreign aid has a long track record. The biggest upside appears to be the injection of large sums of money into developing countries otherwise gripped by poverty, war and conflict. For better or worse, that money should, in theory, improve lives and raise people out of poverty, leading to sustainable growth and development. The unfortunate truth, however, is that foreign aid has often presented more challenges than opportunities to aid recipients. In the sixty-plus years aid has been mandated by government – versus relying solely on private donations – we've seen small improvements across the globe, from reducing poverty to slowing population growth to curing and preventing diseases. Progress that otherwise would have been absent without an outpouring of foreign support. However, the impact from aid has not been proportionate to the amount of money donated. Foreign aid's biggest downside is that no clear, effective system has been put in place to hold aid recipients and their governments accountable for resources illegally taken from public sector coffers – a long-standing, and still very present, trend from Asia to Africa to Latin America/Caribbean to Europe. Unfortunately, the absence of that system reinforces social inequities and perpetuates cycles of political abuse that has led to a sophisticated new form of authoritarianism – one that empowers the elite few, while keeping a majority of people in abject poverty. Discussions about foreign aid remind me of James Bovard's nominal 1986 article, "The Continuing Failure of Foreign Aid." Analyzing world events over a period of more than 40 years, Bovard argues convincingly that the success of foreign aid is often measured by intentions, not results. Using the U.S. as one example, Bovard writes, *"[F]oreign aid has routinely failed to benefit the foreign poor…the U.S. Agency for International Development [USAID] has dotted the countryside with "white elephants"…the biggest…of them all – a growing phalanx of corrupt, meddling, and overpaid bureaucrats*." This trend is apparent in countries like Cambodia. Sophal Ear, an assistant professor of national security affairs at the U.S. Naval Postgraduate School, is among a handful of scholars to write persuasively about the dark underbelly of foreign aid in Cambodia. His argument, clearly presented in Aid Dependence in Cambodia: How Foreign Assistance Undermines Democracy, is this: "[E]ven though aid is meant to encourage development, aid dependence results in bad governance, stunting development." Two pages later, he goes on to note, "I am convinced that, on balance, the long-term effects of aid dependence have made it difficult, if not impossible, for Cambodia to take ownership of its own development." Ear takes an important and much-needed step beyond the traditional practice – among Cambodianists, sympathizers and self-proclaimed rebel princesses – to apply sweeping statements, if not judgment calls, about the political and economic challenges of present-day Cambodia, without providing evidence to substantiate those lofty claims. For seasoned analysts and scholars, Ear's rigorous analysis is useful and appreciated. However, for the casual reader, he misses important teachable moments that could raise greater awareness around the issue. Ear should have taken a more moderate approach in his writing to appeal to a variety of audiences. Ear doesn't link the history of foreign aid to present day challenges in Cambodia. For example, historians have long suggested that foreign aid has evolved from colonialism – with colonizers doling out loans to local governments – and that effort accelerated after World War II, specifically as U.S.-led efforts to rebuild Europe and Japan from the ashes of war.

Adva Saldinger, About The, 3-22-2018, "Congress again rejects steep cuts to US foreign assistance in new budget," Devex, https://www.devex.com/news/congress-again-rejects-steep-cuts-to-us-foreign-assistance-in-new-budget-92403

Congress released a budget on Wednesday night that largely maintained U.S. foreign aid funding at fiscal year 2017 levels, and once again rejected the steep cuts proposed by the Trump administration.

The bill provides $54 billion in funding for state and foreign operations, which is $3.4 billion, or about 6 percent, below the fiscal year 2017 levels. The cuts come in part from a reduction in U.S. spending on United Nations international peacekeeping missions, and because there were supplemental funds provided last year to scale counter-ISIS operations. The Trump administration had proposed roughly 33 percent cuts to foreign aid funding in its fiscal year 2019 request released last month.

Carol Morello, March 21

https://www.washingtonpost.com/world/national-security/head-of-usaid-defends-big-cuts-in-foreign-aid-budget/2018/03/21/a34cbf26-2d27-11e8-8ad6-fbc50284fce8_story.html?noredirect=on&utm_term=.41a162b06a68

Lawmakers from both parties denounced the Trump administration's proposal to cut foreign aid, saying it would hurt U.S. efforts to fight terrorism and health epidemics and make military deployments more likely. The criticisms arose as Mark Green, the administrator of the United States Agency for International Development, testified Wednesday before the House Foreign Affairs Committee about a proposed 33 percent cut in his budget, to $16.8 billion next year. "You're a great pick for the job," said Rep. Eliot L. Engel (N.Y.), the top Democrat on the committee. "But with a 33 percent cut to the budget, no one could do the job effectively." Chairman Edward R. Royce (R-Calif.) said the budget would "hamstring" USAID efforts at a time when 70 million people worldwide have been uprooted by conflicts and famine.

Paldam '07, University of Arhaus

http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.626.2579&rep=rep1&type=pdf

The aid effectiveness literature (AEL) consists of empirical macro studies of the effects of development aid. By the end of 2004, it had reached 97 econometric studies of three families, which have been analyzed in one study for each family using meta-analysis. The AEL is an ideal subject for meta-analysis as it uses only a few formally similar models which try to catch precisely the same effects. Also, it is an area with strong beliefs – often generated by altruism – and interests. **In this survey of the AEL, we shows that when the whole of the literature is examined, a clear pattern emerges in the results: after 40 years of development aid, the evidence indicates that aid has not been effective.** We show that the distribution of results is significantly asymmetrical in a way that reflects the reluctance of the research community to publish negative results. The Dutch Disease effect of aid has been ignored but is a plausible explanation for aid ineffectiveness.

Simmons '17, LA Times

https://www.latimes.com/world/la-fg-global-aid-true-false-20170501-htmlstory.html

The amount is actually about 1%. The current projected spending for fiscal year 2017 is $4 trillion. The **Obama administration had planned for $41.9 billion in foreign aid** for this year. Polls show that Americans typically believe that the U.S. spends 25% to 27% on foreign aid.

Malik '18, The Guardian
https://www.theguardian.com/commentisfree/2018/sep/02/as-a-system-foreign-aid-is-a-fraud-and-does-nothing-for-inequality
Half of all international development aid is "tied", meaning that recipient countries must use it to buy goods and services from the donor nation. As the USAid website used to boast (until the paragraph became too embarrassing and was deleted in 2006): "The principal beneficiary of America's foreign assistance programmes has always been the United States. Close to 80% of the US Agency for International Development's contracts and grants go directly to American firms." Aid has "created new markets for American industrial exports and meant hundreds of thousands of jobs for Americans". Long before Trump entered the White House, USAid was "putting America first".
A high proportion of foreign aid is in the form of loans, which cripple developing countries through the accumulation of debt. Many rich nations receive more in interest payments from recipient countries than they give in "aid". Especially since the 2008 financial crash, western governments have exploited their ability to borrow money at low rates by setting up aid programmes lending to poor countries at much higher rates, minting money on the backs of the poor. This is not aid, it's a scandal.

Angus Deaton '15, Priceton University
https://www.weforum.org/agenda/2015/10/does-foreign-aid-always-help-the-poor/
Think of it this way: In order to have the funding to run a country, a government needs to collect taxes from its people. Since the people ultimately hold the purse strings, they have a certain amount of control over their government. If leaders don't deliver the basic services they promise, the people have the power to cut them off.
Deaton argued that **foreign aid can weaken this relationship, leaving a government less accountable to its people**, the congress or parliament, and the courts.
"My critique of aid has been more to do with countries where they get an enormous amount of aid relative to everything else that goes on in that country," Deaton said in an interview with Wonkblog. "For instance, **most governments depend on their people for taxes in order to run themselves and provide services to their people. Governments that get all their money from aid don't have that at all, and I think of that as very corrosive**."
Like revenue from oil or diamonds, **wealth from foreign aid can be a corrupting influence on weak governments, "turning what should be beneficial political institutions into toxic ones,"** Deaton writes in his book "The Great Escape: Health, Wealth, and the Origins of Inequality." **This wealth can make governments more despotic, and it can also increase the risk of civil war, since there is less power sharing, as well as a lucrative prize worth fighting for.**
Deaton and his supporters offer dozens of examples of **humanitarian aid being used to support despotic regimes and compounding misery, including in Zaire, Rwanda, Ethiopia, Somalia, Biafra, and the Khmer Rouge on the border of Cambodia and Thailand.** Citing Africa researcher Alex de Waal, Deaton writes that "aid can only reach the victims of war by paying off the warlords, and sometimes extending the war."

(Carlos Barria, 10-1-2018, "How Does the U.S. Spend Its Foreign Aid?," Council on Foreign Relations, https://www.cfr.org/backgrounder/how-does-us-spend-its-foreign-aid
Given the many agencies, funding methods, and categories of aid associated with U.S. foreign assistance efforts, estimates can differ. According to the nonpartisan Congressional Research Service (CRS), which uses the broadest definition of aid [PDF], including military and security

assistance, total spending was roughly $49 billion in 2016, the last full fiscal year analyzed. This accounts for about 1.2 percent of the federal budget.

Adva Saldinger, About The, 3-22-2018, "Congress again rejects steep cuts to US foreign assistance in new budget," Devex, https://www.devex.com/news/congress-again-rejects-steep-cuts-to-us-foreign-assistance-in-new-budget-92403

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Carol Morello, March 21
https://www.washingtonpost.com/world/national-security/head-of-usaid-defends-big-cuts-in-foreign-aid-budget/2018/03/21/a34cbf26-2d27-11e8-8ad6-fbc50284fce8_story.html?noredirect=on&utm_term=.41a162b06a68

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Chairman Edward R. Royce (R-Calif.) said the budget would "hamstring" USAID efforts at a time when 70 million people worldwide have been uprooted by conflicts and famine.

A2 Military budget

1. Delink - The Senate is allocating more and more money to the military, which means its very unlikely that they cut the budget for it. In fact, in an 85-10 vote in June, the Senate

gave the Pentagon an 82 billion dollar spending boost, more than Russia's entire military budget.

Boehm, Eric, Reason, June 21, 2018, "The Senate Just Gave the Pentagon an $82 Billion Boost. That's More Money Than Russia's Entire Military Budget."
https://reason.com/blog/2018/06/21/ndaa-spending-pentagon-budget-senate

By a vote of 85-10 on Thursday morning, the Senate approved the annual National Defense Authorization Act (NDAA)—technically known as the "John S. McCain National Defense Authorization Act" because *you wouldn't vote against something named after an American hero, right?* It serves as the budget for the U.S. military, which this year is receiving $716 billion, an increase of $82 billion from last year. That increase was agreed upon in March as part of an overall two-year budget deal that smashed Obama-era spending caps and boosts military spending by $165 over the next two years.

t's not just that military spending crosses party lines, but that it smooths over nearly every political division in Washington today. Democrats have shown virtually no interest in Trump's major policy priorities, but only seven Democrats plus Sen. Bernie Sanders (I-Vt.), who caucuses with Democrats, voted against Trump's new nukes. Sens. Rand Paul (R-Ky.) and Mike Lee (R-Utah) were the only Republicans to vote against the NDAA. An attempt by Sander, Lee, and some other senators to include an amendment prohibiting the Pentagon from continuing to participate in an unauthorized war in Yemen was defeated.

A2 Social spending

1. Disadvantage - The Peterson Foundation writes that the Federal Reserve is increasing interest rates in the status quo, which is especially damaging because it dramatically increases the amount of interest payments that the government has to pay. That's problematic, because Coats '16 of the Hill writes that in 10 years, these interest payments, alongside mandatory spending, will make up 99% of the federal budget, thus precluding the ability for our government pay for discretionary spending items like welfare.

Peter G. Peterson Foundation, "The Fiscal & Economic Impact." N.d.
https://www.pgpf.org/the-fiscal-and-economic-challenge/fiscal-and-economic-impact //RJ
Reduced Public Investment. **As the federal debt increases, the government will spend more of its budget on interest costs, increasingly crowding out public investments**. Over the next 10 years, CBO estimates that **interest costs will total $5.2 trillion under current law. In just under a decade, interest on the debt will be the third largest "program" in the federal budget**. It will be the second largest in 2046 and the single largest in 2048. Yet those **interest costs are not investments in programs that build our future. Instead, they are largely about the past**. And **the more that resources are diverted to interest payments, the less that will be available for the federal government to invest in areas that are important to economic growth**. Although interest rates are currently low, we can't expect these conditions to last forever. As economic growth improves, interest rates are likely to rise, and the federal government's borrowing costs are projected to increase markedly. By 2047, CBO projects that interest costs alone could be more than two times what the federal government has historically spent on R&D, nondefense infrastructure, and education combined.

Peter G. Peterson Foundation, "The Fiscal & Economic Impact." N.d.
https://www.pgpf.org/the-fiscal-and-economic-challenge/fiscal-and-economic-impact //RJ

Reduced Private Investment. **Federal borrowing competes for funds in the nation's capital markets, raising interest rates and crowding out new investment in business equipment and structures. Entrepreneurs face a higher cost of capital, potentially stifling innovation and slowing the advancement of new breakthroughs that could improve our lives.** At some point, investors might begin to doubt the government's ability to repay debt and could demand even higher interest rates, further raising the cost of borrowing for businesses and households. Over time, lower confidence and reduced investment would slow the growth of productivity and wages of American workers.

Coats, Dan. "Take steps today to reduce national debt." The Hill. April 2016.
https://thehill.com/opinion/op-ed/275274-take-steps-today-to-reduce-national-debt //RJ

Despite all the financial obligations that will eventually come due in the "beyond" years, the president never addressed the topics of fiscal sustainability and debt reduction. This omission was glaring, given how our national debt has risen sharply over the past seven years, from $10.6 trillion when Obama took office to over $19 trillion today. **This accumulation of staggering levels of debt is nothing short of reckless, and the current trajectory for federal spending obligations, deficits and debt will only get worse over time.** According to a recently released report by the nonpartisan Congressional Budget Office, **in 10 years spending on mandatory spending programs and interest on the debt will consume nearly 99 percent of all federal revenue. This will crowd out funding for other important priorities like national defense and medical research.** Clearly **this path is unsustainable.**

Simpson, Stephen. "How Debt Limits A Country's Options." Investopedia. Oct. 2012.
https://www.investopedia.com/articles/economics/12/debt-limits-country-options.asp //RJ

Debt has to be repaid; while collectors may not show up at a nation's borders, **a failure to repay prior debts will typically**, at a minimum, **result in significantly higher borrowing costs**, and the availability of credit may vanish altogether. What **this means**, then, is **that interest payments on debt are basically non-negotiable spending items. The U.S. faced this problem** in 2012. Interest on the national debt is likely to take up more than 6% of the 2013 federal budget. That's a quarter-trillion dollars that could be spent elsewhere or returned to citizens as lower tax rates. What's more, some readers may agree that the actual figure is higher than 6% - Social Security benefit obligations are not debts like T-bills or bonds, but they are balance sheet liabilities and many analysts argue that pension benefits (which are what Social Security benefits basically are), should be included in corporate liquidity analysis.

Ghilarducci, Teresa. "Why We Should Control the Federal Debt Before the Next Recession." Forbes. Sep. 2018.
https://www.forbes.com/sites/teresaghilarducci/2018/09/23/why-we-should-control-the-federal-debt-before-the-next-recession/#4cf43905d33b //RJ

And **high debt levels can leave little room to maneuver**. The IMF predicts that among rich nations, **only the U.S. will increase its debt-to-GDP ratio in the next five years, the wrong direction during an economic expansion**. During an expansion, especially the current nearly record-setting long one, debt should be falling, not rising. In Q3 of 2008, the government had collected revenue from the booming economy; the debt-to-GDP ratio was a low 64%. When the Great Recession hit, the government had room to borrow to finance our fiscal lifesavers, including the American Recovery and Reinvestment Act (ARRA) and TARP, which helped keep the deep recession from turning into a global depression. Government deficits before a recession are even more dangerous. Fueling a large federal deficit before a recession is a big mistake. **If the economic downturn hit now the government would have less ammo to fight it. Interest payments alone will take up an ever-higher share of the budget as the debt ratio grows. And as the Federal Reserve continues to raise interest rates, the interest share will grow even faster, again leaving little room to increase spending when the next recession comes.** The Congressional Budget Office (CBO) issues a monthly report on deficits and debt. Compared to fiscal year 2017, the deficit for the first 11 months of the fiscal year rose by $222 billion, an adjusted 22.8% over last year. A steep rise in the deficit while the economy is growing will cause debt to rise even more in the next recession and eventually fuel increasing tax rates while boomers are retiring.

Schwartz, Nelson. “As Debt Rises, the Government Will Soon Spend More on Interest Than on the Military.” The New York Times. Sep. 2018.
https://www.nytimes.com/2018/09/25/business/economy/us-government-debt-interest.html //RJ
The federal government could soon pay more in interest on its debt than it spends on the military, Medicaid or children’s programs. The run-up in borrowing costs is a one-two punch brought on by the need to finance a fast-growing budget deficit, worsened by tax cuts and steadily rising interest rates that will make the debt more expensive. **With less money coming in and more going toward interest, political leaders will find it harder to address pressing needs like fixing crumbling roads and bridges or to make emergency moves like pulling the economy out of future recessions. Within a decade, more than $900 billion in interest payments will be due annually, easily outpacing spending on myriad other programs**. Already the fastest-growing major government expense, the cost of interest is on track to hit $390 billion next year, nearly 50 percent more than in 2017, according to the Congressional Budget Office.

A2 Social Security

1. Delink - Social security literally isn’t counted toward the debt. Altman explains in 2013 that federal law unambiguously states that social security “shall not be counted for the purposes of the budget of the United States government as submitted by the President or for the Congressional Budget. This is why according to White in 2012, the OMB Director Jacob Lew literally declared that, “Social Security does not cause our deficits.”
2. Delink - Social security is highly unlikely to ever get cut. White of Case Western Reserve in 2012 explains that over many decades, polls have overwhelmingly showed that few voters think spending on Social Security is excessive, and many more think it should be increased. He writes that social security benefits are so popular that tax increases are more likely than social security getting cut.

White 2012 Cutting unlikely
Case Western Reserve University
https://scholars.org/sites/scholars/files/ssn_basic_facts_skidmore_on_deficit_reduction_and_social_security.pdf
All available evidence suggests that voters do think of Social Security taxes in these terms. **Between 1950 (when the system began to mature) and 1983 (when legislation began buildup of the large trust fund) tax rates were raised eleven times, often in conjunction with benefit increases**.13 Tax increases are normally not so easy. They can and have been relatively easy for Social Security, however, because the money is dedicated to purposes voters strongly support. In a 2009 survey, for example, 72% of respondents agreed that, “I don’t mind paying Social Security taxes because I know that I will be receiving the benefits when I retire. 75 percent agreed because, “I know that if my parents, grandparents, or other family members did not receive Social Security, I would have to support them in their retirement.” And 87 percent agreed that they did not mind paying Social Security taxes because, “it provides security and stability to millions of retired Americans, the disabled, and children and widowed spouses of deceased workers.”14 **Over many decades, polls have overwhelmingly showed that few voters think spending on Social Security is excessive, and many more think it should be increased.15**

Skidmore 2012

https://scholars.org/sites/scholars/files/ssn_basic_facts_skidmore_on_deficit_reduction_and_social_security.pdf
Since 1939 the U.S. Treasury has sold bonds to the Social Security Trust Fund – in essence, borrowing from it with promises to pay it back. Some argue that this increases the federal deficit because the Treasury will need to borrow or to raise taxes to pay off the bonds held by Social Security. This is an odd argument, however. The Trust Fund has lent money to the U.S. government. But that makes the Social Security Trust Fund no more responsible for U.S. deficits than the Chinese, who also lend money to the United States by buying bonds**! The fact that the U.S. Treasury is pledged to redeem their bonds does not mean the Chinese contribute to the deficit – any more than Social Security does by holding U.S. bonds.**

White 2012
Case Western Reserve University
https://scholars.org/sites/scholars/files/ssn_basic_facts_skidmore_on_deficit_reduction_and_social_security.pdf
From this perspective, because Social Security can only spend revenue received from the trust funds or as annual taxes, it cannot run a deficit. If it cannot run a deficit, then it 6 cannot contribute to the federal deficit. Therefore it is unfair and unnecessary to cut Social Security as part of deficit-reduction efforts. More precisely, there is no issue until the time when the trust fund is projected to be exhausted; one can argue that policymakers should plan for that event, but it is a quarter century in the future and almost any other aspect of the federal budget deserves more attention at present. Hence Senate Majority Leader Harry Reid (D-NV) argued that, "Social Security has contributed not a single penny to the deficit**." OMB Director Jacob Lew declared that, "looking to the next two decades, Social Security does not cause our deficits."**

Altman Social Security Works, 2013
https://www.socialsecurityworks.org/wp-content/uploads/2013/12/Social-Security-Does-Not-Add-a-Single-Penny-to-the-Federal-Debt.pdf
The federal debt is a compilation of all annual deficits minus all annual surpluses. Consequently, Social Security does not add to the federal debt or deficit. Some economists loosely use the term "deficit" to refer to the difference between all the expenditures of the United States minus all of the revenue collected from outside the government. While that may be useful for macroeconomic analysis, it does not change the facts described above. **To seek to clarify these facts, federal law unambiguously states that Social Security "shall not be counted…for purposes of - (1) the budget of the United States Government as submitted by the President, [or] (2) the congressional budget…." Pub. L. 101-508, title XIII, Sec. 13301(a), Nov. 5, 1990, 104 Stat. 1388-623**. In another attempt to clarify the facts, 276 academics and other Social Security and budget experts have sought, through a signed letter to the President dated April 12, 2011,, to dispel confusion about this often misunderstood point.

A2 Obama cut payroll tax

1. Delink - Obama cut taxes begrudgingly. White in 2012 explains that Obama cut payroll tax in order to get reelected. His advisors thought that a Republican being elected would

hurt Social Security even more than a temporary fall in payroll tax income. Obama didn't want to cut Social Security benefits.

White 2012
Case Western Reserve University
https://scholars.org/sites/scholars/files/ssn_basic_facts_skidmore_on_deficit_reduction_and_social_security.pdf
Many members of the Social Security advocacy community grudgingly backed the payroll tax cut anyway. They believed that the economy needed to improve for the president to get reelected, and that the danger from redefining the payroll tax was less than the danger from electing any of the possible Republican presidents. They also, however, were frustrated by being put in this position, and debated whether it was created by incompetence (the president's economic advisers not understanding the political basis of the program), ill intent (actual desire to cut Social Security), or just desperate political maneuvering in the face of the combination of economic and political pressures. 96

A2 Recession
A2 General level

1. Delink - Armbruster '18 of the CFA Institute writes that due to current economic conditions with stimulative long-term fiscal and monetary policies, our economy still has plenty of room to grow. Just because business cycles indicate that recessions are inevitable doesn't mean it has to be soon; Australia, for instance, hasn't had a recession since 1991. Overall, Bercetche '18 of CNBC writes that when analyzing the four most common triggers of a recession, it seems incredibly unlikely we see a recession by 2020.

Armbruster, Mark. "The U.S Economy: Eight More Years of Expansion?" CFA Institute. Sept. 2018.
https://blogs.cfainstitute.org/investor/2018/09/26/the-us-economy-eight-more-years-of-expansion/
//RJ
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 or that policy uncertainty is to blame. 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 optimism. **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.

Bercetche, Joumanna. "Talk of a US recession in 2020 is a little premature." CNBC. October 2018. https://www.cnbc.com/2018/10/16/us-recession-in-2020-is-a-little-premature.html //RJ

And yet, the economy is growing at a robust pace of around 3 percent for 2018 and is set to grow at 2.5 percent in 2019 (according to IMF's latest world economic outlook): a moderation due to waning fiscal impulse and trade wars. But when does a late cycle economy transition into an economy that's verging on a recession? TS Lombard analyst Dario Perkins has highlighted **the four conditions for a recession to occur**: **1) accelerating inflation 2) a squeeze on corporate profits 3) tight monetary policy and 4) macroeconomic imbalances such as asset bubbles**. **While inflation has been rising, wage growth of sub-3 percent is still far from pre-great financial crisis levels north of 4 percent.** In a note published last week, Goldman Sachs Chief U.S. Economist Jan Hatzius remarked that **despite the unemployment rate standing the lowest level in 48 years** (at 3.7 percent), core personal consumption expenditure (PCE) **inflation** — the metric the Federal Reserve looks at — **has remained steady at around 2 percent. There may be more slack in the labor market and hence, monetary policy cannot be too tight yet.** Rising wages would typically be associated with a squeeze in corporate profits. Perkins calculates that **rising wages have been matched by productivity so there hasn't been a corporate squeeze yet.** In fact **profit share**, as a percentage of gross domestic product, **is about 10 percent higher than it was 20 years ago**, according to Perkins. **Top-line earnings are still growing.** That leaves us with asset valuations. Aggregate global debt continues to climb, U.S. asset prices are about 50 percent higher in aggregate than five years ago. And the market is certainly starting to get a little jittery if last week is anything to go by. Crucially however, the economy and companies' revenues are still growing. **The labor market is not showing signs of overheatin**

A2 Stimulus works (??) → see a2 aff

1. Delink - According to Alberto '12 of Harvard University, it is impossible to determine whether expansionary fiscal policy and fiscal responses to the 2008 recession have been valuable in reducing the size of recession.
2. See a2 aff

Alberto 12, It is impossible to isolate and discover whether reactionary, discretionary fiscal responses to the 2008 recession were successful.

Alesina, Alberto. "Fiscal Policy After the Great Depression" Scholar.harvard.edu. 12 September 2012 https://scholar.harvard.edu/files/alesina/files/fiscal_policy_after_the_great_recession_atl_econ_j_2012.pdf // RH

The Great Recession has severely hit the economies of most of the countries. Given that, fiscal policies have gained back a central role in the debate as a tool to recover from this situation. This paper provides an overview about the main controversial issues related to the fiscal policy. **In particular, we analyze the role and the different effects played by discretionary counter-cyclical policies** – say, for instance, tax cuts or increased government spending. **Disagreement on this topic follows from the fact that it is extremely difficult to isolate the exogenous effect of these policies on GDP.** We review several ways in which economists have tried to deal with this problem of estimation. Finally, we discuss why spending-based adjustments are preferable and less likely to be costly than tax-based ones and why **large fiscal consolidation accompanied by appropriate policies can be much less costly than what we think.** There are many things that we as economists know and many things we do not know about fiscal policy. There are many things that we agree upon, but even more things we do not agree upon. I am going to begin by discussing what we agree upon with fiscal policy. For a much more extensive discussion of these issues, see Alesina and Giavazzi (2013). The tax smoothing principle is one example of what we agree upon. It is the idea that it is good to allow deficit to increase during recessions as long as

they are compensated by a surplus during booms. The goal is to keep tax rates stable and allow the deficit to fluctuate over the cycle. It would be a bad idea to raise taxes during a recession and to cut taxes during a boom. On the spending side, automatic stabilizers have to do their work. It is perfectly fine to allow, for example, unemployment compensations to go up during a recession. If this causes a deficit, so be it, as long as they are compensated for by surpluses when the recession ends. This implies that balanced budget rules are a bad idea. That is, it is a bad idea to balance the budget every period, because it goes against the basic economic principle of tax smoothing. However, this basic principle of tax smoothing is unfortunately not often followed by policy makers. They are content to let deficits grow during recessions and are less comfortable to reduce them during surpluses. As a result, a balanced budget may be a second best against this political distortion. **There are also things that economists do not agree upon**. There are two critical issues that are really at the forefront of the political debate. First, in addition to the automatic stabilizers, when should discretionary counter-cyclical policies be used? Namely, **during a recession should we actively cut taxes or increase discretionary spending in a Keynesian fashion**? The second thing we do not agree upon is: what is the effect of a tax or spend policy? What is the size of a tax multiplier from government spending? That is, if a government increases spending by $1.00, what is the effect on the economy? Does increased government spending cause a decrease in private sector spending? The answer to the question about the size of the multiplier is crucial in deciding whether or not this discretionary policy is a good idea on the expansionary side and whether or not budget cuts are particularly costly. Therefore, the debate is still going on. But again, if the spending multiplier is not much larger than 1.0, then how valuable is it to increase discretionary government spending during a recession? Obviously, one major application in the discussion has to do with the effect of the expansionary government spending program that recently occurred in the U.S. **I think it will be close to impossible to give an answer about whether the expansionary fiscal policy in the U.S. has been valuable in reducing the size of the recession**. First of all, we do not even agree on how large the amount of government spending was. For example, some of the spending on the federal level compensated for cuts in state level spending. Therefore, it is not clear how large the stimulus actually was. **Second, we will never have a counterfactual, namely, what would have happened without it. Leaving that aside, one can look at the unemployment rates that the administration predicted in 2008 without the recovery plan and the lower unemployment rate it predicted with the stimulus package. In March 2010, the unemployment rate was 9.7 %, which was way above what the administration had predicted it would be without the recovery plan. So, the recovery plan seemed to have no effect.** In March 2011, the unemployment rate was 8.8 %, which is exactly what it was predicted to be without the recovery plan. There are several reasons why the administration's predictions about the unemployment levels with the stimulus plan failed. First, the projections might have been wrong. Second, perhaps the unemployment rate during the recession went up more than one could have predicted relative to the reduction in GDP growth. The unemployment rate went up and stayed up longer than one would have anticipated. This does not mean that the recovery plan did nothing, but it simply means that the prediction was wrong. Nevertheless, there was a stimulus package, and the unemployment rate was high and stayed high. There is a similar debate going on about taxes. Romer and Romer (2010) find that tax multipliers are very large. However, recent research shows that they are probably actually much lower. Another issue is that tax, spending and multipliers can be quite different depending on the level of debt of the country, and depending on whether or not the country is in a deep recession. There is a view that when you are in a deep recession, like we were a few years ago, then spending multipliers are larger than they are in normal times. Even though one may think that, in general, discretionary counter-cyclical fiscal policy is not a good idea, there is still room for some of it during particularly deep recessions. Now that the great recession is over, there has been a very active revival in the literature about the costs of large fiscal adjustments. The particularly big debate is about whether the cost of fiscal adjustments is very large or whether an appropriate combination of policies can actually make the cost of fiscal adjustments small or even zero. There are two important issues about fiscal adjustment. First, should it be done on the spending side or on the tax side? I am referring here to Organization for Economic Cooperation and Development (OECD) countries where the size of the government is in the order of 40–50 %. I am not talking about developing countries where the issues may be different.

A2 Speculation

A2 Corporate debt bubble

1. Delink; Academy Securities '18 writes that companies have suspended buyback programs to focus on debt reduction and bond issuance has dropped 20% in 2018, indicating that there is no corporate debt problem right now. This is because companies are currently aware of what they need to do to maintain their credit ratings; the only world in which a private borrowing frenzy happens is when the money supply shrinks and companies are forced to borrow.

Academy Securites. “Debt is a 4-Letter Word -- For Now.” Nov. 2018. http://www.academysecurities.com/wordpress/wp-content/uploads/2018/11/Debt-is-a-4-Letter-Word-For-Now-11.19.pdf //RJ

The pervasive view suddenly seems to be that companies have willy-nilly exploded their balance sheets to buy back stock and pay dividends and to overpay for M&A activity. Really? **Here is the reality** - people who are shorting credit at the lows of the year have to contend with having outstanding, including any swaps. They are likely to feel a more immediate effect from rate hikes and LIBOR rising faster than other benchmark rates than from spread widening (the rate hikes affect all companies depending on their exposure to floating rate debt). • **Companies are in constant communication with the rating agencies and are well aware of what they need to do to maintain their ratings.** • We are seeing dividend cuts, in some cases taking the dividend to almost zero for some companies that have been in the news about their debt. • **We are seeing companies suspend buyback programs to focus on debt reduction**. • **We are seeing some companies on the cusp of IG/High Yield initiate tender offers to repay debt.** • **We have seen IG issuance drop 20% in the second half of 2018 versus the same period in 2017** as companies deal with higher interest rates and increased investor scrutiny over debt. • Much of the debt issued over the past few years is owned by pension funds and insurance companies – neither of whom tend to sell bonds. Unlike in 2007 when CPDO, LSS, CDO^2 and SIVs all combined to created forced selling, we just don't see that 'knock on' effect like we had in the past. • **Virtually every commodity or energy company we talk to, has become more conservative in the aftermath of 2016** (where the IG companies that got downgraded mostly became great buying opportunities). This again I think highlights how serious companies are about their credit ratings (at the IG level). • Many bonds trade below par, in some cases well below par, just because interest rates have moved so much. Those long dated, low dollar price bonds are interesting as they shift the risk/reward dynamic for a bond investor very favorably.

A2 Corporate buyback bubble

1. Delink; Droke '18 of Seeking Alpha writes that the number of shares in publically traded companies is decreasing, not increasing. However, during economic bubbles, the number of shares rises as investors' appetites for equities rises rapidly, indicating that there simply isn't a corporate buyback bubble right now.

Droke, Clif. “There is No Buyback Bubble.” Seeking Alpha. Jun. 2018. https://seekingalpha.com/article/4181746-buyback-bubble //RJ

Another self-evident proof that the corporate buyback trend isn't contributing to a bubble is that the buybacks are resulting in a supply reduction of shares in publicly traded companies, a fact that the Washington Post article specifically mentions. **With a diminished supply of corporate shares, the likelihood of a collapse is also diminished. One of the hallmarks of a bubble is the expansion, not contraction, of public shares.** As the public's appetite for equities increases during a true bubble, the purveyors of equities do everything they can to increase share counts. This includes stock splits, IPOs, and basically issuing new shares any way they can. **The resulting increase in the supply of stocks contributes to the collapse when the bubble reaches the outer limit of its expansion. When participants realize the bubble has burst, there's a rush to the exits as stocks are dumped onto the market which only feeds the downside momentum of share prices. With so little of the public involved in the stock market, and with a diminished supply of stocks**, how can there be anything like the housing market bubble of the early-to-mid 2000s or the Internet stock bubble of the 1990s? The answer to that question is obvious. **There is no bubble right now in the U.S. financial market.** Instead, the fundamental and technical condition of the stock market is far stronger today than it was during the previous bubbles just mentioned. **But let's play devil's advocate for a moment. Let's assume that a credit-driven bubble actually exists right now.** How can we know when it's vulnerable to bursting? **During the run-up to the housing bubble collapse in 2007, one of the most obvious signs that the U.S. stock market was vulnerable to collapse was the fact that stocks making new 52-week lows were increasing for weeks and months on end.** Not only were the number of NYSE stocks making new 52-week lows well above 40 for a period of months - a sign of an unhealthy market - but the all-important rate of change (momentum) of the new highs-new lows figure was declining for most of 2007. Shown below is what the momentum of the 52-week new

highs-new lows indicator looked like during the fateful months of 2007 immediately prior to the credit crash. **Now compare this indicator with the current 52-week new highs and lows shown below.** The following graph reflects the current internal condition of the stock market. As you can see, **it's clearly rising and is the picture of excellent health. It stands in total contrast to the 2007 bearish internal trend which was characteristic of a bubble about to implode.** The 52-week new highs and lows is always the first place investors should look for signs of weakness in the broad equity market since the highs and lows reflect incremental demand for stocks better than any other indicator. And incremental demand is what determines the overall direction of stock prices in the foreseeable future. In conclusion, the media's latest attempt at scaring investors into believing that another bubble is upon us is without foundation. When the U.S. stock market is truly beset with another bubble, it will be plain to see without the need for explication. Widespread participation and unrestrained enthusiasm for equities are the indisputable hallmarks of a true financial market bubble. Without these attributes, bubbles simply don't exist.

A2 Bond stability

1. Delink - Burr '13 of P&I writes that equity in large companies is actually less risky than government bonds right now because rising interest rates would suddenly lead to a rapid decrease in value of old bonds, thus harming overall financial stability. The implication is that a decrease in treasuries would not increase stability in the market because its alternatives are just as safe, if not more safe, than the bonds right now.
2. Turn - Bubbles are actually good. Gross '07 of Slate writes that bubbles are great for the economy because they spur rapid investments into industries, and even after they pop, they leave behind physical infrastructure and technological know-how to help expand these sectors. For example, the dot-com bubble spurred unprecedented growth in IT, which is why we have the internet as we know it today

Burr, Barry. "Equities could be safer move than bonds, experts say." Pensions and Investments. Apr. 2013. https://www.pionline.com/article/20130415/PRINT/304159971/equities-could-be-safer-move-than-bonds-experts-say?fbclid=IwAR2fLnP4RYVl6TxtHPdFG86rszWGZiB5qYzWJld-TdldOz8-hdNga9nDhgs //RJ

In today's market, fixed-income investments intended to reduce investment risk and match payment needs of liabilities are expensive and might add duration risk. In the longer term, dividend stocks of blue-chip multinational companies could become more reliable low-risk investments as rising deficits make the debt of governments less appealing. The fear of volatility from the financial market crisis that drove pension fund executives to risk-reducing strategies of bonds now threatens to put them at risk when interest rates rise. "If (investors) want to buy payment certainty they have to pay the market price for it," Keith Ambachtsheer, president of KPA Advisory Services, a Toronto-based pension management consulting firm, and director of the Rotman International Centre for Pension Management, University of Toronto, said in an interview. And that has become expensive, he added. Horace W. "Woody" Brock, president of Strategic Economic Decisions Inc., a San Diego-based economic and investment research firm whose clients include pension funds, said in an e-mail: "The time for an all-bond strategy is over for two reasons. First, **rates will slowly rise, and capital losses will ensue**, if gradually. Second, equities are attractive for reasons that transcend and indeed vitiate concerns over their "riskiness."" James Paulsen, chief investment strategist at Wells Capital Management Inc., Minneapolis, said in an interview: "**The profile on bonds is very, very risky. ... It looks like a very bad risk-reward profile. One thing we have not had in this recovery is a sustained, noticeable, painful upward move in bond yields.** (Bond prices) haven't fallen, not for any meaningful amount." "I think that we are going to get that," he added.

Burr, Barry. "Equities could be safer move than bonds, experts say." Pensions and Investments. Apr. 2013. https://www.pionline.com/article/20130415/PRINT/304159971/equities-could-be-safer-move-than-bonds-experts-say?fbclid=IwAR2fLnP4RYVl6TxtHPdFG86rszWGZiB5qYzWJld-TdldOz8-hdNga9nDhgs //RJ

If the economy improves and Federal Reserve policymakers start to back away from their policy easing, bond yields could double, causing "a major hit to the bond price (and to) bondholders." Mr. Paulsen said. "One thing that is keeping yields down is this latent post-crisis psychosis," Mr. Paulsen said. Investors have "done well" with them and "feel safe with them after what's happened with

equities. After they watched equities fall in half in 2008, a lot of people still have decided they aren't going back" to equities. But that investor allocation "would really change if bonds actually start going down. That would cause (investors) to re-evaluate (their allocation) in a hurry," Mr. Paulsen said. **The other thing keeping yields low is the Fed's massive purchasing of bonds**, Mr. Paulsen said. **But the market landscape is changing.** "**Economic growth is coming in better than expected, which is bad for bonds**," Mr. Paulsen said. "The Fed is talking more (about) exiting" its low-interest rate policy, which is bad for bonds. And bond yields are really low, and below the rate of inflation already." "The risk in bonds is the absolute decline in ... value," Mr. Paulsen said. "The risk in high-dividend stocks is more that you don't gain anything and you miss out on other (equity) assets going up."

Gross, Daniel. "Why Bubbles are Great for the Economy." Slate. 2007. https://slate.com/business/2007/05/why-bubbles-are-great-for-the-economy.html //KV

If you blew the kids' college fund on Pets.com stock back in 2000, or dropped $800,000 last year on that spec house in Phoenix that you knew you could flip for $1.4 million, you probably won't believe me when I say: Investment bubbles are great for the economy. Yes, those periodic outbursts of investor insanity, which inevitably degenerate into venality, corruption, and searing losses—America needs them! In my new book, Pop! Why Bubbles Are Great for the Economy, I explain why Americans have misunderstood the frenzies, manias, and stampedes that periodically seize us. In that magical world known only to a few economists, where resources are allocated efficiently and investors and consumers behave rationally, bubbles would always be unambiguously negative. They cause all sorts of distortions and silly, self-defeating behavior (buying Amazon.com at $400). But that's not the world in which we live, especially in the United States. We are not blessed with a population composed entirely of hyper-rational individuals. And the government doesn't control the deployment of revolutionary inventions. As a result, **new technologies and ways of doing business are always rolled out in fits and starts**. What's more, the excitement of a new technology interacts with some of the more unstable components of America's character—boundless optimism, a tendency toward entrepreneurship, a tolerance of creative destruction, and greed—to produce a kind of mania. So, every time a hot new technology comes along (whether it's the telegraph or the Internet), Americans collectively lose their minds—and then lose their shirts. Looking back through the last 150 years, a familiar pattern emerges. A wonderful new technology or economic idea arrives. A few good years of solid growth help engender a sense that things are different and that new rules apply. Hype and rosy projections—from Irving Fisher's 1929 prediction of a "permanently high plateau" to Dow 36,000—justify investing at stratospheric levels. The trend, previously confined to the business community, crosses over into popular culture. Everyone's buying stock, investing venture capital, refinancing a mortgage, installing compact fluorescent light bulbs. And then, pop! The bubble bursts, heroes become goats, and bankruptcies spread. As corruption and venality are exposed, self-loathing and recriminations rule the day. (See: subprime lending, spring 2007.) And that's when all the moralizing narratives about the tragedy of bubbles get written. But this is only half the story! After all, **the process of growth and innovation doesn't end when a bubble bursts**. The Internet wasn't unplugged and shut down in 2002. In fact, once you gain a little historical distance from bubbles, it is clear that some bubbles—some, not all—leave behind something that is a little bit boring but extremely useful: infrastructure. **The bubbles that have left behind commercial infrastructure have been incredibly important contributors to America's remarkable long-term economic performance.** Simply put, **bubbles are how new commercial infrastructure gets built in this country**. In the 1840s and 1850s, European governments slowly strung up telegraphs from large city to large city. But in the United States, bubble-drunk entrepreneurs rampaged throughout the countryside, stringing up competing and often redundant wires way ahead of demand. Most went bankrupt. In the 1880s, vast competing, and often redundant, rail networks were built way ahead of demand. By 1894 about a quarter of the rails were in bankruptcy. The 1990s saw an orgy of commercial infrastructure built for the Internet. We all know how that ended. But Americans recover from failure very quickly. **All that infrastructure wasn't torn down—it was consolidated, taken over by new investors with lower cost bases, and reused.** The cheap, pervasive telegraph led to American dominance in the national and international market in information—and long-lasting businesses like the Associated Press and the Chicago Board of Trade. The cheap, pervasive national railroad network led to an integrated market in goods and commodities—and long-lasting businesses such as department stores, mail-order retailers like Sears, and national brands from Coca-Cola to Procter & Gamble. The Internet pop has left us with Web 2.0—Facebook and Skype, MySpace and YouTube, and, most of all, Google. Each of these companies either was started or gained critical mass after the Internet bubble burst. Each gained tremendous scale overnight thanks to all the cheap excess capacity built during the 1990s bubble. **During bubbles, a second type of infrastructure is built, too: the mental infrastructure.** **The money raised during bubbles** doesn't just go into the incinerator. It **is spent on marketing, advertising, promotion, hype, and brand awareness**. Bubble-era companies, desperate for traffic, discount furiously, pay rebates, offer free shipping, and run their businesses on negative margins—all as part of a heroic effort to coax consumers and businesses to spend their money in fundamentally different ways. The telegraphs slashed per-word rates to compete with the mail and with each other. The railroads slashed freight rates to compete with canals and rivers, and with each other. In the 1990s, the entire e-commerce sector spent furiously to persuade consumers and businesses to take the leap of faith and buy stuff—stocks, books, airline tickets, pet food, groceries, diamonds, chemicals, you name it—online. Most of the pioneering Internet bubble-era companies failed as businesses. But they succeeded in making millions of people believe that it was safe, efficient, and desirable to conduct business online. That mental infrastructure didn't disappear after the bust. People didn't suddenly stop buying things online in 2001. According to Forrester Research, e-commerce more than doubled between 2001 and 2006, to $211.4 billion. Post-bust innovators were able to tap into both a commercial physical infrastructure (near-universal broadband) and a huge installed base of customers. Thus, businesses that were stillborn during the boom (Webvan, advertising-supported video sites) can thrive after the bust (FreshDirect, YouTube) **Today the services-driven U.S. economy is showing a remarkable capacity to blow and deflate bubbles quickly. With the assistance of Federal Reserve** Chairman Alan Greenspan, **we transitioned seamlessly from Internet bubble to**

real-estate bubble to alternative-energy bubble in just six years. That makes the mental infrastructure more important than ever. Take the housing bubble that just popped. Millions of people will get hurt—and hurt badly—as housing prices fall and ARMs are reset higher. The upsides of bubbles are always hardest to see when things are collapsing. (Raise your hand if, in 2001 and 2002, you thought an Internet search and advertising company would be worth $146 billion in 2007.) But the mental and commercial infrastructure surrounding real-estate credit will remain. The culture of refinancing, which proved a huge boon to the economy throughout the 1990s and first half of this decade, will stay with us. So, too, will important bubble-era services like Zillow that empower consumers.

A2 Asset bubbles

1. Delink - Strubel '18 of Seeking Alpha writes that the only types of bubbles that matter are those that threaten the economy as a whole, indicating that these bubbles have to across different sectors of the economy. Of these bubbles,
    a. Household Debt: while pundits claim that household debt is at an all-time high, when we consider it relative to GDP, household debt is actually on the decline, indicating that there isn't a bubble right now.
    b. Stock Market Valuations: while people say that stock market valuations have risen sharply, this is because the stock market has shifted increasingly towards tech-based companies with higher profit margins, thus logically increasing valuations, and there isn't an actual bubble.
    c. For other bubbles, he continues that even if there were asset bubbles in other sectors, these bubbles are too small to bring down the economy as a whole.

Strubel Investment Management. "There's a Bubble in Bubble." Seeking Alpha. Dec. 2018. https://seekingalpha.com/article/4229115-u-s-economy-going-recession //RJ

Ever since the economic recovery began pundits have been seeing bubbles everywhere. There are no signs of a bubble for any of the three most common allegations - household debt, government debt, stock valuations. While there may be bubbles in tiny markets or small asset classes, nothing appears serious. Ever since the housing bubble, subprime crash, Great Recession, or whatever you want to call it, it seems like every one has been tripping over themselves trying to call the next bubble. **Over the past decade we've had calls for bond market bubble, interest rate bubbles, stock market bubbles, housing market bubbles, student debt bubbles, government debt bubbles, and on and on.** I'd say that about a decade into the current economic expansion, we have a bubble in people calling for bubbles! In this article, I want to go over three of the most common "bubble" calls and why they are not in fact bubbles. **One of the most frequent "chart crimes" I come across is people using the chart below to show that we have a new household debt bubble forming.** The chart clearly shows household debt exceeding its pre-crisis peak. The problem is that the chart lacks any context. **Inflation, a growing economy, and increasing household formation mean that over time the aggregate amount of household debt is going to grow.** Even if households are reducing debt in real terms, the aggregate measure can still show growth. And in fact, that is what we have. **Below is the same chart, just this time divided by GDP.** We can now see that **household debt is actually falling.** Yes, it's leveled off a bit but **we are not in the midst of another bubble.** The federal debt now stands at a record $15T (or $100T if you are bad at accounting). Surely, we must be in the midst of a debt bubble. Heck, it's even growing when you show it as a percent of GDP (chart below). Well, for the US, and any country whose debt is denominated in a currency it controls, the national debt is basically meaningless. It's simply an accounting identity that corresponds to the national savings. Not only that, sovereign debt has no real predictive value. It's an accounting of what has happened in the past. The current level of debt (or perhaps more accurately private sector savings) is the result of deficit spending that has already occurred. If this was going to cause some great calamity, say high inflation, it would have already happened. While there are limits on debt and deficits relating to inflation that isn't something that is worth worrying about while we still have substantial labor market slack, no-to-low wage growth, and spare industrial capacity. It seems as though as soon as the market recovered to near its pre-recession mark **there have been constant warnings about a stock market bubble.** Given that the market has not traded too far out of its historical forward P/E range, the most pointed to sign of a bubble seems to be the CAPE ratio, Shiller PE, PE10, or cyclically adjusted PE ratio (all referring to the same market price divided by the last decade's earnings per share average). A chart of the market's CAPE ratio dating back to the late 1800s is below. As you can see, we are well above the historical average. The thing is the historical average is pretty much worthless. **The market today is vastly**

different than the market of history. In 1896 when the Dow Jones Average was first created, it included twelve stocks divided equally among utility companies, materials companies, industrial companies, and consumer goods companies (there's room for argument that some of the stocks could be classified differently but the gist of the breakdown is similar). **There was no technology sector, no real estate sector, no financial sector, and no healthcare sector.** Later on the index was expanded and other indexes were formed as well. But even as recently as the 1950s the stock market was radically different. The graphic below shows the changes in sector weightings for the S&P 500 over the decades. **The stock market of the 1950s was mostly railroads, utilities, and industrial companies.** By the 1970s financial companies started to have a significant presence but we still were lacking technology stocks in any size. **Fast forward to today and the dominant sectors of yesterday make up a minority of the index. A software company with high profit margins and high returns on capital is going to be valued much differently than a regulated utility or a capital-intensive railroad.** Perhaps more important is that the stock market is not the economy. The aggregate level of after-tax corporate profit in the economy last quarter was around $1.8B. The S&P 500 accounted for just around $280B of after-tax profit or about 16% of the entire corporate sector's profit. What's happening in the corporate sector as a whole is not always going to be reflected exactly in the stock market. **The make-up of the market** (and its indices) **varies greatly and margins and returns on capital of publicly traded companies might vary substantially from time period to time period** depending on the number and types of companies that are public and their inclusion (or exclusion) from an index. **Even if corporate America doesn't change drastically, the stock market can change depending on what portion of the corporate sector it represents**. **While we don't see any major bubbles out there that isn't to say there aren't minor bubbles here or there. Bitcoin and other cryptocurrencies could be a bubble, but none of that is large enough to bring down the economy**. **Student debt is of course growing** and causing lots of real economic problems**, but again not enough to slow down the economy**. **The market and the economy have also weathered things like the bursting of the Chinese A-share bubble in 2015.** Individual curated monthly subscription services, meal kits, and electric scooters are all seemingly ubiquitous. We may have a bubble in all three but a few thousand broken scooters littering the streets of San Francisco and no more random boxes of dog treats aren't going to crash your 401(k). **For now, the current economic expansion looks to continue its slow, steady pace despite the calls for bubbles everywhere.**

A2 I - Political gridlock

1. Lowrey '18 of the Atlantic writes that since the recovery after the 2008 crisis, the view of policymakers has changed in Washington towards caring less and less about high government debt. Lowrey gives two reasons for this:
    a. The general populace cares a lot less about the debt now, with the percentage of voters who viewed the debt as an important issue falling by 24%. As a result, politicians don't care about passing larger deficits anymore.
    b. The majority of the hype after the 2008 crisis about how the deficit would hurt the American economy proved to be wrong, resulting in policymakers rethinking their narrative on the debt.

Lowrey, Annie. "Why Don't Republicans Fret About the Debt Anymore?" The Atlantic. Jan. 2018. https://www.theatlantic.com/business/archive/2018/01/state-union-debt-deficit/551978/ //RJ

The omission was a sign of the remarkable volte-face the Republican Party has taken on the country's fiscal situation in just a few years. **Republicans spent the early years of the recovery obsessed with the national debt, castigating Democrats for their supposed irresponsibility, warning about the dangers of the almighty bond market, and helping to construct complicated mechanisms to slash federal outlays. They are now spending what might very well be the late years of the recovery ignoring it**, having passed a tax plan that will add more to the debt than President Obama's stimulus package did and having forgotten their once-urgent plans to make cuts to Social Security and Medicare. It might be nothing more than politics. Shaming the other guy for doing something, and then doing it oneself as soon as one gets into power: It is cynical, it is hypocritical, it is Washington. But **it** also **reflects a profound change in policymakers' understanding**

of deficits and debt. Maybe it is not that Republicans should be more obsessed with the debt now. Maybe it is that nobody in Washington should have been so obsessed with the deficit back then. Back then, in this case, means 2010 through 2014, give or take. Congress passed a trillion-dollar stimulus to help wrest the country back from free fall, and the economy entered a sluggish recovery from the pain of the recession. Shortly after, Republicans started whipping up concern over the country's fiscal situation, even as many economists from across the political spectrum argued that workers needed more help from deficit-financed stimulus. Democrats, in many cases, agreed with their colleagues across the aisle, expressing deep concern over the long-term fiscal situation. Next came a commission, endless budget negotiations, a tax increase, struggles with the debt ceiling, sequestration, a government shutdown. **More than anything else, there was obsession. Obsession with the idea that the bond market would punish the United States like it punished Greece, making the country's debt burden unsustainable, and soon. Obsession with the idea of frivolous budgetary irresponsibility.** "In this generation, a defining responsibility of government is to steer our nation clear of a debt crisis while there is still time," Paul Ryan, now the speaker of the House, warned, adding that "President Obama has added more debt than any other president before him, and more than all the troubled governments of Europe combined." Sure, Republicans still cast themselves as the party of budgetary responsibility today. "We must impose firm caps on future debt, accelerate the repayment of the trillions we now owe in order to reaffirm our principles of responsible and limited government, and remove the burdens we are placing on future generations," the party's 2016 platform reads. And while President Trump has never been much of a budget hawk, he did campaign on a promise to not just reduce the annual deficit, but to balance the budget outright and "relatively quickly." **But how things have changed.** President Trump and congressional Republicans pushed through a package of tax cuts financed almost entirely through deficit spending—tax cuts that benefit corporations and the rich at the expense of the middle class and the working poor, no less. Absent any other budgetary changes, the legislation will add an estimated $1.8 trillion to the country's debt over the next 10 years. It is likely that the country's annual budget deficit will top $1 trillion next year, even if the unemployment rate remains low and the economy keeps growing. With the tax cuts now law, Republicans are seeking to increase deficits even further. Gone are the promises to tackle entitlement reform, or to seek huge cuts from programs across the government. Instead, Republicans are pushing to shunt more money to military operations. "Around the world, we face rogue regimes, terrorist groups, and rivals like China and Russia that challenge our interests, our economy, and our values," President Trump said, to rapturous applause, during Tuesday's address. "For this reason, I am asking the Congress to end the dangerous defense sequester and fully fund our great military." (Democrats are negotiating over the increase, and are pushing for more money for the opioid epidemic and disaster relief.) **The rhetoric has changed too, with Republicans no longer talking about the deficit and the debt in the heated, worried way they once did. During the 2016 GOP debates, the fiscal situation came up far less often than it did in 2012, and with far less urgency too. The Senate Budget Committee held no dedicated hearings on the debt, the deficit, fiscal stability, or balanced budgets in 2017, unlike in many years past.** And, as a great FiveThirtyEight analysis has found, **mentions of the deficit during congressional proceedings peaked at more than 8,000 in 2011 and fell to just more than 1,500 by 2015.** For their part, administration officials refer to it infrequently, and often with little sense of outrage or concern. "The president is very much concerned about the rate of increase of the debt," Steven Mnuchin, the Treasury secretary, said at a hearing of the Senate Banking Committee this week. "Over time, we need to figure out where we can have government savings to deal with the deficit." So what happened? How did the same Republicans who balked at a stimulus to get the country out of a recession rubber-stamp a bigger stimulus to fuel the best economy since the 1990s? How are the same Republicans who helped to construct an automatic mechanism to slash spending now lifting caps, spending more, and leaving entitlement programs untouched? I asked both Democratic and Republican aides those questions, and got mostly shrugs. In some sense, President Trump is just doing what Presidents George W. Bush and Ronald Reagan did before him, aided by Republicans in Congress. Both swore to balance the budget or to bring down the debt. Both signed legislation that increased deficits instead, primarily through tax cuts and increased military spending. Many Democrats, for their part, now believe that Republicans exploited their sincere concern over the long-term fiscal situation to score short-term political points—with some Democrats privately vowing not to worry about paying for things once they are back in power. "Republicans never really cared about the budget deficit. It was always a political tactic. With their own tax cut, they said, 'Go ahead and finance it with massive deficit spending,'" Jared Bernstein, an Obama economic adviser, told me. Democrats struggled to ensure everything they did was paid for, while, Bernstein argues, "Republican fiscal irresponsibility has enabled them to provide all kinds of goodies to their donor base."

But **Washington's understanding of the economic situation has changed**, too, as Bernstein admits. It now seems clear that **the degree of deficit panic whipped up in the post-crisis years overestimated the risk of a bond-market reaction, overstated the risk of the government crowding out private investment, and underestimated the capacity of the United States government to run deficits and build up debts—as well as overestimating how much voters ever really cared about the deficit.** "If you go around yelling about pressure on interest rates and public borrowing crowding out private, you don't have a lot to point to in terms of data," Bernstein told me. "You have virtually nothing in terms of data. That's not just here. That's in Japan, other advanced economies as well." **The risk that the country would not be able to fight a future recession due to its heavy debt burden might have been overinterpreted, as well.** "It's something the left has invented because they lost the tax war," Doug Holtz-Eakin, the former director of the Congressional Budget Office and a Republican economic analyst, told me. **The country has room to expand its budget deficits even now**, he said. "If we were in a position where additional tax cuts or spending would be beneficial in a rapid way to help a falling economy, markets would reward, not punish, you for that." Plus, **broad segments of the public seem uninterested in punishing even archconservative politicians who increase the debt, despite the promises of the Tea Party. Indeed, the many seem not to care much about the debt at all, now that Washington has stopped talking about it. The share of Americans who say that they see the deficit as a top priority has fallen to 48 percent today from 72 percent in 2013**, according to a survey by the Pew Research Center. Corporate executives used to travel to Washington to express their concern over the country's fiscal future. But on the tax legislation, they mostly remained mum. "Voters, frankly, after these huge deficits, are saying, 'Well, how much do deficits really matter?'" Rick Santorum, the former Republican presidential candidate, told the Associated Press last September. "We're not Greece yet, right?"

A2 Econ solves everything

A2 Hege

1. The US has the strongest economy and military in the world. Wtf are you talking about??

A2 Crime

1. Delink - Crime and the economy aren't empirically related. Lehrer of the Heritage Foundation in 2000 concludes that there is "little evidence to suggest that good economic times" has an "effect on crime." For instance, "Crime rates rose every year between 1955 and 1972, even as the U.S. economy surged, with only a brief, mild recession in the early 1960s," but similarly crime rates fell during 1934 and 1938 during the great depression.

Eli Lehrer, 11-15-2000, "Crime and Economy: What Connection?," Heritage Foundation, https://www.heritage.org/crime-and-justice/commentary/crime-and-economy-what-connection

But there's little evidence to suggest that good economic times have much effect on crime. Crime rates rose every year between 1955 and 1972, even as the U.S. economy surged, with only a brief, mild recession in the early 1960s. By the time criminals took a breather in the early 1970s, crime rates had increased over 140 percent. Murder rates had risen about 70 percent, rapes more than doubled, and auto theft nearly tripled.

By the same token, a bad economy doesn't always bring more crime. Crime rates fell about one third between 1934 and 1938 while the nation was struggling to emerge from the Great Depression and weathering another severe economic downturn in 1937 and 1938. Surely, if the economic theory held, crime should have been soaring.

So it's hard to argue credibly that economic barometers such as the unemployment rate can be used to predict crime rates. But that hasn't stopped some experts from trying.

A2 Automation/AI

1. Turn - Automation costs jobs. McKinsey Consulting reports in 2017 that automation is predicted to displace 400 to 800 million people by 2030.

James Manyika, Susan Lund, Michael Chui, Jacques Bughin, Jonathan Woetzel, Parul Batra, Ryan Ko, and Saurabh Sanghvi, xx-xx-xxxx, "Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages," McKinsey & Company, https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobs-skills-and-wages

We estimate that between 400 million and 800 million individuals could be displaced by automation and need to find new jobs by 2030 around the world, based on our midpoint and earliest (that is, the most rapid) automation adoption scenarios. New jobs will be available, based

on our scenarios of future labor demand and the net impact of automation, as described in the next section.

A2 Renewables

1. Mitigate - Impact is short term at best. Forbes reports in 2018 that renewables are set to decline by 2020. The warrant is provided by Davidson of the AWEA in 2018 who writes that when the production tax credit, which significantly subsidies renewables, ends in 2021, renewables will enter a “valley of death” in the United States.

8 May 2018 By Ros Davidson, 5-8-2018, "AWEA 2018: Post-PTC period to usher in 'valley of death', analysts predict," No Publication, https://www.windpowermonthly.com/article/1464059/awea-2018-post-ptc-period-usher-valley-death-analysts-predict
He said that onshore wind’s steady decreases in capacity factor will taper off post-PTC as the technology matures.

Meanwhile, Dan Shreve, a partner at Make Consulting, said that adoption of blockchain technology may offer load growth potential.

David Hostert, head of wind energy research at Bloomberg New Energy Finance (BNEF) said he shared Cohen’s vision of a "valley of death". He added: "It’s going to get tight and the industry needs to get smarter."

Hostert added that the US will lead the world in battery storage and that there will be a 66% drop in battery prices by 2030.

Energy Innovation, 7-11-2018, "Top Renewable Energy Financiers Reveal Pathway To $1 Trillion In U.S. Investment," Forbes, https://www.forbes.com/sites/energyinnovation/2018/07/11/top-renewable-energy-financiers-reveal-pathway-to-1-trillion-in-u-s-investment/#74c941bd34b0
While the industry’s continued growth looks like a forgone conclusion, some analysts expect renewable energy installations will decline in the 2020s, putting the U.S. at risk of falling behind other nations that are investing heavily in renewables and the jobs that come with them.

A2 FDI

1. [If impact is democratization] Delink - There is no relationship between FDI leading to increased democracy. Arslan in 2010 explains that while countries that are more democratic receive more FDI, the relationship is unidirectional. Logically, this makes

sense, because if a country is being rewarded for taking baby steps toward democracy, the country never has an incentive to fully democratize as that would terminate the aid the country received. Thus, countries who receive FDI in order to democratize never have an incentive to make real changes.

2. Turn - FDI hurts economies. Emmanuel in 2010 explains that when FDI comes in short term investment, it encourages capital flight. As a result, he quantifies that a 1% increase in FDI leads to a 1.3% fall in GDP, a 24.9% fall in the exchange rate of the country's currency, and a 52.3% increase in inflation.

ÜNal Arslan 2010, xx-xx-xxxx, "(PDF) The relations between FDI and democracy: evidence from Turkey," Resear chGate,
https://www.researchgate.net/publication/287020502_The_relations_between_FDI_and_democracy_evidence_from_Turkey
This econometric study investigated the cointegration relationship between foreign direct investment (FDI) and democracy (pr) for Turkey between the period 1970-2010. The main factor which is obtained is that there is a long term relationship between democracy and foreign direct invesment.Thus, the results of error correction model which is created to determine the direction of causality shows that while there is a possible causality from democracy to foreign direct investment, a causal relationship from foreign direct investment toward democracy has not been found. In other words, the country's democratic order is emerging as an important factor for the forein direct invesment inflows to Turkey. The results obtained for Turkey supports the empirical studies in the literature which were made for other countries. Especially changes in management of international investments within certain defined criteria, democratic, political rights and freedoms recognized that the country will turn into reality for Turkey as well as empirical aspects are verified.

Umeora Chinweobo Emmanuel, Effects of FDI on Economic Growth in Nigeria, 2010
https://poseidon01.ssrn.com/delivery.php?ID=532027087112026092074083116098065064125038025041033038028114124066101113030084105120054039021017001031114107127064017001121083046013057000041107027088068118099024089049012085002009087028111079101106084068006123025116120111108031065026066111010120070119&EXT=pdf
The study indicates that with coefficient of Determination (R2) at .465, one can say variations in FDI can explain 46.5% of changes in GDP, Exchange Rate and Inflation Rate for the period of study. The implication is that 53.5% is explained by other factors not covered in the study. The F-statistics (6.083 < 0.05) confirm that GDP, Exchange Rate and Inflation respond to changes in FDI. The coefficients indicate that Gross Domestic Product (-.089) and exchange rate (-.749) have negative relationship with FDI while inflation (4.538) has positive relationship. The 12 beta showed that after adjusting for standard errors, GDP (-.013) has1.3% negative influence from FDI. This means that 1% increase in FDI leads to 1.3% fall in GDP. The Exchange Rate (-.249)

means negative impact pf FDI in exchange rate so that 24.9% fall in exchange rate in caused by FDI increase. On the other hand FDI increase has lead to 52.3% increase in inflation (.523).

A2 Obama stimulus/multiplier effect

1. Delink - ARRA didn't reduce unemployment. Pollin of Cambridge in 2012 explains that in the past, deficit spending reduce unemployment, such as in the aftermath of WWII. No such effect was seen with Obama's post 2008 ARRA program, which saw unemployment actually rise from around 8% to 9%. Pollin gives three reasons why this happened.
    a. Families saved most of the money they received back from the tax cuts.
    b. The federal government didn't substantively change their spending compared to levels prior.
    c. State and local government's used the money received to reduce net borrowing, shifting money from purchases to transfers instead of injecting it back into the economy.
2. Turn - Government spending reduces economic growth. Both DeRby in 2009 and Bourne of Cato report in 2017 that increased government deficit spending might increase growth in the short term, but in the long term, due to the crowding out of private-sector investment through the substitution of private sector spending with public sector spending into less efficient projects, government spending actually reduces GDP in the longer term.

Robert Pollin, Cambridge Journal of Economics, January 2012
https://www.jstor.org/stable/pdf/24232386.pdf?loggedin=true
Figure 1 plots the level of US federal government deficits as a share of GDP from 1930 to the projected figure for 2012. It is clear from this figure that the experience following the 2008-09 financial crisis and Great Recession generated deficit levels of historic proportions. As we see, during World War II the fiscal deficit did spike at 30.3% of GDP and averaged 22.2% during 1942-45. Otherwise, the 2010-12 deficits, at around 10% of GDP, are the highest levels over this full span, including the 1930s Depression. Ronald Reagan's term of office is well known as having generated massive fiscal deficits, due to Reagan's policies of lowering taxes for the wealthy while dramatically increasing military spending. But as Figure 1 shows, the Reagan deficits peaked at 6.0% of GDP in 1983 and averaged 4.2% during his full eight-year term, 1981-90. Yet it is also the case that the huge increase in deficit spending during World War II did lead to the end of the mass unemployment crisis resulting from the 1930s Depression. Thus, US unemployment averaged 17.0% between 1930 and 1941. But with the expansion of federal deficit spending tied to the war effort, unemployment fell to 4.7% in 1942 and averaged 1.7% over 1943-45
There has not been any comparable decline in unemployment since the federal deficits rose to the 10% of GDP level in 2010. Rather, unemployment was at 8.2% when the ARRA was enacted in February 2009, rose as high as 10.1% in October 2010 and remained at 9.2% as of June 2011. It is legitimate to consider what may have apparently rendered the level of deficit spending in 2009-11 ineffective at reducing mass un employment and, similarly, to examine the arguments as to **why such deficits may be an ineffective and even dangerous policy tool.**

1) Families saved the money
Third, a high proportion of the overall ARRA—24%—went to tax cuts. As is clear in Table 3, these have weak multiplier effects. **These measures will have improved the balance sheets of**

households and businesses modestly, but, on their own, would not have provided any significant injection of capitol into the economy.

2) Federal government didn't substantively change spending
First, in the three areas where the multipliers are large—federal infrastructure purchases; state and local government spending, including infrastructure here as well along with health care and education; and transfer payments to individuals—the ARRA did provide substantial funds, around 75% of the total of the total stimulus.. **However, with unemployment insurance and support for state and local education and health care, the s were compensating for the income losses of the unemployed and deep revenue shortfalls experienced by state and local governments (Pollin and Thompson, 2011). In these areas, the ARRA did contribute significantly to bracing the floor of aggregate demand in the US economy that would have otherwise collapsed. But the stimulus funds were not injecting net new spending into**

3) State/local governments used the money to reduce net borrowing, shifting money from purchases to transfers
Irrespective of these implausible assumptions, the conclusions of John Taylor's (2011) recent empirical analysis of the ARRA and the two prior US fiscal stimulus initiatives are consistent with Barro's premise of a zero multiplier. Taylor finds that these three stimulus measures 'did not have a positive effect on consumption and government purchases, and thus did not counter the decline in investment during the recessions as the basic Keynesian textbook model would suggest'. According to Taylor, this is because: Individuals and families largely saved the transfers and tax rebates. The federal government increased purchases, but only by an immaterial amount. **State and local governments used the stimulus grants to reduce their net borrowing (largely by acquiring more financial assets) rather than to increase expenditures, and they shifted expenditures away from purchases toward transfers.** (2011, p. 701)

Veronique De Rugy From The November 2009 Issue, xx-xx-xxxx, "The Myth of the Multiplier," Reason, https://reason.com/archives/2009/10/19/the-myth-of-the-multiplier
As appealing as the Keynesian story sounds, many economists have long doubted it. In 1991, looking across 100 countries, Robert Barro of Harvard presented historical evidence that high government spending actually hurts economies in the long run by crowding out private spending and shifting resources to the uses preferred by politicians rather than consumers. For a dollar of government spending, we end up seeing less than a dollar of growth. Can long-term poison be short-term medicine?

Ryan Bourne, 6-6-2017, "Would More Government Infrastructure Spending Boost the U.S. Economy?," Cato Institute,
https://www.cato.org/publications/policy-analysis/would-more-government-infrastructure-spending-boost-us-economy
Depending on the models used, the circumstances of countries examined, and the type of government spending, empirical work has produced both short-term multiplier values between 0

and 1 (meaning government spending expands output but crowds out some private-sector activity),11 and multipliers above 1 (meaning government spending "crowds in" private-sector investment or consumption).12 **Longer-term multipliers might even be negative, meaning deficit-financed spending actually reduces GDP in the longer term (for example, if a high degree of substitution between private and government consumption exists, and government consumption encourages leisure over work).**13

A2 Reduces the debt

1. Delink - Economic growth will never be enough to reduce the debt. According to Turak of CNBC in 2018, current trajectories show the U.S. growing at a potential rate of 1.9% on average, but that's an insufficient rate to provide enough government revenue to control the deficit at the point where the annual deficit might top a staggering 1 trillion dollars in the next two years and that debt could equal GDP within the decade.
2. Turn - Trump's economic growth policies are actually increasing the debt. According to the Congressional Budget Office in 2018, Trump's 1.5 trillion dollar tax cuts and 1.3 trillion dollar spending bill are only set to raise debt projections even higher through 2041, as the cuts in taxes which were implemented in order to grow the economy can't be offset by any measure of growth. This is why Morgan in 2018 of Reuters explains that the policymakers' recent tax and budget decisions have dramatically worsened the country's long term finances.

Natasha Turak, xx-xx-2018, "US growth rate won't be enough to control the deficit, economist warns," CNBC,
https://www.cnbc.com/2018/04/18/us-growth-rate-wont-be-enough-to-control-the-deficit-economist-warns.html
While the Tax Cuts and Jobs Act passed by Republican legislators in December 2017 will boost growth in the immediate term, along with raised caps on government spending, the fiscal stimuli come at a questionable time, he said. It has stimulated an already well-performing economy and "changed the nation's fiscal course in a potentially dangerous way," he added.

Proponents of the tax cuts predict a 3 percent growth rate to support their sunny forecasts. But the nonpartisan Congressional Budget Office (CBO) forecasts strong growth through 2018, followed by a tapering. In the long run, Tannenbaum said, "the U.S. will grow at its potential rate of 1.9 percent on average, an insufficient rate to provide enough government revenue to control the deficit."
The CBO projects the federal deficit will top a staggering $1 trillion in the next two years, and debt could equal gross domestic product (GDP) within a decade — a level not seen since World War Two. And government debt as a fraction of GDP in most developed countries is twice the

level it was before the crisis, leaving little room to buffer if the world hits another economic soft patch.

David Morgan, 6-26-2018, "New U.S. tax cuts would worsen federal fiscal picture: CBO," U.S., https://www.reuters.com/article/us-usa-fiscal-debt/new-u-s-tax-cuts-would-worsen-federal-fiscal-picture-cbo-idUSKBN1JM2I3
WASHINGTON (Reuters) - Republican plans to make President Donald Trump's tax cuts permanent for individuals and many private businesses would worsen an already rising U.S. debt burden, congressional researchers said on Tuesday.
In its annual long-term budget outlook, the nonpartisan Congressional Budget Office (CBO) said the debt will equal 78 percent of U.S. gross domestic product by the end of the year and a record 152 percent by 2048, a trajectory that it said would hurt the economy, increase the likelihood of a fiscal crisis and make it harder for the government to respond.
Trump's $1.5 trillion tax cuts and a $1.3 trillion spending bill enacted by Congress in March have already helped push CBO's debt projections higher through 2041, the report said.
The new tax law permanently slashed the corporate income tax rate to 21 percent from 35 percent. But $1.1 trillion in tax cuts for individuals and businesses structured as "pass-throughs" are set to expire after 2025.
"The massive deficits caused by policymakers' recent tax and budget decisions have drastically worsened the country's long-term finances," said Shai Akabas, director of economic policy at the Bipartisan Policy Center think tank.

A2 Poverty

1. Delink - Historically, in the US, economic growth has not affected poverty rates. According to Irwin of the New York Times in 2014, the US economy has grown by 147% since the 1970s, but the poverty rate has hovered around the 12% to 15% range and is, in fact, higher today than it was in the 1970s. Economic growth primarily goes to those already well off.
2. Turn - Economic growth increases income inequality. Krugman explains in 2012 that since the 1970s, incomes for the wealthy have grown as the economy has, but incomes for those at the bottom have actually shrunk. Pew corroborates that US income inequality has steadily risen since the 1970s. Economic growth exacerbates income inequality by primarily providing benefits to the wealthy. Income inequality hurts people in three ways.
    a. Health. CNN in 2013 reports that income inequality hurts the poor through decreased access to healthcare and through decreased levels of education. Thus, income inequality reduces lifespans.
    b. Political power. Scanlon in 2014 explains that of wealth is very unevenly distributed in a society, wealthy people often end up in control of many aspects of the lives of poorer citizens: over where and how they can work, what they can

buy, and in general what their lives will be like, giving them an unacceptable degree of control.

c. Economic collapse. The US Congress Joint Economic Committee in 2010 found that high levels of income inequality precipitate an economic crisis, such as the Great Depression and the Great Recession, indicating that high levels of income inequality destabilize the economy as a whole.

Thus, Gould concludes that inequality is the main cause of persistent poverty, and without it, the poverty rate would be 44% lower.

Pew, Drew Desilver, xx-xx-xxxx, "U.S. income inequality, on rise for decades, is now highest since 1928," Pew Research Center, http://www.pewresearch.org/fact-tank/2013/12/05/u-s-income-inequality-on-rise-for-decades-is-now-highest-since-1928/
Emmanuel Saez, an economics professor at UC-Berkeley, has been doing just that for years. And according to his research, U.S. income inequality has been increasing steadily since the 1970s, and now has reached levels not seen since 1928. (The GIF file at the top of this post, created by Dorsey Shaw of Buzzfeed, compares growth in average income of the top 1% of Americans with everyone else.)

Gould, January, 1-8-2014, "Inequality Is the Main Cause of Persistent Poverty," Economic Policy Institute, https://www.epi.org/blog/inequality-main-persistent-poverty/
The figure below plots the impact of these economic and demographic factors on the official poverty rate from 1979 to 2007. The impact of income inequality and income growth were quantitatively large, but in the opposite directions. Had income growth been equally distributed, which in this analysis means that all families' incomes would have grown at the pace of the average, the poverty rate would have been 5.5 points lower, essentially, 44 percent lower than what it was.

US Congress Joint Economic Committee, September 2010
https://www.jec.senate.gov/public/_cache/files/91975589-257c-403b-8093-8f3b584a088c/income-inequality-brief-fall-2010-cmb-and-ces.pdf
High levels of income inequality may precipitate economic crises. Peaks in income inequality preceded both the Great Depression and the Great Recession, suggesting that high levels of income inequality may destabilize the economy as a whole.
Income inequality may be part of the root cause of the Great Recession. Stagnant incomes for all but the wealthiest Americans meant an increased demand for credit, fueling the growth of an unsustainable credit bubble. Bank deregulation allowed financial institutions to create new exotic products in which the ever-richer rich could invest. The result was a bubble-based economy that came crashing down in late 2007.

T. M. Scanlon, 6-3-2014, "The 4 biggest reasons why inequality is bad for society," ideas.ted, https://ideas.ted.com/the-4-biggest-reasons-why-inequality-is-bad-for-society/
1. Economic inequality can give wealthier people an unacceptable degree of control over the lives of others.
If wealth is very unevenly distributed in a society, wealthy people often end up in control of many aspects of the lives of poorer citizens: over where and how they can work, what they can buy, and in general what their lives will be like. As an example, ownership of a public media outlet, such as a newspaper or a television channel, can give control over how others in the society view themselves and their lives, and how they understand their society.
2. Economic inequality can undermine the fairness of political institutions.
If those who hold political offices must depend on large contributions for their campaigns, they will be more responsive to the interests and demands of wealthy contributors, and those who are not rich will not be fairly represented.

Steve Hargreaves, CNN, September 25, 2013
https://money.cnn.com/2013/09/25/news/economy/income-inequality/index.html
Lifespans: Paychecks aren't the only things that are increasingly unequal. Rich people are actually living longer than poor people. In the early 1980s, wealthy Americans lived 2.8 years longer than the poor, according to theDepartment of Health and Human Services. The wealthy and poor were defined as the top and bottom 10% on a number of different economic measures. But by the late 1990s the rich were living 4.5 years longer, and the gap has only widened since then, HHS said.
The increasing disparity is a result of a variety of reasons including "material and social living conditions" as well as access to medical care, according to HHS.

Alan Krugman, January 12, 2012
https://obamawhitehouse.archives.gov/sites/default/files/krueger_cap_speech_final_remarks.pdf
President Obama summarized the rise of inequality very succinctly in his Osawatomie, Kansas speech, when he said, "over the last few decades, the rungs on the ladder of opportunity have grown farther and farther apart, and the middle class has shrunk."
These trends are well documented but worth reviewing to understand the nature of the phenomenon. My first figure shows the annualized growth rate of real income for families in each fifth of the income distribution over two periods [Figure 1]. The figure shows that all quintiles (fifths) of the income distribution grew together from the end of World War II to the late 1970s, but since the 1970s income has grown more for families at the top of the income distribution than in the middle, and it has shrunk for those at the bottom.

Neil Irwin, 6-4-2014, "Growth Has Been Good for Decades. So Why Hasn't Poverty Declined?," No Publication, https://www.nytimes.com/2014/06/05/upshot/growth-has-been-good-for-decades-so-why-hasnt-poverty-declined.html

But over the last generation in the United States, that simply hasn't happened. Growth has been pretty good, up 147 percent per capita. But rather than decline further, the poverty rate has bounced around in the 12 to 15 percent range — higher than it was even in the early 1970s. The mystery of why — and how to change that — is one of the most fundamental challenges in the nation's fight against poverty. The disconnect between growth and poverty reduction is a key finding of a sweeping new study of wages from the Economic Policy Institute. The liberal-leaning group's policy prescriptions are open to debate, but this piece of data the researchers find is hard to dispute: From 1959 to 1973, a more robust United States economy and fewer people living below the poverty line went hand-in-hand. That relationship broke apart in the mid-1970s. If the old relationship between growth and poverty had held up, the E.P.I. researchers find, the poverty rate in the United States would have fallen to zero by 1986 and stayed there ever since.