We affirm

Contention One: Interest Rates

Foreign countries hold more US debt than ever before.

Chappatta and McCormick 18 Brian Chappatta and Liz Capo McCormick | Bloomberg. "The Worry About Giant Foreign Buyers of U.S. Debt: QuickTake QandA." The Washington Post, WP Company, 11 Jan. 2018, www.washingtonpost.com/business/the-worry-about-giant-foreign-buyers-of-us-debt-quicktake-qanda/2018/01/11/32480fb4-f6ff-11e7-9af7 a50bc3300042_story.html?noredirect=onandutm_term=.cf15ccc8b6ab.

No. Nor has the U.S. ever owed so much. **Foreign investors hold $6.35 trillion in U.S. government debt, more than twice as much as in 2008**. (The share of debt owned by foreigners fell in that time period, to 44 percent from 56 percent, primarily because the U.S. Federal Reserve was buying so much itself.) **China is the largest holder of Treasuries at the moment, followed by Japan, and between them they account for more than $2 trillion of U.S. securities.**

Amadeo 18 Amadeo, Kimberly. "5 Reasons Why America Is in So Much Debt." The Balance Small Business, The Balance, www.thebalance.com/the-u-s-debt-and-how-it-got-so-big-3305778.

Over the long term, **a growing federal debt is like driving with the emergency brake on**. As the debt-to-GDP ratio increases, **debt holders could demand larger interest payments. They want compensation** for an increasing risk they won't be repaid. **Diminished demand for** U.S. Treasuries **would** further increase interest rates. That would **slow the economy**

Chappatta and McCormick 18 Brian Chappatta and Liz Capo McCormick | Bloomberg. "The Worry About Giant Foreign Buyers of U.S. Debt: QuickTake QandA." The Washington Post, WP Company, 11 Jan. 2018, www.washingtonpost.com/business/the-worry-about-giant-foreign-buyers-of-us-debt-quicktake-qanda/2018/01/11/32480fb4-f6ff-11e7-9af7-a50bc3300042_story.html?noredirect=onandutm_term=.cf15ccc8b6ab.

It relies on bonds to finance government budget deficits. **Reduced demand**, at a time when Treasury issuance is set to surge as the budget shortfall grows, wou**ld force the U.S. to offer higher interest rates to lure investors. Those higher borrowing costs in turn would squeeze the** U.S. **budget just as spending on an aging population is projected to dramatically increase**. Making matters worse, **Republicans in Washington just approved a tax-cut package that is estimated to lift federal deficits by about $1 trillion over the next decade**. For investors, a selloff of bond holdings, or even just a drop in bond purchases, risks reducing the value of outstanding Treasuries, harming portfolios.

The projected rate of interest rates is ever expanding.

PGPF 18 "Higher Interest Rates and the National Debt." Peter G. Peterson Foundation, 19 Dec. 2018, www.pgpf.org/analysis/2018/12/higher-interest-rates-will-raise-interest-costs-on-the-national-debt.

Ballooning **interest costs threaten to crowd out important public investments that can fuel economic growth in the future**. In its most recent long-term budget report, **CBO estimates that by 2048**, interest **costs are projected to** be more than **double** what the federal government has historically spent on RandD, nondefense infrastructure, and education, combined.

High Interest Rates Negatively Affect Two Major Markets - First, US Companies

High debt inevitably harms the companies that rely on strong investments. The debt unfortunately crowds out that critical investment.

PGPF 18 "The Fiscal andamp; Economic Impact of the National Debt." Peter G. Peterson Foundation, www.pgpf.org/the-fiscal-and-economic-challenge/fiscal-and-economic-impact.

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.**

High interest rates lead to higher borrowing costs.

Smith 18 Bloomberg.com, Bloomberg, www.bloomberg.com/news/articles/2018-03-23/u-s-corporate-borrowers-have-an-overseas-investor-problem.

U.S. companies are finding that the **flow from the foreign-money spigot is slowing**. **Foreigners showed signs of being net sellers of U.S. investment-grade corporate debt this week**, according to Bank of America data. **Any selling pressure comes after international investors bought just $38 billion of U.S.** investment-grade corporate **debt in the fourth quarter**, according to UBS Group AG, **the least since the beginning of 2016**, when the corporate bond market was in a freefall. Overseas money managers are a key pillar for the market, having bought more than $1.4 trillion of the securities since 2013, UBS said. With the dollar extending losses after plunging last year and hedging costs near decade-highs by one measure, overseas investors have fewer reasons to buy fewer U.S. company notes. **The securities are on track for their worst first quarter since 1994. The weakness could translate to even higher borrowing costs for companies than they've already experienced in the last three months**.

The effects are being felt right now.

Goodkind 18 Goodkind, Nicole. "U.S. Debt Is Growing and Foreigners Are Buying Less: Here's Why That Could Be Disastrous for the Economy." Newsweek, 2 May 2018, www.newsweek.com/trump-tax-cuts-debt-china-907763.

The amount of money coming into American companies from overseas fell 32 last year. Foreign investors spent $259.6 billion to acquire, launch, and expand businesses in the United States in 2017, according to numbers released Wednesday by the US Bureau of Economic Analysis. That's **down from an historic high** of $439.5 billion in 2015. The largest chunk of last year's foreign direct investment came from Canada ($66.2 billion), followed by the United Kingdom and Japan. **If fewer foreigners buy U.S. debt, American investors will be forced to pick up the slack and buy debt instead of active investments, a problem called "crowding out**." "If foreigners buy less debt, Americans buy more, and they're buying at the expense of making productive investments in businesses and startups," explained Marc Goldwein, senior policy director for the nonpartisan Committee for a Responsible Federal Budget. "**As a result of the dollars diverged to the treasury from other investments, our economy experiences less GDP gross domestic product growth, and wage growth slows."**

Second is the developing world

The next recession is coming, but not in America – In the developing world

The Economist, The Economist Newspaper, 11 Oct. **2018**, www.economist.com/leaders/2018/10/11/the-next-recession.

This divergence between America and the rest means divergent monetary policies, too. **The Federal Reserve has raised interest rates eight times since December 2015**. The European Central Bank (ECB) is still a long way from its first increase. **In Japan rates are negative. China**, the principal target of Mr Trump's trade war, **relaxed monetary policy this week** in response to a weakening economy. **When interest rates rise in America but nowhere else, the dollar strengthens. That makes it harder for emerging markets to repay their dollar debts. A rising greenback has already helped propel Argentina and Turkey into trouble; this week Pakistan asked the IMF for a bail-out**.

This is uniquely harmful for developing countries

Allen 18 Allen, Katie. "US Interest Rate Rise to Deepen Debt Crisis in Developing World." The Guardian, Guardian News and Media, 13 Mar. 2017, www.theguardian.com/business/2017/mar/13/us-interest-rate-rise-to-worsen-developing-countries-debt-crisis.

Developing countries are struggling with steep rises in their debt payments after being hit by a double whammy of lower commodity prices and a stronger dollar, with more pain to come once the US central bank raises interest rates this week, campaigners warn. The Jubilee Debt Campaign said that **some of the world's poorest countries have seen the cost of repaying their debts – as a proportion of government revenue – hit the highest level for a decade. The size of dollar-denominated debts has risen** as the US currency has strengthened.

This is quantified

Pegkas 18 Pegkas, Panagiotis. "The Effect of Government Debt and Other Determinants on Economic Growth: The Greek Experience." MDPI, Multidisciplinary Digital Publishing Institute, 5 Feb. 2018, www.mdpi.com/2227-7099/6/1/10.

Pattillo et al. (2004) investigated whether debt affects growth for 61 developing countries over the period 1996–1998. The result **showed that the negative impact of high debt on growth operates through a strong negative effect on physical capital accumulation and on growth**. **They also found positive effects of investment on economic growth.** Schclarek (2004), focusing on a panel of 59 developing and 24 advanced countries over the period 1970–2002, concludes that, **for developing countries, there is a negative relation between debt and growth**, but he does not find any significant relation between government debt and economic growth in advanced countries. **Also, the results show that investments and exports have a positive contribution to GDP growth**. Sen et al. (2007) studied the impact of debt on economic growth of Argentina, Brazil, Columbia, Venezuela, Mexico, China, India, Indonesia, Philippines, Korea and Thailand. They came to the conclusion that **debt negatively affects economic growth in Latin American and Asian countries**. Misztal (2010), for a sample of EU Member States over the period 2000–2010, concluded that an increase in public debt by 1 in these countries has led, on average, to a reduction in GDP by 0.3, while a GDP growth by 1 resulted in a reduction of public debt, on average, by 0.4. Kumar and Woo (2010), for a panel of 38 developed and emerging countries over the period 1970–2007, found that a 10 increase of public debt is associated with a 0.2 decrease of GDP growth, the impact being stronger in emerging market economies and weaker in developed ones. Drine and Nabi (2010) for a panel of 27 developing countries for the period of 1970–2005 found that **an increase in external public debt reduces production efficiency. Also, the results indicate that output is positively responsive to investment.**

This is problematic

OECD 18 "Growth. Building Jobs and Prosperity in Developing Countries." Eldis, www.eldis.org/document/A37900.

<u>Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries</u>. Both cross-country research and country case studies provide overwhelming evidence that **<u>rapid and sustained growth is critical to making faster progress towards the Millennium Development Goals</u>** – and not just the first goal of halving the global proportion of people living on less than $1 a day.

Contention Two: Income Inequality

Prioritizing economic growth alone fails to reach the needs of the people and the top 1 percent rakes in the benefits.

Levitz 18 Levitz@EricLevitz, Eric. "Inequality Is Rising Across the Globe - and Skyrocketing in the U.S." Daily Intelligencer, Intelligencer, 15 Dec. 2017, nymag.com/intelligencer/2017/12/inequality-is-rising-globally-and-soaring-in-the-u-s.html.

Since 1980, the richest 0.1 percent of the world's population **increased its collective wealth by as much as the poorest 50 percent.** The 7 million richest humans (i.e., the top 0.1 percent) on the planet captured 13 percent of all economic growth over the past four decades — about as much as the poorest half of the world population (about 3.8 billion people). **The top 0.001 percent** (i.e., the wealthiest 76,000 people on Earth) **claimed a hefty 4 percent of all economic gains**. **The top one percent, meanwhile, lay claim to 27 percent of global wealth growth — a fortune facilitated by a steep rise in the cohort's share of global income** beginning in the early 1990s (right after the Soviet Union fell). While the rich have gotten (grotesquely) richer over the past 40 years, the poor haven't gotten poorer — not on a global scale, anyway. Socialists have plenty of legitimate gripes with the neoliberal order. But it is true that the fortunes of the world's most vulnerable people have improved significantly in recent decades. **The gains just would have been far greater** — like, "Poverty? What's poverty?" greater — **had the fruits of global growth been distributed more progressively. But the global middle class — a category that includes virtually every non-rich person in the United States and Western Europe** (by global standards, most impoverished Americans do not qualify for "poverty," at least in this report's estimation) — **really has been all but locked out of economic growth since 1980.**

Unfortunately, high levels of national debt diminish average wages.

MacGuineas 17 MacGuineas, Maya. "Trump and GOP Tax Cut Could Cost Your Kids $2.2 Trillion." Time, Time, 23 Oct. 2017, time.com/4993389/tax-cuts-your-children/.

But **the cost is even higher than that**. **Debt not only suppresses economic growth, it suppresses future wages**. For example, based on estimates from the nonpartisan Congressional Budget Office, **average income in 30 years will be $5,000 less a year if the national debt continues to grow** on its current trajectory rather than being put on a downward path. **And this is based on what our debt is already projected to do under current law, before trillions more are added in debt-financed tax cuts.**

Malinen 17 Malinen, Tuomas. "The Economic Consequences of Income Inequality." The Huffington Post, TheHuffingtonPost.com, 7 Dec. 2017, www.huffingtonpost.com/tuomas-malinen/the-economic-consequences_b_8827634.html.

Above all, **we should be able to predict the effects of income inequality on economic growth**, which was the topic of my doctoral dissertation. Theoretical research shows that this effect can go in both directions, that is, from inequality to growth and vice versa (see Chapter 1.4 for more details). We have rather solid empirical evidence showing that income inequality and gross domestic product move in tandem (see for example this and this), but it is unclear which of the effects, if any, dominates. B. Atems and J. Jones make an attempt to disentangle these effects in their recent article. **Using data on the US states, they find that high income inequality diminishes economic growth, instead the other way around, and this effect is persistent implying that increasing inequality has a negative long-term effect on economic growth**. Inequality may also have different effects in poor and rich countries. Although more research is needed, **the available empirical evidence indicates that income inequality has negative effect on economic growth in rich economies**, in particular (see also the research by the OECD).

The Impact is reducing poverty

High income inequality undoubtedly leads to higher levels of poverty

Levitz 17 Levitz@EricLevitz, Eric. "Inequality Is Rising Across the Globe - and Skyrocketing in the U.S." Daily Intelligencer, Intelligencer, 15 Dec. 2017, nymag.com/intelligencer/2017/12/inequality-is-rising-globally-and-soaring-in-the-u-s.html.

More inequality means more absolute poverty. This might seem obvious. But **when** American **conservatives wish to downplay the significance of inequality** (without arguing that the poor deserve to go hungry) **they insist that relative income disparities don't really matter**. No one wants an egalitarian economy in which everyone is poor — and all too often, they argue, attempts to make the economy more equal end up stifling growth, and thus, leaving those at the bottom worse off than they'd have otherwise been. **This is incorrect for a lot of reasons (chief among them, inequality is actually bad for economic growth). But** Piketty and Co. provide **the most obvious one — a more egalitarian distribution of income generally means less absolute poverty.**

Collins 18 Collins, Michael. "The National Debt and the Federal Deficit Are Skyrocketing. How It Affects You." USA Today, Gannett Satellite Information Network, 16 Oct. 2018, www.usatoday.com/story/news/politics/2018/10/16/government-spending-how-rising-federal-debt-deficit-impact-americans/1589889002/.

Higher interest rates reduce the amount of private capital available for investments, **which hurts economic growth and wages** and leaves the U.S. with less flexibility to respond to a financial crisis like the Great Recession of 2008, Peterson said. **The U.S. had relatively modest debt when the Great Recession hit**, Peterson said, **so that meant the government could direct many of its financial resources into a stimulus package to help rescue the economy**. Remember what happened then? Some $831 billion was spent on tax credits, health care, schools, energy, roads and other construction projects to save jobs and get the economy back on its feet. Financial analysts disagree on how effective the package proved to be in correcting the economy. But many argue that **it was a significant factor in the economic recovery**. **If the country continues** its current path of **mounting debt**, **it may not have the ability to respond to such unforeseen crises in the future**, Peterson said. That means another recession could be deeper, longer and more painful.