# Emory A2 Con vFinal

## Overviews

### OV – Long Term Decrease in Growth

**Amadeo** finds that an ever-increasing national debt slowly dampens growth over the long term. Debt holders know in the back of their minds that it must be repaid one day. They demand larger interest payments because they want compensation for an increasing risk that they won't be repaid, which increases interest rates and slows the economy. In fact, **Boccia of the Heritage Foundation** found that debt levels between 90 percent and 120 percent of GDP correlate with slower growth of 1.2 percentage points. Salim Furth calculated, a decade of debt drag would reduce the income of the typical American family by $11,000.

## A2: Recessions

### A2: Reloading the Gun

**1. Delink- Even if you let the current path continue, it won’t be enough to see their impacts materialize, as Edwards ’18 of Quartz[[1]](#footnote-1) explains that the Fed itself says their rates will only go as high as 3.1% by 2020, when the next recession is expected. This is problematic because the Fed has historically needed to drop rates by 5-6%.**

**2. Turn- Hikes are going to be the root cause not the solution. Colombo ’18 of Forbes[[2]](#footnote-2) explains all modern interest rate hikes resulted in recessions or a final crisis by popping bubbles across different countries, industries and assets.**

### A2: Lowering Rates Bad – Caused Housing Bubble

**1. Delink- We have better evidence, as Miles ’14 of Wichita State[[3]](#footnote-3)** isolated the different causes of the housing bubble and discovered that the Fed’s policies had nothing to do with the bubble, which is mainly caused by long term rates.

**2. Alternative Solvency- Logically, other mechanisms exist to control speculation such as taxes on capital gains. If anything, we link in better though increasing taxes like this to increase government revenue.**

**3. Weighing- at best they impact into the quantity of recessions, which isn’t the best metric because one is incoming anyway and recessions are always going to exist. Rather, let’s prefer looking to the severity of recessions, which we show you solvency for.**

### A2: WW2 Historic Example

1. **Delink- They might have solved in the Great Depression, however Ghilarducci ’18 of Forbes[[4]](#footnote-4)** explains that was only possible because the debt-GDP ratio was as low as 64%. We’re far from that situation today, so the same does not apply.
2. There was also tax increases during that time

## A2: Growth Benefits

### A2: Solves Debt

1. Look to the Squo- we would argue right now is a perfect example of the US prioritizing economic growth over debt reduction, but **The Hill[[5]](#footnote-5)** 18’ tells you that this prioritization is coming in the form of tax cuts that are expected to increase the deficit by 1.9 trillion over the next ten years.
2. Delink- [**Black of the Business Insider**](https://www.businessinsider.com/the-national-debt-is-rising-much-faster-than-the-economy-2018-3)finds Debt growing 36% faster than the economy, it’s growing way too fast for the econ growth to keep up.
3. **Delink- They probably read evidence about the past, but realize that we are in a whole new ball game now. We won’t deny that economic growth is able to solve the debt, HOWEVER the level of growth we would need is absurd, as the CFRB[[6]](#footnote-6) finds that productivity would have to be 3 times higher than what is attainable right now, and even concludes that “no reasonably achievable increase in economic growth can solve all of our fiscal woes”**
4. **Turn**: solving for debt pre-reqs economic growth**, Tully 18[[7]](#footnote-7)** indicates that by 2028 our debt will reach $33 trillion which leaves our economy vulnerable because if our debt is too high, in times of recession we won’t be able to reduce tax revenue or increase spending on things like infrastructure, he finds that empirically, countries with higher debt can’t respond as successfully to recession.
5. **We link in better-** We would argue right now economic growth is being hampered by the debt. **Kenton of Ohio University[[8]](#footnote-8)** finds that debt hampers growth by increasing interest rates, thus making loans that would stimulate the economy more expensive. **Huntley ’14 of NW University[[9]](#footnote-9)** thus *empirically* finds a $1 increase in the deficit decreases private investment by 50 cents. This is a much stronger link than them, as **Russo of Columbia[[10]](#footnote-10)** specifically finds that consumer investment drives 70% of all economic activity, and **Bixby GMU[[11]](#footnote-11)** finds that voting aff and reducing that debt could increase per-person econ growth by 6k dollars

### A2: Reducing Poverty General

1. **Inequality DA –** **Alexander of the University of Melbourne[[12]](#footnote-12)** finds that for each $100 increase in overall economic growth, only 60 cents go to alleviating poverty. Subsequently, **Riley[[13]](#footnote-13)** explains that growth empirically worsens income inequality and widens the gap between the rich and the poor. This is critical for two reasons.
	1. This means they don’t actually reduce poverty because those who need this money aren’t getting it. In fact, you increase poverty in a world with economic growth that’s just going to the top.
	2. This is only a sustainable path for so long. **The New York Times[[14]](#footnote-14)** explains that income inequality just means the people at the top gain and hold onto money, reducing consumption and slowing down the whole economy. Thus, **Lederman of the World Bank[[15]](#footnote-15)** finds that a 1% increase in inequality leads to a long-term reduction in economic growth by 6%.
2. They have no solvency because if poverty is high the economy can’t grow **Breunig and Majeed 17[[16]](#footnote-16)** write that poverty hinders economic growth or may even have a negative impact on it.
3. De-link as poverty is stagnant in the US while the economy is growing evidence from the **NBER[[17]](#footnote-17)** indicates that while the US GDP per capita has more than doubled, the poverty rate has remained stagnant, they specifically find that theoretically, we should have seen a reduction in poverty, but it has remained stable.

### A2: Employment

1. **Delink –** Growth doesn’t increase employment for **two** reasons.
	1. **Maxton of The Guardian[[18]](#footnote-18)** finds in 2015 that the constant drive toward productivity means that companies use this money to automate jobs, which forces more people out of a job.
	2. Even if they are created, these jobs don’t actually benefit anyone. **Daly** **of the CFSSE[[19]](#footnote-19)** explains in 2013 that even if they come to American companies, are immediately offshored to places with worse labor laws,
2. **Government programs turn case –** **Ehrenfreund of the Washington Post[[20]](#footnote-20)** explains in 2015 that safety net programs encourage entrepreneurship because people are more willing to engage in risky endeavors. In the case of food stamps, an expansion of the program increased the chance that eligible households would start a business by 16%.
	1. [This outweighs on probability – we shouldn’t just hope that this money goes to business owners and business owners choose to invest that in funding new positions. But safety net programs 100% of the time go to helping people in need.]

### A2: Better Tech

* + - 1. **Non-unique –** companies always have an incentive to innovate because it’s how they make their profits.

If anything, if companies see tightened budgets, they’ll be forced to get more efficient and effective

* + - 1. **Delink –** even if companies have more money, there’s no guarantee what they’ll invest it in. We would argue they’ll just invest it in mass producing the innovations they would’ve created in either world.
			2. **Delink –** the poor won’t be able to afford these innovations.
			3. **Delink –** these innovations will be made for those who have the most money.
			4. **Delink –** Even if they aren’t for wealthy people, a lot of the most profitable innovations are small, meaningless changes that don’t significantly improve peoples’ lives.

### A2: Sanitation

1. This was primarily historically true because of inventions like garbage trucks or indoor plumbing, but any further advances would be very marginal.
2. **Delink –** these advances in sanitation aren’t accessible to the poor.
3. **Link turn –** Consumption increases, which produces more waste.

This outweighs on scope.

1. **Government funding turns case –** need someone to enforce sanitation laws.
2. **Safety net programs (medicare, for instance) outweighs –** to some extent, disease is unavoidable, no matter how sanitary you are. Having access to medical care is a long term solution to this problem.

### A2: Small Businesses

1. Delink. We’ve been prioritizing growth since 2008 recession but there’s no small businesses. **Long of CNN[[21]](#footnote-21)** reports that small business and startup creation is at a 40 year low and there’s been a decline in entrepreneurship. She cites a rapid increase in large corporations, excess regulation, and big company research- none of which they solve for.
2. **Turn. Stiglitz of The Nation[[22]](#footnote-22)** writes that monopolies have seen an increase in market power due to the current evolution of our economy, growth in current industries, and the economic growth causing a shift in services. Voting for them perpetuates the cycle where small business are limited and monopolies capitalize on our growth driven system to take over.

#### A2: Tax Cuts

1. Delink impact to tax cuts. **White of Bangor News**[[23]](#footnote-23) finds that only 4% of tax benefits go to the bottom 2/3rds of business owners because wealth is concentrated at the top. This is also a turn as **White** furthers that cuts help larger corporations save much more money than small businesses, widening the competition gap even more because large companies grow even faster.

### A2: Raises Wages

1. Make them prove what number and who’s wages are increasing. For example, if the wages of the top 5% increase a bit there’s no true impact. No clarity of impact on the argument.
2. Delink. Their numbers are skewed- wage growth is not impacted with prioritization.
	1. **Samuelson of The Washington Post[[24]](#footnote-24)** explains that wage gains only match inflation- which means there is no net change. This is why he concludes wage growth for 99 percent of the population is stagnating and has worsened inequality.
	2. Kline of US News reports that the average workers have the same purchasing power as in the 1970s- literally there has been no impact to current growth because the average American is not any richer that they were.

#### Tax cut impact

* + - 1. Delink as **Smith of Bloomberg[[25]](#footnote-25)** explains that even after Trump’s tax cuts, there was no increase in wages for American workers. If anything, turn it- Smith finds that average hourly wages fell after the tax reform was passed.

## A2: Debt Doesn’t Matter

### A2: We can always borrow

1. We’re running out of places to borrow from. **Davies of US News[[26]](#footnote-26)** finds the 4 areas where we get our debt from
	1. Foreign investors-**Davies[[27]](#footnote-27)** finds that they have slowed the growth in their lending from over 20 percent per year in the early 2000s to less than 3 percent per year today and that there is every indication that their willingness to lend will continue to wane
	2. Domestic investors- **Davies[[28]](#footnote-28)** continues that Since 2001 and excluding the recession years, American investors have been lending the federal government an average of 2 percent less each year.
	3. Social Security- **Davies[[29]](#footnote-29)** explains that for the first time since the program was established, the Social Security trust fund where we borrow money from will generate a deficit due to there being more retirees than active workers.
	4. Federal Reserve- **Davies[[30]](#footnote-30)** writes that since trust funds and foreign investors fail to cover debt, the federal reserve is forced to cover for the debt, which causes inflation to rise as the Fed needs to print more money to cover the debt.
2. **Roach of time[[31]](#footnote-31)** finds that ever since the 2008 recession, china has begun to be more fiscally conservative and has since bought less and less American debt.
3. **Turn- Goodkind of Newsweek[[32]](#footnote-32)** explains that Foreign investment in U.S. debt is currently at its lowest point since November 2016 and has been decreasing steadily since 2008, when foreigners owned about 55 percent of American debt. She continues that 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”. She concludes that this pattern of investment slows growth. **The Congressional Budget office[[33]](#footnote-33)** thus concludesthat each dollar of additional federal debt crowds out about a third of a dollar’s worth of private domestic capital.

### A2: Congress will always raise the ceiling

* 1. PoliticsDemocrats and Republicans would call each other out for skyrocketing debt which causes each party to lose political capital- something they won’t sacrifice. In fact, **Gookind[[34]](#footnote-34)** finds that as we cannot borrow foreign money, we will turn to the treasury and diverge more money, slowing economic growth- either way, they lose something.
	2. **Populism. Deist of The Mises Institute writes that as banking alternatives grow and there is a proliferation of media, the state loses control on the narrative over the deficit- which will make politicians who want votes eventually stop skyrocketing debt.**

## A2: Policy Tradeoff

**\*REALIZE you have to reduce the debt at some point in time. That’s really important, as The CBO ’18[[35]](#footnote-35) finds that waiting just 10 years to start making the needed adjustments would mean 1.5 x the cutting necessary. We need to do this at some point, to make sure it is as painless as possible, affirm now\***

### A2: sequestration general

1. Incredibly unlikely. [**Sheshgreen 18 of US News**](https://www.usatoday.com/story/news/politics/2018/01/08/why-congress-cant-agree-how-fund-government/1011848001/) explains that Congress can never agree on budget reforms which is why they are never able to devise long term budgetary solutions.
2. TURN: Aff is a prerequisite [**Amedeo 18**](https://www.thebalance.com/current-u-s-federal-government-spending-3305763)of the Balance explains that interest rates on the national debt are one of the fastest growing expenses, which is why the[**New York Times**](https://www.nytimes.com/2018/09/25/business/economy/us-government-debt-interest.html) in 2018 conclude that the increase in interest payments will force the U.S to cut spending in the future.
3. We’re gonna have to do it anyways. **Heather Long 18’[[36]](#footnote-36)** explains that the by 2028 the public debt will be the highest held by the public since WWII and there will come a point where the US will be forced to deal with the issue. This becomes a bigger problem when you vote for neg since Long continues that the bigger the deficit is the, the more draconian measures that will have to be employed to fix the issue. The **CBO[[37]](#footnote-37)** does the weighing for you by finding that the longer we defer deficit reduction the greater the policy changes that will be employed and the bigger the economic impact, rather by acting now you cause less pervasive effects and more time to recover.

### A2: Bailouts

**1. Delink- We wouldn’t be prioritizing the debt forever that doesn’t make sense**

**2. CX- We act as the prerequisite through our subpoint A. We show you that unless you start prioritizing reducing the debt right now, you will not have the ability to provide a variety of stimulus packages. They’re trying to make the argument specifically about this one form of government intervention, but we’d argue you should look to overall flexibility**

**3. Delink- Even if they have the stimulus, politicians will not use it, as Roseberg ’18 of the FT[[38]](#footnote-38) finds that high debt levels make policymakers reluctant to take action because they do not want political blowback.**

Even if you don’t buy all of that, we’re still a pre-req

1. If you prioritize reducing federal debt you get rid of the deficit which means more financial flexibility to have bailouts. **The World Bank** writes that With high debt levels, the room for fiscal maneuver is constrained by the mood of the international bond markets.
2. **Feldstein 2018 of Harvard[[39]](#footnote-39)** explains that stimulus spending is only economically beneficial if it is associated with lower levels of debt because of the low levels of interest rates.

### A2: Social Spending

1. **Wasson[[40]](#footnote-40) of Bloomberg News** writes the House democrats will not want to cut healthcare, and knowing this, Republican Senate leadership has no plans to do so.
2. **Debt crowds out.**

#### No Probability[[41]](#footnote-41)

1. **McBride ‘18** finds that entitlement welfare programs are mandatory spending programs, not discretionary spending like the military, which can’t be cut unless Congress passes laws.

2. Democrats are in control of the House - favor increasing taxes, despise welfare cuts

3. **Scott ‘17** explains that only 15% of Republicans want to cut Medicare and only 10% want to cut Social Security, which is why Thrush ‘18 explains there is disunion among Republican congresspeople themselves in cutting welfare.

4. **Horowitz ‘18** explains that even by cutting welfare programs to the bear-bone, debt will still reach 111% of GDP in a few years, and government welafre spending has been decreasing due to falling birthrates

### A2: Foreign Aid

#### Delinks

1. Delink. No chance of cuts as **Francis of Foreign Policy[[42]](#footnote-42)** reports that 6 pieces of aid legislation have passed, providing aid for things like water, energy, and food sustainability, and the measures are extremely bipartisan- won’t sacrifice political capital among public and politicians just to make a small change to debt which is why Trump’s promised aid cuts haven’t happened.
2. **Delink –** **Simmons of the LA Times[[43]](#footnote-43)** finds in 2017 that foreign aid is actually just a drop in the bucket. Does absolutely little to reduce the deficit.
3. **Campbell ‘18[[44]](#footnote-44)** explains Trump has recently reversed his sentiment and now supports foreign aid, proposing to increase it through the BUILD act.
4. **Zengerle ‘18[[45]](#footnote-45)** Trump has backed off his plans to cut foreign aid facing pushback from congress people on both sides of the aisle
5. **Ferrarello ‘17[[46]](#footnote-46)** explains that 75% of Americans support foreign aid programs - political suicide to cut
6. **McBride ‘18[[47]](#footnote-47)** explains that U.S foreign aid accounts for only 1.2% of the total federal budget - cutting won’t alleviate the trillion dollar budget.

#### turns

1. **Turn:** Foreign aid is often given to corrupt governments**.** **Daniel Langenkemp of Fletcher School of Law & Diplomacy[[48]](#footnote-48)** explains in 2002 that foreign aid often feeds into the exploitative processes that assist corrupt officials, who escalate social tensions and make poor policy decisions.
2. Turn. **Gryting of the Global Anticorruption Blog in 2017[[49]](#footnote-49)** explains that 76% of current foreign aid goes to corrupt nations. That’s bad because **Murray of the Policy Center for Policy Analysis[[50]](#footnote-50)** in 2013 explains that additional revenue to corrupt nations worsens the conditions of their people and turns into a backdoor source funding for the arms trade.
3. Turn. **Layton of Brigham Young University[[51]](#footnote-51)** in 2008 explains that after controlling for all other factors increases with foreign aid is associated with income inequality, because foreign aid mostly helps the rich rather than the poor.
4. Turn. **Rajan of the National Bureau of Economic Research[[52]](#footnote-52)** in 2005 finds in a empirical analysis that an increase of aid of 1% of GDP decreases economic growth by 0.1% per year. Prefer this evidence over our opponents because it checks for long term growth, while theirs only looks at short term growth.
5. **TURN: Jakob Svensson of The Journal of International Economics in 2000[[53]](#footnote-53)** finds that There is a counterbalancing effect, for every 2% increase in foreign aid corruption increase by almost 1%. We would contend that this prevents legitimate development because the money will be fundamentally mismanaged.
6. Conflict. **Nunn of Harvard[[54]](#footnote-54)** quantifies that increasing aid by 10 percent increases the incidence of conflict by 4 percent.
7. Corruption**. Ear of The World Economic Forum[[55]](#footnote-55)** continues that aid instills a sense of lethargy amongst government officials that promotes corrupt or inefficient uses of money.

### A2: Infrastructure

1. Delink impact**. Plumer of Vox[[56]](#footnote-56)** writes the USFG has thrown mass amounts of funding towards infrastructure improvements. For instance, Obama invested $500 billion, yet infrastructure conditions continue deteriorating. The problem is that most of the funding ends up misdirected towards areas which don’t improve conditions. For instance, the SGA found most states generally spend federal dollars towards building new roads and highways rather than fixing the deteriorating ones.
2. **Delink. They need to prove the Trump infrastructure bill will pass, and political gridlock is too high for this to happen.**
	1. **Trump wants funding[[57]](#footnote-57)** for the wall while the **GCR**[[58]](#footnote-58) writes Democrats want climate change issues to pass the bill- there are too many polarizing issues which is why the bill has not moved for a while.
	2. **Yglesias of Vox News[[59]](#footnote-59)** explains that Democrats want the plan paid by rolling back Trump’s tax cuts which he doesn’t want- means they are stuck and bill will not pass.
	3. **Bacon of FiveThirtyEight[[60]](#footnote-60)** writes that Democrats want to send funding to cities while Republicans want to send to areas and send less money- there is no agreement on how to build the bill reducing the chance to pass.
	4. Puts Democrats in double bind- they are appeasing Republicans and that doesn’t pander to their general voter base- Democrats pick loyalty over one policy because they’d rather preserve the larger amount of voters who dislike Trump as opposed to ones demanding refurbished infrastructure.
	5. All of this is why **The wall street journal[[61]](#footnote-61)** from a couple weeks ago says that a resolution is not going to happen- concludes measures mean there will be gridlock.

#### A2: Education Infrastructure

**1. Delink- Camera ’18 of US News[[62]](#footnote-62)** finds current infrastructure plans do not include any funding to modernize facilities at schools which are the major thing in disrepair right now

#### A2: Jobs

**1. Mitigate- Greg ’18 of the Wash Po[[63]](#footnote-63)** explains most hired workers on federal construction jobs come from existing projects, this not actually increasing employment.

**3. Helping Disadvantaged - Bivens ’14 of Economic Policy[[64]](#footnote-64)** finds only 10% of construction jobs go to low income populations

**4. Turn- Lin ’14 of UPenn[[65]](#footnote-65)** finds that 14 to 34 percent of infrastructure jobs exist in the unregulated sector, or the relatively unregulated portion of the economy characterized by less job security and fewer social benefits. This is problematic, as important as **Bacchetta ’09 of the WTO[[66]](#footnote-66)** finds that a 3 percent increase in the informal sector increases income inequality by 8 percent

**5. Turn- Smith ’13 of the Center for Poverty Research[[67]](#footnote-67) analyzes low wage workers in construction and finds that its difficult hours and dangerous conditions prevent those employed from learning new skills and obtaining better jobs, functioning as a poverty trap**

#### A2: P3’s

1. **Garvin of Virginia Tech[[68]](#footnote-68)** finds that even though P3s may appear low cost, they require expensive user fees, which is the only way that governments can convince private companies to get on board. This is critical, as **Slyke of Syracuse University[[69]](#footnote-69)** explains in 2017 that governments are weighed down by a lack of knowledge and bureaucracy and corporations are greedy, forcing bad deals that place massive financial burdens on federal budgets.

### A2: education

1. **Lips 09[[70]](#footnote-70)** indicates that overall, we should not focus on education spending for 2 reasons:
	1. Empirically, it does not improve academic improvements as we have seen a 138% increase in spending, we have not seen similar increases in test scores, and that at the state and district levels the same trend occurs.
	2. We have never seen a real long-term impact of education spending as with the Head Start program starting in 1965 there has been no evidence to suggest that there have been long-lasting improvements for students.
2. De-link any probability because Trump will never increase education spending **Bendrix** **17[[71]](#footnote-71)** explains that Trump has already proposed major education budget cuts, slashing the budget by more than 13%.

### AT: military spending

1. **Turn: Spending on the military hurts the economy.** ***Dale Bremmer of the Rose-Hulman Institute of Technology*** explains in 1998 that **a 1% increase of GDP being spent on the military results in a 1.3% decrease in economic growth.[[72]](#footnote-72)**
2. **Turn: Jobs created by military spending are harmful to the US economy. *Paul Waldman* [[73]](#footnote-73)finds that** after taking into account the high costs of weapon systems that must be bought to support jobs, the average job created by defense spending requires $8 million dollars to support.
3. Delink**. Kheel ‘18 of the Hill[[74]](#footnote-74)** finds that congress has decided not to cut military spending, so because congress decides all budgets it’s not going to be cut.
4. **Turn.** Excess military spending hurts diplomacy. [Armitage of the CSIS](https://epdf.tips/toward-a-new-public-diplomacy-redirecting-us-foreign-policy-global-public-diplom.html) finds that the US over-relies on hard power because it is the most direct and visible source of American power, while deprioritizing soft power. This is detrimental as [Regan of Binghamton University](https://www.jstor.org/stable/27638519?seq=1#metadata_info_tab_contents) finds that diplomatic measures decrease the duration of conflict by 76%.

### At: green tech

1. [**Worland ‘18 of Time Magazine**](http://time.com/5128572/donald-trump-clean-energy-research/) reports that Trump wants to cut clean energy research by 72%.

## A2: Misc

### A2: Japan Example

**1. Turn- According to VDC Research ’15[[75]](#footnote-75)**, the government is devaluing the currency right now due to debt and **Scutt ’18 of BI[[76]](#footnote-76)** furthers that this has led to a 0.5% decrease in wages in the past year

## A2: Squo advocacies

### AT: Tax Cuts

1. Make them prove that this implementation is the most likely form a tax cut and it will continue- we debate real life policymaking. Two reasons why no more tax cuts will happen.
	1. **Foran of CNN[[77]](#footnote-77)** explains there is no legislation for a tax cut which is why Trump’s own economist says cuts will not surface for a while.
	2. **Cohen of The New York Times[[78]](#footnote-78)** explains that House Democrats will block Republicans from temporary tax cuts, and current cuts are temporary
2. Turn. [**Tax Policy Center**](https://www.taxpolicycenter.org/briefing-book/what-paygo) - (PAYGO law) Tax cuts must be offset by cutting programs**.** [**The Hill ‘18**](https://thehill.com/policy/finance/393028-house-gop-2019-budget-calls-for-deep-medicare-medicaid-spending-cuts) **thus finds that** GOP already discussing massive cuts from healthcare programs, which have become themost likely place to make massive cuts. Right now uncertain, but would most certainly cut if austerity measures became mandatory.
3. **Tannenwald of the Center on Budget and Policy Priorities[[79]](#footnote-79)** explains in 2010 that money freed up by tax cuts means cutting government programs, which
	1. lays off public employees, which spills over to the private sector, and
	2. reduces demand since now people have less money overall (e.g. cutting welfare).

Which is why he concludes that cutting taxes would be at best a net zero, if not a net negative impact on growth and poverty.

1. Turn it. Tax cuts damage the economy. Two warrants why.
	1. **The CFRB[[80]](#footnote-80)** finds that because tax cuts crowd out private investment, in the long term they reduce gross national product by 11%.
	2. **Kern of US News[[81]](#footnote-81)** posits that tax cuts overheat the U.S. economy as interest rates rise and thus increase the chance of inflation and a recession, slowing long term growth.
2. [**Fisher ‘17 of Politico**](https://www.politico.com/interactives/2017/gop-tax-rate-cut-wealthy/)finds historically tax cuts have exclusively only helped the rich, and has had little impact on the poor, thus increasing income inequality.

### AT: R&D

1. **Gordon of Northwestern University[[82]](#footnote-82)** explains in 2016 that research and development is already well funded by the venture capital industry.
2. **Weighing – Gordon** furthers that, as we’ve already developed all the low-hanging fruit innovations that would lead to big increases in life expectancy (like the personal computer, phone, etc.), this research and development most likely wouldn’t make a large impact on the American people.

## AT: developing world

1. We’d contend that this just creates dependency

### At: dollarization good

1. [**Honohon of the IMF in 2003**](https://www.imf.org/en/Publications/WP/Issues/2016/12/30/Dollarization-of-the-Banking-System-Good-or-Bad-16613) explains that dollarization limits the economy’s ability to respond to cope with shocks because it it introduces new financial vulnerabilities, which is why financial instability is higher in dollarized economies.

### AT: Link: FDI

1. **Local Businesses DA –** FDI shuts down local businesses. **Baker of the Economic Policy Institute 2013[[83]](#footnote-83)** explains that the inflow of FDI causes prices to fall and discourages local entrepreneurs or business owners from entering the market. **Baker** concludes that a 10% increase in FDI inflow results in a 7% increase in failing domestic firms.

Outweighs on timeframe – even if the economy does well in the short term, in the long term FDI just encourages monopolies and discourages social mobility.

### AT: Link: Trade

1. **Fletcher of the Huffington Post[[84]](#footnote-84)** explains in 2011 that free trade only benefits those nations who are able to be competitive in the “ruthless global market”, which is why **developing nations structurally cannot benefit**.

2. **Local Business** **DA – Fletcher[[85]](#footnote-85)** explains that local businesses get shut down by imports.

Outweigh on severity – this is a way stronger link into the average person than just “there are more goods in the developing world”

1. Helen Edwards, xx-xx-xxxx, "The Fed won’t save us during the next recession," Quartz, <https://qz.com/1216187/the-fed-wont-be-able-to-save-us-during-the-next-recession/>

**Historically, the Fed has had to drop rates by 5-6 percentage points during recessions**; it cut rates by 6 points in 1990, 5.25 points in 2005, and 5.25 points—down all the way to zero—during the Great Recession of 2008.Historically, the Fed has had to drop rates by 5-6 percentage points during recessions; it cut rates by 6 points in 1990, 5.25 points in 2005, and 5.25 points—down all the way to zero—during the Great Recession of 2008. **With rates forecast (**[**by the Fed itself**](https://fred.stlouisfed.org/series/FEDTARMD)**) to only go as high as 3.1% by 2020, there’s not much scope to stimulate the markets by cutting them significantly if another recession was around the corner. And many economists do expect a recession soon—**[**as early as next year**](https://www.guggenheiminvestments.com/perspectives/macroeconomic-research/forecasting-the-next-recession)**or**[**2020**](https://www.cnbc.com/2018/01/23/economy-and-interest-rates-eiu-predicts-next-us-recession.html)**.** [↑](#footnote-ref-1)
2. Jesse Colombo, xx-xx-xxxx, "How Interest Rate Hikes Will Trigger The Next Financial Crisis," Forbes, <https://www.forbes.com/sites/jessecolombo/2018/09/27/how-interest-rate-hikes-will-trigger-the-next-financial-crisis/#3c97147c6717>

**All of the modern interest rate hike cycles we have examined resulted in recessions or financial crisis, and the current one will be no different**. **This time around, it will be the "Everything Bubble" that bursts. "Everything Bubble” is a term that I’ve coined to describe a dangerous bubble that has been inflating in a wide variety of countries, industries, and assets** – please [visit my website](http://www.thebubblebubble.com/) to learn more. After nearly a decade of ultra-low interest rates, the U.S. and global economy are saturated with bubbles and other distortions that will only be revealed by rising interest rates. Because of our record debt burden, interest rates do not have to rise nearly as high as in prior cycles to cause a recession or financial crisis this time around. [↑](#footnote-ref-2)
3. ####  Miles

<https://www.jstor.org/stable/pdf/24888718.pdf?refreqid=excelsior%3Aecc61ba6bc5ba5acf4243c3933932fc8>

Given the importance of housing to the economy, the search for culprits is understandable, as it would be desirable to lessen the volatility of home prices and activity. While many have blamed Fed policies, my results suggest that **long term interest rates have a larger impact on house prices than the FFR, and that the impact of the FFR has fallen into irrelevance in recent years**. Similarly, with residential investment, while FFR still retains some significance, the predictive power of the mortgage rate is much larger in magnitude than in the past. **The results may not completely exonerate the Fed, nor do they imply no role for some of the other suggested roots of the crisis such as lax regulation, rating agency malfeasance, etc. However, they stand in contrast to some previous research, which attributes too much guilt to monetary policy and not enough to global financial markets, which have kept the cost of borrowing at very low levels.** [↑](#footnote-ref-3)
4. Teresa Ghilarducci, 09/23/2018, "Why We Should Control The Federal Debt Before The Next Recession," Forbes, https://www.forbes.com/sites/teresaghilarducci/2018/09/23/why-we-should-control-the-federal-debt-before-the-next-recession/#c2253afd33bd

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. [↑](#footnote-ref-4)
5. TheHill, 4-9-2018, ["GOP tax law will add $1.9 trillion to debt: CBO," https://thehill.com/policy/finance/382319-gop-tax-law-will-add-19-trillion-to-debt-cbo, DOA: 12-12-2018] // ZWS

**The GOP's signature tax law is projected to increase the national debt by $1.9 trillion between 2018 and 2028, according to a new report by the Congressional Budget Office (CBO).** According to the report, the tax law would cost the government $2.3 trillion in revenues, but economic growth would offset that figure by about $461 billion. At 11 years, the report covers a slightly longer time period than the usual 10-year projections, but even accounting for just the first decade, the figure remains around $1.9 trillion. Some Republicans argued vociferously during the tax debate that tax cuts in the bill would pay for themselves, with Treasury Secretary [Steven Mnuchin](https://thehill.com/people/steven-mnuchin) going so far as to say that they would ultimately reduce the national debt and deficits [↑](#footnote-ref-5)
6. ####  CRFB

<http://www.crfb.org/blogs/we-can-grow-our-way-out-debt>

Because faster growth results in both higher revenue and spending, a substantial acceleration in growth would be necessary to put the debt on a downward path. Assuming this growth came from higher productivity, it would need to be nearly twice the levels projected simply to stabilize the debt somewhat below current levels, based on rough CRFB calculations. **To put the debt on a downward path to reach its historical average by 2040, productivity would need to be three times as high as projected**. In other words, for growth alone to solve the debt, the country would need sustained annual productivity growth between 2.5 and 4 percent. By comparison, the historical record for any 25-year period since 1950 is 1.9 percent. [↑](#footnote-ref-6)
7. Shawn **Tully**, 3-15-**2018**, "How Debt Could Blow Up the Trump Economy," **Fortune**, http://fortune.com/2018/03/15/us-national-debt-trump-tax-cuts/

Fueling the giddiness is the President’s signature legislative achievement: the Tax Cuts and Jobs Act, which slashed rates for corporations from 35% to 21%. The new law is a runaway hit with business leaders. Companies as varied as American Airlines (AAL, -1.48%), Walmart (WMT, +0.30%), and Verizon (VZ, +0.26%) predict that the measure will swell their earnings for years to come, and marquee CEOs from JPMorgan Chase’s (JPM, -0.03%) Jamie Dimon to Boeing’s (BA, -0.32%) Dennis Muilenburg laud it as a powerful tonic for American competitiveness. The looming profit surge has prompted more than 200 Fortune 500 companies to raise their minimum pay (U.S. Bancorp, Humana), issue one-time bonuses to employees (Home Depot, Walt Disney), or both. Trump’s heady economic potion, however, is masking misguided policies that could leave those same businesses with a severe hangover from today’s celebration. The U.S. government’s huge and growing budget deficits have become gargantuan enough to threaten the great American growth machine. And Trump’s policies to date—a combination of deep tax cuts and sharp spending increases—are shortening the fuse on that fiscal time bomb, by dramatically widening the already unsustainable gap between revenues and outlays. On our current course, we’re headed for a morass of punitive taxes, puny growth, and stagnant incomes for workers—a future that’s the precise opposite of what Trump champions. **By 2028, America’s government debt burden could explode from this year’s $15.5 trillion to a staggering $33 trillion—more than 20% bigger than it would have been had Trump’s agenda not passed.** At that point, interest payments would absorb more than $1 in $5 of federal revenue, crippling the government’s ­capacity to bolster the economy, and constraining the private sector too. Contrary to the claims of the President and his supporters, the U.S. can’t grow fast enough to shed this burden; indeed, Trump’s agenda on immigration and trade looks likely to stunt that growth. (More on that later.) “This is almost like climate change,” says Mark Zandi, chief economist at Moody’s Analytics. “It doesn’t do you in this year, or next year, but you’ll see the ill effects in a day of reckoning.” ILLUSTRATION BY NIGEL BUCHANAN In the absence of decisive, quick action to tackle this slow-motion crisis, the best-case scenario for the next few years is that America becomes a much riskier place to do business. **A high debt load will limit our flexibility to keep the economy on an even course. “Countries with high debt don’t respond aggressively to downturns,” says Harvard economist Kenneth Rogoff. If the U.S. slips into recession, we’ll lack the option of lowering taxes or increasing spending on infrastructure, for example, as tools to revive growth. And as the debt load grows, efforts by the Federal Reserve to stimulate the economy with lower rates would be more likely to feed runaway inflation. “Then, investors will dump Treasuries,” says John Cochrane, an economist at the Hoover Institution. “That will drive rates far higher, and make the budget picture even worse.”** For now Washington is neglecting the coming crunch, and that should make business leaders plenty worried, says David Cote, the recently retired CEO of Honeywell (HON, +0.60%). In 2010, Cote served on the Simpson-Bowles Commission, an 18-member group charged with finding ways to put America on a sustainable fiscal path. Though the commission’s platform died in part because of disagreements among its members, it drew praise for its balanced approach to raising revenues and reforming Medicare and Social Security. Cote says that even though the problem is far more dire today, policymakers are digging a deeper hole. “We made a grand, bipartisan bargain in Simpson-Bowles to reform entitlements and raise taxes,” Cote tells Fortune, noting that prior to the Great Recession, the ratio of debt to GDP was 35%. This winter, with debt more than twice as high, marvels Cote, “President Trump and Congress agreed to reduce taxes and raise spending. I’m afraid that people are just giving up.” [↑](#footnote-ref-7)
8. ####  Kenton

<https://www.investopedia.com/terms/c/crowdingouteffect.asp>

**The crowding out effect is an economic theory arguing that rising public sector spending drives down** or even eliminates **private sector spending.**

**One of the most common forms of crowding out takes place when a large government, like that of the United States, increases its borrowing. The sheer scale of this borrowing can lead to substantial rises in the real interest rate, which has the effect of absorbing the economy's lending capacity and of discouraging businesses from making capital investments**. Because firms often fund such projects in part or entirely through financing, they are now discouraged from doing so because the opportunity cost of borrowing money has risen, making traditionally profitable projects funded through loans cost-prohibitive. [↑](#footnote-ref-8)
9. ####  Huntley

<http://cbo.gov/sites/default/files/cbofiles/attachments/45140-NSPDI_workingPaper.pdf>

The Congressional Budget Office’s analyses of the long-term effects of changes in federal fiscal policy include the effects of changes in federal budget deficits on aggregate output and income. Those effects depend on the responses of private saving and net inflows of foreign capital to changes in deficits. This paper reviews empirical estimates of those two effects and explains how changes in private saving and net inflows of foreign capital can offset some of the effects of changes in deficits on national saving and private domestic investment. In its analyses, CBO uses a range of estimates to reflect the high degree of uncertainty surrounding the magnitude of those offsets. On the basis of results published in the empirical literature, CBO concludes that **for each dollar’s increase in the federal deficit**, **the effect on investment** ranges from a decrease of 15 cents to a **decrease of 50 cents**, with a central estimate of a decrease of 33 cents. [↑](#footnote-ref-9)
10. ####  Russo

<http://group30.org/images/uploads/publications/G30_2008FinancialCrisisAftermathDebtChallenge.pdf>

In addition, despite some progress in reducing their leverage, U.S. households continue to struggle with significantly higher-than-average debt loads.62 When considered in light of the high levels of negative home equity63 and a still high unemployment rate that U.S. homeowners continue to struggle with, it is not surprising that the United States continues to experience residential foreclosures at rates far higher than the historical average. Because **70 percent of the nation’s economy is driven by domestic consumption**, these factors also raise questions about the ultimate sustainability of the U.S. recovery [↑](#footnote-ref-10)
11. ####  Bixby

<https://www.brookings.edu/wp-content/uploads/2016/07/Bixby-MacGuineas_FINAL.pdf>

The currently projected path of fiscal imbalance not only threatens the health of the economy, it also places ever-tighter constraints on the ability of future generations to determine their own priorities or to meet challenges that cannot be foreseen. In the extreme case, failure to get the national debt under control could also eventually cause a crisis where investors are no longer willing to loan money to the government at affordable rates. By contrast, addressing deficits now can be a source of strength even if implemented gradually. According to a CBO analysis, **a responsible deficit reduction plan could boost per-person economic growth by as much as $6,000** after 25 years, in today’s dollars, and could be phased in to avoid slowing the economic recovery. [↑](#footnote-ref-11)
12. Alexander ‘12

Dr. Samuel, lecturer at the Office for Environmental Problems @ the University of Melbourne in Australia and founder of the Simplicity Collective, “The Sufficiency Economy: Envisioning A Prosperous Way Down”, http://simplicityinstitute.org/wp-content/uploads/2011/04/TheSufficiencyEconomy3.pdf

2.2.PovertyamidstPlenty¶ The fact that the global economy is already in ecological overshoot is even more¶ challenging when we bear in mind that in **the poorest parts of the world** today great¶ multitudes **are living lives oppressed by extreme poverty** (World Bank, 2009). The¶ global challenge, therefore, in terms of humanitarian justice and ecological¶ sustainability, can be stated as follows: **The human community must find a way to raise¶ the material standards of living of the worlds poorest people**–who surely have a right¶ to develop their economic capacities in some form– **while at the same time reducing¶ humanity’s overall ecological footprint**(Meadowsetal,2004:p.xv). What is clear is that¶ **the current tickle down approach to poverty alleviation is neither working nor¶ ecologically sustainable**, as evidenced by **a report from the New Economics Foundation**¶ (WoodardandSimms,2006).This study **shows that between 1990 and 2001,**for every¶ $100 of growth in the worlds average in come per capita, merely $0.60 contributed to¶ reducing poverty below the $1 per day line. **This means that to achieve $1 of poverty¶ reduction at that ratio, an extra $166 of global production and consumption is required.¶** Not only do **these figures** expose global growth as an extremely inefficient means of¶ Reducing poverty, it also **impli**es **that the amount of growth needed to alleviate poverty¶ would be**, without question, **environmentally unsupportable.** Accordingly, **we must find¶ ¶ a new path to poverty alleviation beyond the conventional development agenda, one¶ based on equitable distribution and new structures, not limitless growth.** [↑](#footnote-ref-12)
13. **Riley**, G. *Economic Growth - Disadvantages | tutor2u Economics*. (**2018**). *tutor2u*. Retrieved 4 December 2018, from <https://www.tutor2u.net/economics/reference/economic-growth-disadvantages> // ZS
Economic Growth and Income and Wealth Inequality: **Not all of the benefits of growth are evenly distributed. A rise in real GDP can often be accompanied by widening income and wealth inequality in society that is reflected in an increase in relative poverty.** The Gini coefficient is one way to measure the inequalities in the distribution of income and wealth in different countries. The higher the value for the Gini co-efficient (the maximum value is 1), then greater the inequality. Countries such as Japan, Denmark and Sweden typically have low values for the Gini coefficients whereas African and South American countries have an enormous gulf between the incomes of the richest and the poorest elements of the population. **A frequently quoted example of the impact on inequality of rapid growth is China. Between 1990 and 2012, China experienced an annual GDP growth rate of 10.2%. During the same period, inequality increased more than 1.6% per year as measured by the Gini coefficient,** making it among the highest in developing Asia. **One of the key reasons** for high levels of structural inequality in China **is the urban-rural divide.** In common with many developing countries, China has a dual economic structure made up of an urban economy based on modern manufacturing and services, and rural areas dominated by more traditional but less productive agriculture. According to a report published in 2013 by the Asian Development Bank, the urban-rural divide now contributes nearly half (about 45%) of China’s overall income inequality. **Inequality has also risen in India – again against a background of sustained growth - India enjoyed strong GDP growth between 1990 and 2012—averaging 6.6% annually. But there was also increase in inequality, with the Gini coefficient rising from 32.5 in 1993 to 37 in 2010**. [↑](#footnote-ref-13)
14. **NYT 2012** (October 16, “Income Inequality May Take Toll on Growth” <http://www.nytimes.com/2012/10/17/business/economy/income-inequality-may-take-toll-on-growth.html?pagewanted=all&_r=0&pagewanted=print>)

Income inequality has soared to the highest levels since the Great Depression, and the recession has done little to reverse the trend, with the top 1 percent of earners taking 93 percent of the income gains in the first full year of the recovery.¶ The yawning gap between the haves and the have-nots — and the political questions that gap has raised about the plight of the middle class — has given rise to anti-Wall Street sentiment and animated the presidential campaign. Now, **a growing body of economic research suggests that it** might mean lower levels of economic growth and slower job creation in the years ahead, as well.¶ “Growth becomes more fragile” in countries with high levels of inequality like the United States, said Jonathan D. Ostry of the International Monetary Fund, whose research suggests that the widening disparity since the 1980s might shorten the nation’s economic expansions by as much as a third.¶ Reducing inequality and bolstering growth, in the long run, might be “two sides of the same coin,” research published last year by the I.M.F. concluded.¶ Since the 1980s, rich households in the United States have earned a larger and larger share of overall income. The 1 percent earns about one-sixth of all income and the top 10 percent about half, according to statistics compiled by the respected economists Emmanuel Saez of the University of California, Berkeley and Thomas Piketty of the Paris School of Economics.¶ For years, economists have thought of such inequality in part as a side effect of policies that fostered the country’s economic dynamism — its tax preferences for investment income, for instance. And organizations like the World Bank and the I.M.F., which is based in Washington, have generally not tackled inequality in the world head on.¶ But economists’ thinking has changed sharply in recent years. The Organization for Economic Cooperation and Development this year warned about the “negative consequences” of the country’s high levels of pay inequality, and suggested an aggressive series of changes to tax and spending programs to tackle it.¶ The I.M.F. has cautioned the United States, too. “Some dismiss inequality and focus instead on overall growth — arguing, in effect, that a rising tide lifts all boats,” a commentary by fund economists said. “When a handful of yachts become ocean liners while the rest remain lowly canoes, something is seriously amiss.”¶ The concentration of income in the hands of the rich might not just mean a more unequal society, economists believe. It might mean less stable economic expansions and sluggish growth.¶ **That is the conclusion drawn by two economists** at the fund, Mr. Ostry and Andrew G. Berg. They found that in rich countries and poor, inequality strongly correlated with shorter spells of economic expansion and thus less growth over time.¶ And inequality seems to have a stronger effect on growth than several other factors, including foreign investment, trade openness, exchange rate competitiveness and the strength of political institutions.¶ For developing economies, the channels through which inequality might drag down growth seem clear. **Inequality might foster political instability and lead to violence and economic destruction,** for instance, a theme that fits for Arab Spring countries, like Egypt and Syria. [↑](#footnote-ref-14)
15. Markus Brueckner(Australian National University) and Daniel Lederman (World Bank), World Bank Publications, September 2017, ["Inequality and GDP per capita: The Role of Initial Income," http://pubdocs.worldbank.org/en/755201504498011731/pdf/inequality-and-growth-3-september-2017.pdf, DOA: 1-23-2018] // ATA
Estimates of the panel model show that differences in initial incomes have a substantial effect on the relationship between income inequality and GDP per capita. At an initial income of 1000USD (below which countries are classified according to the World Bank as Low Income Countries) the predicted effect of a 1 percentage point increase in the Gini coefficient on the longrun level of GDP per capita is around 4 percent. At an initial income of 12000USD (above which countries are classified according to the World Bank as High Income Countries) a 1 percentage point increase in inequality decreases the long-run level of GDP per capita by around 6 percent. The estimates from the model thus show that in Low Income Countries income inequality is positively correlated with transitional GDP per capita growth; in High Income Countries income inequality and growth are negatively correlated. [↑](#footnote-ref-15)
16. Robert **Breunig** - Omer **Majeed**, x-xx-**2016**, "Inequality, Poverty and Economic Growth," **Crawford School of Public Policy Australian National University**, <https://crawford.anu.edu.au/files/uploads/crawford01_cap_anu_edu_au/2017-07/inequality.pdf>

Recent research has re-focused attention on the impact of income inequality on economic growth. In this paper, we expand upon this by asking whether inequality and poverty, separately or jointly, impact economic growth. We focus on extreme, absolute poverty as measured by two or three dollars per day income. Inequality has been hypothesized to negatively affect growth through several channels. Researchers have argued that inequality may result in under-investment in education, health and physical capital leading to lower growth. Such under-investment seems to us to be a result of a lack of resources, rather than inequality, per se. This argues for looking at **poverty** as an additional channel which **may hinder economic growth Poverty and inequality may also interact to have a negative impact on growth.** As Stiglitz (2013) and others have argued, inequality can undermine the institutions that spread well-being to all members of society. **Economic growth regressions which control for average incomes and inequality, but not for poverty, may fail to capture disadvantage that harms growth.** By adding information about poverty, we also control for the concentration of disadvantage in the population. The effect of poverty might be distinct from and in addition to effects from low average incomes and inequality. Ravallion (2001) examines the micro data and shows that the inequality, growth and poverty relationship is quite complicated. Although we use macro data, we are in part taking up his call for for deeper empirical work on growth and distributional change. Empirically, we ask two simple questions: is the negative relationship between income inequality and economic growth robust to the inclusion of poverty as an explanatory variable for economic growth? And, is the relationship between inequality and economic growth related to the level of poverty? [↑](#footnote-ref-16)
17. Linda **Gorman**, xx-xx-xxxx, "Why Poverty Persists," **National Bureau of Economic Research**, <https://www.nber.org/digest/jun06/w11681.html>

Over the past 45 years, **the United States has experienced an ever-growing standard of living, with real GDP per capita more than doubling between 1959 and 2004**. In contrast, **living standards among some populations in the United States seem to have stagnated. Between 1970 and 2003 the non-elderly poverty rate rose from 10.7 to 12.8** percent. This is in spite of dramatic increases in female labor force participation and overall education levels, and an almost 50 percent increase in cash and in-kind welfare spending per capita. **All of these factors should have put substantial downward pressure on poverty rates in the United States, yet they have remained relatively stable.** In Poverty in America: Trends and Explanations (NBER Working Paper No. 11681), co-authors Hilary Hoynes, Marianne Page, and Ann Stevens seek to understand why this is the case. They examine post-war trends in American poverty, the work habits and family structures of the non-elderly poor, an d the likely effects of immigration, and they attempt to estimate the effects of the various government programs designed to alleviate poverty. The authors first review some basic facts about the nature of poverty in the United States: according to the March Current Population Surveys, poverty rates are generally higher among children than among adults. In 2003, children were approximately 29 percent of the non-elderly population but they constituted 40 percent of the non-elderly poor; 17.6 percent of all children lived in households with incomes below the poverty line. Overall, only 7 percent of those living in households headed by a married individual were poor, whereas households with an unmarried head and children present -- 83 percent of which were headed by women -- had poverty rates of 40.3 percent. Likewise, the probability of being poor varies tremendously by race: blacks and Hispanics are much more likely to be poor than whites, even though most of the poor are white. The persistence of poverty also depends strongly on individual and family characteristics. Among those beginning a spell of poverty, about 83 percent of white children living in two-parent households headed by someone with at least a high school education will escape long-term poverty. In contrast, only 10 percent of poor black children in a household headed by a single woman without a high school diploma will avoid it. To explore the determinants of trends in poverty, the authors use data on state poverty rates over the period 1967-2003. Possible explanations for changes in poverty include: changes in labor market opportunities, female labor force participation, family structure, and government assistance for the poor, and immigration. Hoynes and her co-authors show that labor market opportunities are the major determinant of poverty. Specifically, they find that the unemployment rate, median wages, and wage inequality in the lower half of the wage distribution all are significant determinants of poverty rates. **Overall, increasing the unemployment rate by 1 percentage point increases the poverty rate by 0.4 to 0.7 percentage points. Increasing the median wage by 10 percent decreases the poverty rate by about 2 percentage points.** Increasing the ratio of the median wage to the average weekly wage in the 20 percentile of the wage distribution (a measure of inequality) by 10 percent increases the poverty rate by roughly 2.5 percentage points. [↑](#footnote-ref-17)
18. Graeme Maxton, 4-1-2015, "Economic growth doesn't create jobs, it destroys them", Guardian, https://www.theguardian.com/sustainable-business/2015/apr/21/jobs-economic-growth-inequality-environment-club-of-rome // ZS
The way the current economic system is designed, it does the opposite. The constant drive to increase productivity, which is what economic growth really is, requires manufacturers to steadily reduce input costs. Economic growth destroys jobs. Before the 1980s this didn’t matter much, because many new manufacturing businesses were established to soak up a rising working population. Since then, though, this has not happened – growth has increased the number of people without jobs, certainly in the rich world. Before the 1980s this didn’t matter much, because many new manufacturing businesses were established to soak up a rising working population. Since then, though, this has not happened – growth has increased the number of people without jobs, certainly in the rich world. In the last 35 years, the world has experienced the fastest economic growth in human history. Yet, according to the Organisation for Economic Co-operation and Development (OECD), unemployment went up. Even extreme policy tools introduced since 2007, such as ultra-low interest rates and quantitative easing, have not achieved much. We were told that these would generate faster economic growth, yet growth has remained weak and unemployment is still higher than it was three decades ago**.** [↑](#footnote-ref-18)
19. https://steadystate.org/full-employment-versus-jobless-growth/

Traditional stimulus policies do little to reduce unemployment, for several reasons. First, the jobs that workers would have gone back to have largely been off-shored as employers sought cheap foreign labor. Second, cheap foreign labor by way of illegal immigration seems to have been welcomed by domestic employers trying to fill the remaining jobs at home. Third, jobs have been “outsourced” to automation — to robots in the factory and to the consumer, who is now her own checkout clerk, travel agent, baggage handler, bank teller, gas station attendant, etc. And fourth, quantitative easing has kept interest rates low and bond prices high to the benefit of banks’ balance sheets more than employment. The public benefits from lower mortgage rates, but loses more from reduced interest earnings on savings, which does not help employment. [↑](#footnote-ref-19)
20. Max Ehrenfreund [Reporter for the Washington Post], 3-26-2015, https://www.washingtonpost.com/news/wonk/wp/2015/03/26/wonkbook-how-welfare-encourages-people-to-start-businesses/?utm\_term=.afba4ed754f5 // ZS
The "safety net" is a phrase that you hear a lot in politics, but most people probably don't encounter real safety nets often in their daily lives, so maybe it's worth remembering what they're used for: allowing people to do things that would otherwise be too risky. The governmental safety net works the same way, as [Walter Frick](http://www.theatlantic.com/politics/archive/2015/03/welfare-makes-america-more-entrepreneurial/388598/) reports in The Atlantic: One way to get more people to start companies, according to a growing body of research, is to expand the welfare state ... Entrepreneurs are actually more likely than other Americans to receive public benefits, after accounting for income, as Harvard Business School’s Gareth Olds has documented. And in many cases, expanding benefit programs helps spur new business creation. Take food stamps. Conservatives have long argued that they breed dependence on government. In a 2014 paper, Olds examined the link between entrepreneurship and food stamps, and found that the expansion of the program in some states in the early 2000s increased the chance that newly eligible households would own an incorporated business by 16 percent. (Incorporated firms are a better proxy for job-creating startups than unincorporated ones.) Interestingly, most of these new entrepreneurs didn’t actually enroll in the food stamp program. It seems that expanding the availability of food stamps increased business formation by making it less risky for entrepreneurs to strike out on their own. Simply knowing that they could fall back on food stamps if their venture failed was enough to make them more likely to take risks. Food stamps are not an isolated case... [↑](#footnote-ref-20)
21. **Long**, Heather. “U.S. Startups near a 40-Year Low.” **CNNMoney**, Cable News Network, 8 Sept. **2016**, money.cnn.com/2016/09/08/news/economy/us-startups-near-40-year-low/index.html.

**New business creation in the U.S.** (a fancy way of saying "**startups**") **is at nearly a 40-year low.** Only 452,835 firms were born in 2014, according to the most recent U.S. Census data released in the past week. That's well below the 500,000 to 600,000 new companies that were started in the U.S. every year from the late 1970s to the mid- 2000s. "**There's been a long-term decline in entrepreneurship**," says Arnobio Morelix, a senior research analyst at the Kauffman Foundation, which tracks startups. The Great Recession was a great killer for startups. Americans didn't start new businesses because few had the money or the guts to do it in those gloomy days. But the **expectation** was **that America's great entrepreneurial spirit would rush back as the economy recovered**. So far, that **hasn't happened** [↑](#footnote-ref-21)
22. **Stiglitz**, Joseph E. “America Has a Monopoly Problem-and It's Huge.” The **Nation**, 26 Oct. **2017**, www.thenation.com/article/america-has-a-monopoly-problem-and-its-huge/.

I attributed much of the increase in inequality to this redistribution from workers and ordinary savers to the owners of these oligopolies and **monopolies**. I explained the multiple sources of this **increase in market power.** Some of it might have been a **natural result of the evolution of our economy, growth in industries with what economists call network externalities, which might lead to natural monopolies; some was the result of a shift in demand to local services, segments of the economy** where local market power, based on differential information was more significant. But much of it was based on changing the implicit rules of the game—new antitrust standards that made the creation, abuse, and leveraging of market power easier—and the failure of antitrust standards to keep up with the changing evolution of the economy. That was why two years ago, the Roosevelt Institute called for Rewriting the Rules of the American Economy, and over the past two years has amplified this message, especially as it relates to market power. [↑](#footnote-ref-22)
23. **White**, Gale. “More Tax Cuts for the Wealthy Don't Help Small-Business Owners like Me.” **Bangor Daily News**, Bangor Daily News, 25 Oct. **2018**, bangordailynews.com/2018/10/25/opinion/contributors/more-tax-cuts-for-the-wealthy-dont-help-small-business-owners-like-me/.

The “small business” part of the new bill’s title refers to a 20 percent deduction that certain types of businesses can deduct from their income before figuring their taxes. This deduction was passed as part of last year’s tax bill, but the new bill would make it permanent. Even though the bill’s authors claim this provision is aimed at Main Street, its real benefactors are more frequently found on Wall Street. The nonpartisan Joint Committee on Taxation estimates that, by 2024, **61 percent of the tax benefits from this “pass-through” business income tax cut will go the wealthiest 1 percent of business owners, while just 4 percent will go to the bottom two-thirds. That’s because pass-through business income is highly concentrated in the hands of just a few tycoons** — people like Donald Trump, for instance, whose business empire consists of 500 such businesse

Along with huge “small businesses,” **huge corporations were the big winners from last year’s tax bill. They got hundreds of billions of dollars in tax cuts, but instead of sharing the wealth with workers or investing in local communities — as we were promised they would — they’re directing their tax savings into the pockets of CEOs** and wealthy shareholders. American corporations are on track to announce record amounts of stock buybacks this year — nearly $750 billion worth has been authorized since the tax law was enacted. Stock buybacks artificially inflate stock prices, further enriching shareholders and leading to bigger pay packages for CEOs. Proponents promised that last year’s tax cut would “pay for itself” through greater economic growth. The sad fact is it will instead balloon the national debt by $1.9 trillion within a decade. The new round of tax cuts the GOP Congress just voted for will dig us even deeper into debt, to the tune of at least $3 trillion over the next 20 years, including $132 million for the top 1 percent of earners in Maine. So what does this new **tax bill** mean for small businesses like mine? It **makes it harder for us to compete with the large corporations and out-of-state chains receiving massive tax breaks**. It means a disinvestment in our communities and in our customer base. It will cause even deeper cuts already proposed by Republicans to Medicare, Medicaid, education, food and rental assistance, giving consumers less money to spend at local businesses for groceries, haircuts, dining out and, yes, beer. [↑](#footnote-ref-23)
24. [↑](#footnote-ref-24)
25. **Smith**, Noah. “Trump’s Tax Cut Hasn’t Done Anything for Workers.” Bloomberg.com, **Bloomberg**, 18 July **2018**, www.bloomberg.com/opinion/articles/2018-07-18/trump-s-tax-cut-hasn-t-done-anything-for-workers.

But it’s also important to evaluate policies like Trump’s tax reform as quickly as possible. Not only is this critical for deciding whether to change course, but as more time goes on, the effects of a policy can become harder to assess. Two years from now, plenty of other things will have had time to affect the economy, including **Trump’s** trade war and natural economic forces. And now that the **tax cut has been in effect for a half-year, the results are starting to trickle in. First, the tax reform hasn’t yet resulted in appreciably higher wages for American workers. Real average hourly compensation actually fell** in the first quarter **after the tax reform was passed:** [↑](#footnote-ref-25)
26. [https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money](https://www.google.com/url?q=https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money&sa=D&ust=1546231521930000&usg=AFQjCNFSObCgJF4x8Iva6Q60ucvuzoAmkw)

The federal government has borrowed so much that there are few places left on the planet where it can borrow more. Take a look at who has loaned the most money to the U.S. government. At the top of the list are the Social Security, Medicare and various federal pension trust funds. For decades, these trust funds have collected more money than they have paid out to retirees – in total, over $5 trillion more. But every time the trust funds generated surpluses, the federal government would borrow and spend them. That makes American retirees the government's largest creditor.

The second largest creditor, the Federal Reserve, owns a bit less than $3 trillion of the government's debt. Foreign governments own $4 trillion of the government's debt. Foreign people and corporations own another $2 trillion. American citizens, companies, and local and state governments own the remaining $6 trillion.

Of these four groups – foreigners, Americans, the Federal Reserve and the trust funds – three have been cutting back on their lending to the federal government for some time.

Since 2000, the federal debt has grown at an average annual rate of 8.2 percent. (6.7 percent excluding the Great Recession years). That's about twice the average annual rate at which the economy has grown. Over just the past eight years, the federal debt has doubled from $10 trillion to just shy of $20 trillion. But while the government has been steadily borrowing more, lenders have been steadily lending less. [↑](#footnote-ref-26)
27. [https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money](https://www.google.com/url?q=https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money&sa=D&ust=1546231521935000&usg=AFQjCNFu6H7PMdl_86FdhPcxOMIhcnn_Sw)

Foreign investors have slowed the growth in their lending from over 20 percent per year in the early 2000s to less than 3 percent per year today. Foreign investors are no longer interested in loaning our government seemingly limitless amounts of money. And there is every indication that their willingness to lend will continue to wane. [↑](#footnote-ref-27)
28. [https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money](https://www.google.com/url?q=https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money&sa=D&ust=1546231521955000&usg=AFQjCNHEU0hWwQnSTmey1dsd5z7qOP90Yg)

Before the Great Recession, American investors were lending the federal government 10 percent less each year. The uncertainty of the recession caused a flight back to the perceived safety of Treasury bonds, but that quickly dissipated. Since 2001 and excluding the recession years, American investors have been lending the federal government an average of 2 percent less each year. [↑](#footnote-ref-28)
29. [https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money](https://www.google.com/url?q=https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money&sa=D&ust=1546231521945000&usg=AFQjCNHFaVQ-RaD6zX-JSoRsSd7UJQypGA)

Things are even more dire with Social Security. This year, for the first time since the program was established, the Social Security trust fund will generate a deficit – it will pay retirees more money than it collects from workers. For 80 years, the federal government borrowed Social Security surpluses to fund its profligate spending. Unless Congress overhauls Social Security, the program will never again generate a surplus for the government to borrow. In fact, the situation will reverse because the government must now start paying back to Social Security those trillions of dollars it borrowed. Growth in lending from the trust funds has slowed from 10 percent per year in the early 2000s to 4 percent today, and is projected to head into the negative numbers as early as this year. There is simply no money left there for the government to borrow. [↑](#footnote-ref-29)
30. [https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money](https://www.google.com/url?q=https://www.usnews.com/opinion/economic-intelligence/articles/2017-01-04/the-us-is-running-out-of-sources-for-borrowing-money&sa=D&ust=1546231521950000&usg=AFQjCNEP_UuUV7uzrKi_DF8iEjIY2KAkWg)

The answer is the Federal Reserve. Prior to the Great Recession, the Fed was increasing its annual lending to the US government by almost 6 percent per year. The Fed then dramatically increased its lending during the recession – that's what all the "quantitative easing" talk was about. On average, since 2001, the Fed has increased its lending to the federal government by over 11 percent annually. [↑](#footnote-ref-30)
31. [http://content.time.com/time/specials/packages/article/0,28804,2086781\_2086783\_2086787,00.html](https://www.google.com/url?q=http://content.time.com/time/specials/packages/article/0,28804,2086781_2086783_2086787,00.html&sa=D&ust=1546231521905000&usg=AFQjCNGJqEYb7JvFVaXUa8sp-vuucWN1ew)

 The excesses of bubble-dependent American consumers provided high-octane fuel for China's export machine. As export-led Chinese growth surged, so did its saving surplus. China recycled that surplus back to the U.S. in order to keep America's consumption bonanza alive. It bought dollars — especially Treasuries — enabling the U.S. to keep spending and sustain itself despite an ever greater shortfall in savings. China, the lender, was seemingly the perfect match for America, the debtor. The imbalances in both economies fed on each other.

But then the music stopped. For China, the fiscal crisis and Great Recession offered a wake-up call, a signal to rebalance and move away from unsustainable external demand toward untapped internal consumption. Such efforts now appear to be under way. And that's where it comes full circle. China, the world's biggest surplus saver, gets it. It will now save less and consume more. Conversely, the U.S., with the world's biggest savings deficit, doesn't get it. At least that's the message to take from the disappointing outcome of the debt-ceiling debate.

Tough questions face us in America. Absent China as a buyer of Treasuries, who will step up and fill the void? And on what terms? That latter point is key. With increasingly skittish foreign lenders now likely to require concessions in the form of a weaker dollar and higher U.S. interest rates, there will be new pressures on U.S. inflation and growth.

 [↑](#footnote-ref-31)
32. [https://www.newsweek.com/trump-tax-cuts-debt-china-907763](https://www.google.com/url?q=https://www.newsweek.com/trump-tax-cuts-debt-china-907763&sa=D&ust=1546231521915000&usg=AFQjCNHcC0y_By_pLbIqjlnxbFar5QH-Ug)
The Treasury announced Monday that it had racked up a record amount of debt in the first three months of 2018, borrowing about $488 billion, or $47 billion more than initial estimates. But as the U.S. takes on these unprecedented levels of debt during economic boom times, a potential crisis looms: Foreign investment in U.S. debt is currently at its lowest point since November 2016 and has been decreasing steadily since 2008, when foreigners owned about 55 percent of American debt.

Foreign ownership of federal debt is essential to the country’s economic well-being, said Andrea Dicenso, a portfolio manager and strategist at Loomis, Sayles & Co. “We cannot exist at these growth rates with these deficit projections without foreign participation,” she told The Wall Street Journal.
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.” [↑](#footnote-ref-32)
33. As for the long-term situation, CBO said its basic assumption is that each dollar of additional federal debt crowds out about a third of a dollar’s worth of private domestic capital.[https://www.washingtontimes.com/news/2011/nov/22/cbo-stimulus-hurts-economy-long-run/](https://www.google.com/url?q=https://www.washingtontimes.com/news/2011/nov/22/cbo-stimulus-hurts-economy-long-run/&sa=D&ust=1546232315284000&usg=AFQjCNEvpX1uW3yaBRAg7HoFRl_nqq8WeQ) [↑](#footnote-ref-33)
34. **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.

America is taking on record amounts of debt to pay for tax cuts and spending increases, but foreign investors, who **currently hold about 43 percent of government debt**, are getting skittish about purchasing it. The Treasury announced Monday that it had racked up a record amount of debt in the first three months of 2018, borrowing about $488 billion, or $47 billion more than initial estimates. But as the U.S. takes on these unprecedented levels of debt during economic boom times, a potential crisis looms**: Foreign investment in U.S. debt is currently at its lowest point** since November 2016 and **has been decreasing steadily since 2008, when foreigners owned about 55 percent of American debt. Foreign ownership of federal debt is essential to the country’s economic well-being**, said Andrea Dicenso, a portfolio manager and strategist at Loomis, Sayles & Co. “We cannot exist at these growth rates with these deficit projections without foreign participation,” she told The Wall Street Journal.

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35. **CBO**, xx-xx-xxxx, "," No Publication, http://www.crfb.org/sites/default/files/2018\_Long\_Term\_Budget\_Outlook.pdf

Major Trust Funds Are Headed Toward Insolvency. CBO projects the Highway, PBGC Multi-Employer, Social Security Disability Insurance, Social Security OldAge and Survivors Insurance, and Medicare Hospital Insurance trust funds will all be exhausted by 2032 without action to stabilize their finances. • Fixing the Debt Will Get Harder the Longer Policymakers Wait. **Delaying necessary deficit reduction will mean larger spending cuts and tax increases concentrated on fewer people.** **CBO estimates the size of the needed adjustment would grow by half if policymakers waited just ten years to take action.** [↑](#footnote-ref-35)
36. Heather Long, Washington Post, 2018, ["Analysis," https://www.washingtonpost.com/news/wonk/wp/2018/04/09/why-americas-return-to-1-trillion-deficits-is-a-big-problem-for-you/, DOA: 11-24-2018] // ZWS

What it means for you. To underscore how large the debt is getting, **the CBO notes that by 2028, the debt held by the public will be at the highest level (as a percent of the U.S. economy) since World War II. A day of reckoning is likely to come at some point where the United States will have to raise taxes or cut benefits and programs that many people have come to rely on — or some combination of both**. Many Americans under 50 are likely to face some pain from this, and the under-35 population will likely be especially hard-pressed to pay more to the government while getting back far less than their parents and grandparents did. **Spending on everything from Social Security to roads, research and schools could potentially decline.** How worried should I be? **The U.S. government hasn’t tested that level of debt — where debt held by the public equals the entire size of the U.S. economy — in the modern era. That’s why so many economists, from the left and right, have been warning Congress and the White House to act now before it gets that bad.** “**The bigger the debt, the bigger the chances of a fiscal crisis,**” CBO Director Keith Hall said Monday. “When do you start to fix a thing like this? **The longer you wait, the more draconian the measures have to be to fix the problem. That’s the biggest warning.” One of the places the U.S. government typically looks at first to cut back on is so-called “discretionary spending,” which means spending on education, housing for the poor, veterans benefits, scientific research, roads and bridges and other infrastructure**, etc. **The problem is that the CBO forecasts that, a decade from now, America’s interest payments alone will exceed discretionary spending on all nonmilitary items combined. That means it’s going to be harder and harder to find money in the budget to cut because the government can’t stop paying interest** (unless it wants to default, which would likely trigger even worse economic consequences). [↑](#footnote-ref-36)
37. CBO, 2013, ["The Economic Benefits of Deficit Reduction," http://www.crfb.org/blogs/economic-benefits-deficit-reduction, DOA: 11-24-2018] // ZWS

The CBO's report illustrates the importance of [not waiting](http://crfb.org/blogs/waiting-make-changes-not-answer) to enact a package of comprehensive deficit reduction in order to secure our fiscal future. **The economic benefit of deficit reduction when the economy has recovered is large, and conversely, the cost of waiting too long may be large as well**. **The report also shows**, to a lesser extent, **the importance of making those changes gradually so as to minimize the short-term harm.** The CBO sums up the lessons from the paper quite well, saying: **The longer that significant deficit reduction is deferred, the larger the government’s accumulated debt will be** (with its associated costs and risks), **and the greater the policy changes will need to be when deficit reduction begins**. **Conversely, the sooner that the deficit is cut, the more the economic effects will be felt when the economy is still relatively weak, and the less time that households, businesses, and state and local governments will have to plan and adjust their behavior**. [↑](#footnote-ref-37)
38. Yuval Rosenberg Follow, 1-24-2018, "Will the US Be Ready for the Next Economic Downturn?," Fiscal Times, http://www.thefiscaltimes.com/2018/01/24/Will-US-Be-Ready-Next-Economic-Downturn

**In principle, having a high debt-to-GDP ratio shouldn’t affect how policymakers respond to the next downturn,** Bernstein argues. High debt levels bring economic risks, he says, but “there’s no good economic rationale that should lead policymakers to throw less fiscal water on the fire with high vs. low debt ratios.” **But the politics and perceptions surrounding high debt levels make fiscal policymakers more reluctant to take action. “In my interpretation, it’s not that fiscal policy is less effective at high debt levels. It’s that policymakers simply won’t do much of it when they’re staring down debt-to-GDP levels well above average.”** [↑](#footnote-ref-38)
39. ####  Feldstein

Martin Feldstein, 2018, Professor of Economics at Harvard University and President Emeritus of the National Bureau of Economic Research, chaired President Ronald Reagan s Council of Economic Advisers, 1-26-2018, "The Heightened Risks of a US Downturn by Martin Feldstein," Project Syndicate, https://www.project-syndicate.org/commentary/us-recession-inadequate- stimulus-tools-by-martin-feldstein-2018-01

The US economy has experienced nine recessions during the last 50 years. What makes the current situation unusual and more worrying than in the past is the low level of short-term interest rates and the high (and rising) level of federal debt, which will limit policymakers' ability to provide the stimulus needed to counter a recession. CAMBRIDGE – The United States economy is roaring ahead, and above- trend GDP growth looks set to continue in 2018 and 2019. Although the expansion is in its ninth year, there is no sign of an imminent slump. The greatest risk to the economic expansion is the fragility of the financial sector. A decade of excessively low interest rates has pushed asset prices to extreme heights. The real yield on ten-year Treasury bonds is approximately zero. The price-earnings ratio of the S&P 500 share index is about 70% above its historic average. If these and other asset prices reverted to their historic benchmarks, investors would suffer losses in excess of $10 trillion, leading to declines in consumer spending and business investment. Economic activity could also slow as a result of international conflict in Korea, heightened trade disputes, or domestic political events in the US. Downturns are a normal feature of the US economy, which has experienced nine recessions during the last 50 years. What makes the current situation unusual and more worrying than in the past is the low level of short-term interest rates, which limits the ability of the US Federal Reserve to bring monetary policy to bear in countering the next recession. The Fed traditionally responds to a downturn by sharply reducing the short-term federal funds rate. During the most recent downturn, the Fed lowered the benchmark rate from over 5% in July 2007 to just 0.16% in December 2008, a total reduction of more than five percentage points. At only 1.4% now, the Fed has little scope for a significant rate reduction. At its meeting in December, the Federal Open Market Committee s median forecast for the federal funds rate at the end of 2019 was still a very low 2.9%. To stimulate demand in the last downturn, the Fed also practiced what it called unconventional monetary policy, promising to keep short rates low for a long time and buying long-term bonds for its own portfolio. This strategy was aimed at keeping long-term interest rates low enough to boost demand for equities and real estate, and thereby increase wealth and spending. It is not clear that this strategy would provide the hoped-for stimulus as long as real interest rates remain low. The responsibility for stimulating the economy in the next downturn will therefore fall to fiscal policy – changes in taxes and government spending. A new temporary tax cut would not work. Experience shows that a temporary cut in personal income taxes would provide very little stimulus, because most taxpayers would use the resulting extra net income to pay down debt or increase their savings, rather than spending more. But the 2017 tax law provides an opportunity for a permanent tax cut by preserving the cuts that are now scheduled to expire in 2025. The Republicans who designed and voted for the 2017 law expected to extend those cuts beyond 2025 in subsequent legislation. An economic downturn in the next few years would be a good time to make the cuts permanent. The other way to reverse an economic downturn would be to increase government spending. There is now widespread bipartisan support for increased spending on infrastructure of all kinds, just as there was in the 2007 downturn. Although the Obama administration spoke about shovel ready projects when promoting its putative stimulus legislation, the reality was that very little of the money was spent on infrastructure, owing to the long delays involved in implementing such projects. The US Congress and the White House should begin now to develop an inventory of infrastructure projects that could be implemented when the economy slows. If there is no downturn during the next several years, it would still be desirable to start some of those projects. Another form of spending to stimulate the economy would be increased outlays for defense. Because of the sequester rule in the Budget Control Act of 2011, the level of defense outlays is required to decline from 4.3% of GDP in 2012 to just 2.8% of GDP in 2023, the lowest GDP share since World War II. Defense experts agree that this level is far too low for America s defense needs. An increase in outlays to 4% or more of GDP would be a significant source of increased overall demand and a crucial contribution to national security. The high level of the national debt – about 77% of GDP now and heading to 97% at the end of the next ten years – would create strong resistance to either tax cuts or increased spending. But a significant economic downturn with limited scope for Fed action would leave Congress with little choice. The need for a future fiscal stimulus makes it clear that the US needs to start now to develop a strategy for slowing the growth of the national debt. That is the only way to create enough room for the expansionary fiscal policy that the economy eventually will need. [↑](#footnote-ref-39)
40. https://www.bloomberg.com/news/articles/2018-11-07/mcconnell-ready-to-work-with-house-democrats-on-infrastructure

When Democrats take over the House in January, "it’s pretty obvious" they won’t be interested in the GOP goals of repealing Obamacare, the majority leader said, adding that there may be some bipartisan changes in health care. Regarding prescription drug prices, he said, "I can’t imagine that that won’t be on the agenda." McConnell said he doesn’t expect to seek cuts in entitlement programs amid Democratic opposition. [↑](#footnote-ref-40)
41. 1] Evan Horowitz 18, 1-11-2018, ”The GOP Plan To Overhaul Entitlements Misses The Real Problem,” FiveThirtyEight, h􏰀ps://fivethirtyeight.com/features/to-cut-the-debt- the-gop-should-focus-on-health-care-costs/

This is exactly what you see for Social Security. The CBO expects total Social Security spending to leap up over the next decade but then se􏰀le at just over 6 percent of the GDP, at which point it will cease to be a major contributor to rising entitlement spend- ing or growing debts. **Social Security is thus a minor player in our long-term budget drama; if you cut the program to the bone, shrinking future payouts so that they won’t add a penny to the deficit, the federal debt would still reach 111 percent of the GDP in 2047.4 Likewise, cuts to welfare and poverty-related entitlements like food stamps and unemployment insurance are unlikely to improve the debt forecast. In fact, spending on these entitlements has been dropping since the high-need years around the Great Recession and is expected to shrink further in the decades ahead — partly because pay- outs aren’t adjusted to keep up with economic growth, and partly because the birth rate has been falling and several programs are geared to families with children.5**

Thrush

<https://www.nytimes.com/2018/03/15/us/trumps-federal-benefits-employment.html>

**Disagreement among congressional Republicans over how to proceed**, Mr. Trump’s own ambivalence — and the absence of any proof that the approach will achieve its intended goal of reducing dependency on federal programs — **have resulted in a scattershot process that lacks the coherence and force of previous efforts at overhaul.**

The Economist<https://www.economist.com/democracy-in-america/2013/01/08/we-could-balance-the-budget-via-revenue-alone>

**In other words, by gradually increasing our total tax burden by 7% of GDP through 2023, we could balance the budget; we might eventually have to raise it by perhaps 10% of GDP. That would leave us with a much higher tax burden than we have now, but it would still be only 34% of GDP, as high as Britain's is today**. And that's assuming we don't change a penny of our wasteful spending habits on Medicare and defence.

Flickr, 12-20-2018, "How Trump's Budget Plans Affect the National Debt," Council on Foreign Relations, https://www.cfr.org/backgrounder/national-debt-dilemma

In 2018, the federal government spent $4.1 trillion while it took in just $3.3 trillion in revenue, leaving a budget deficit of [almost $800 billion](https://www.fiscal.treasury.gov/files/reports-statements/mts/mts0918.pdf) [PDF]. According to the Congressional Budget Office (CBO), a nonpartisan government agency, most of the federal budget goes toward entitlement programs, such as Social Security, Medicare, and Medicaid. **Unlike discretionary spending, which Congress must authorize each year through the appropriations process, entitlements are mandatory spending, which is automatic unless Congress alters the underlying legislation.** In the 2017 fiscal year, the most recent for which the CBO has provided its detailed breakdown, only thirty percent of federal spending went toward discretionary spending programs, with defense spending taking up roughly half that.

Eugene Scott, 12-27-2017, "Analysis," Washington Post, <https://www.washingtonpost.com/news/the-fix/wp/2017/12/27/most-americans-do-not-support-making-cuts-to-programs-for-people-with-low-incomes/>

Only 12 percent of American adults want to see President Trump and Congress decrease spending for Medicaid, according to a [survey conducted by the Kaiser Family Foundation](http://kff.org/health-reform/press-release/poll-majority-opposes-hard-ball-negotiating-tactics-to-replace-the-affordable-care-act-but-republicans-support-it/). Four in 10 preferred to increase Medicaid spending. And nearly half — 47 percent — want funding levels to remain the same**.Perhaps Senate Majority Leader Mitch McConnell (R-Ky.) knows this, which is why he** [**told**](https://www.washingtonpost.com/powerpost/mcconnell-entitlement-reform-is-a-non-starter-in-the-senate-in-2018/2017/12/21/2e5dcd12-e660-11e7-833f-155031558ff4_story.html?utm_term=.3c2fe55cde4b) **Axios that he “would not expect to see” welfare reform on the agenda for 2018.**

**“I think Democrats are not going to be interested in entitlement reform, so I would not expect to see that on the agenda. What the Democrats are willing to do is important because in the Senate, with rare exceptions like the tax bill, we have to have Democratic involvement,” McConnell said.**

**According to** [**data**](http://www.pewresearch.org/fact-tank/2017/05/26/few-americans-support-cuts-to-most-government-programs-including-medicaid/) **from the Pew Research Center, only 15 percent of Republicans support decreasing funding for Medicare, the federal health insurance program primarily for people 65 or older. And only 10 percent of Republicans support decreased funding for Social Security, an entitlement program primarily benefiting older Americans after retirement.**

Michael Collins,, 10-16-2018, "The national debt and the federal deficit are skyrocketing. How it affects you," USA TODAY, <https://www.usatoday.com/story/news/politics/2018/10/16/government-spending-how-rising-federal-debt-deficit-impact-americans/1589889002/> RGF

Government programs like food stamps or unemployment benefits that help the most vulnerable in society could face cuts if the government has less money to spend. **It also may be more difficult to prop up financially strapped programs, like** [**Medicare,**](https://www.usatoday.com/story/opinion/2018/08/15/national-debt-growing-social-security-medicare-entitlement-reform-column/914488002/)**which is projected to run out of money by 2026, and Social Security, which is expected to be insolvent by 2034, unless benefits are cut or other steps are taken to shore up the programs.** [↑](#footnote-ref-41)
42. **Francis**, David. “Will Foreign Aid Get Cut on Trump's Chopping Block?” **Foreign Policy**, Foreign Policy, 23 Nov. **2016**, foreignpolicy.com/2016/11/23/will-foreign-aid-get-cut-on-trumps-chopping-block/.

“In the last 18 months, **six pieces of bipartisan global development legislation have been passed,” said Schrayer, including backing for water projects, electricity for African states, global food security initiatives, transparency in aid, and women’s education efforts. “There is real bipartisan support for … global development, diplomacy, and foreign assistance,”** she said. During his time on the House Foreign Affairs committee, Vice President-elect Mike Pence pushed for U.S. programs to help stem the spread of HIV/AIDS, malaria, and tuberculosis. He said in 2008 that the United States had a “moral obligation to lead the world in confronting the pandemics of HIV/AIDS.” [↑](#footnote-ref-42)
43. 1. **Delink –** **Simmons of the LA Times** finds in 2017 that foreign aid is actually just a drop in the bucket.

Ann M. Simmons [], 5-11-2017, "U.S. foreign aid: A waste of money or a boost to world stability? Here are the facts", latimes, https://www.latimes.com/world/la-fg-global-aid-true-false-20170501-htmlstory.html // ZS
Slashing foreign aid would reduce the federal deficit by as much as 20%. False Experts say cutting the foreign aid budget, which currently amounts to $50.1 billion, would do very little to reduce the deficit, which in 2016 was $552 billion. [↑](#footnote-ref-43)
44. Campbell <https://www.cfr.org/blog/president-trump-embraces-foreign-aid-after-trying-gut-it>

**The Trump administration has apparently reversed its position on development assistance** and the use of soft power **in the developing world by signing the BUILD Act, and Africa is likely to be a major beneficiary.**

In its early days, the Trump administration’s rhetoric was hostile to the United States funding overseas economic development and skeptical of the benefits of soft power. It was also hostile to the Overseas Private Investment Corporation (OPIC), the U.S. government’s financial institution that seeks to mobilize private capital for development by providing low-interest loans and risk insurance. There were proposals for drastic cuts in the budgets of the USAID, OPIC, and for funding to UN humanitarian agencies across the board. Had they happened, it would have been a reversal of longstanding policies of Democratic and Republican administrations. Instead, those cuts were rejected by bipartisan Congressional opposition; appropriations remained at about the same level as during the Obama administration.

**Now the Trump administration has created a development assistance entity, the U.S. International Development Finance Corporation** (IDFC), with a budget of $60 billion. Unlike OPIC, IDFC will have the ability to make equity investments and to make loans in local currency, reducing investor currency exchange risk. [↑](#footnote-ref-44)
45. Patricia Zengerle, 8-28-2018, "Trump backs off plan to roll back foreign aid funding: officials," U.S., <https://www.reuters.com/article/us-usa-trump-aid/trump-backs-off-plan-to-roll-back-foreign-aid-funding-officials-idUSKCN1LD2E0>

WASHINGTON (Reuters) - **President Donald Trump’s administration backed off on Tuesday on plans to bypass Congress and roll back billions of dollars from the U.S. foreign aid budget after lawmakers pushed back, senators, congressional aides and U.S. officials said.**

Republican Senator Bob Corker, chairman of the Foreign Relations Committee, said cutting a relatively small amount of foreign aid funding made no sense from an administration planning huge spending increases.

He speculated that the White House hoped the suggestion would “rev up” its base before November’s congressional elections but realized pushing the scheme would make it hard to work with angry lawmakers.

**“I think they just kind of sat down and realized maybe that wasn’t so smart, and ... they were right,”** Corker told Reuters. [↑](#footnote-ref-45)
46. Molli Ferrarello, 7-27-2017, "What “America First” means for US foreign aid," Brookings, <https://www.brookings.edu/blog/brookings-now/2017/07/27/what-america-first-means-for-us-foreign-aid/>

Another myth is that foreign assistance is largely unpopular among Americans. Polling over the past 25 years reveals that up to 75 percent of Americans support foreign assistance programs. [↑](#footnote-ref-46)
47. James McBride, 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](https://fas.org/sgp/crs/row/R40213.pdf)[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.**

Patricia Zengerle, 8-28-2018, "Trump backs off plan to roll back foreign aid funding: officials," U.S., <https://www.reuters.com/article/us-usa-trump-aid/trump-backs-off-plan-to-roll-back-foreign-aid-funding-officials-idUSKCN1LD2E0>

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48. https://reliefweb.int/sites/reliefweb.int/files/resources/662033A2991D41C3C1257391004FA0C7-Full\_Report.pdf.pdf

 It is important to note that the criticisms leveled against humanitarian aid have also been aimed at development assistance. As Steven Knack, of the World Bank, Peter Uvin, and Mark The Aims and Impacts of Aid in Afghanistan Daniel Langenkamp 9 Duffield have noted, development aid can also feed into the exploitative processes that end up assisting corrupt local elites and harming vulnerable populations. As Uvin demonstrated in Rwanda, development aid can exacerbate social tensions, encourage bad policy making, make governments less accountable to voters, intensify competition for resources, and feed processes of structural violence in a country, ultimately empowering the very elites who benefit from exploiting marginalized segments of the country. (Langenkamp, 2002) [↑](#footnote-ref-48)
49. [https://globalanticorruptionblog.com/2017/01/13/the-aid-corruption-paradox-how-should-the-u-s-allocate-foreign-aid/](https://www.google.com/url?q=https://globalanticorruptionblog.com/2017/01/13/the-aid-corruption-paradox-how-should-the-u-s-allocate-foreign-aid/&sa=D&ust=1546231521848000&usg=AFQjCNH5CnB5_-wLLlKg9q-nQwh0unKYNQ)
Unfortunately, it seems that in practice, the U.S. does not balance necessity with efficacy, and instead prioritizes a third consideration: self-interest. Studies have found that less corrupt governments do not end up receiving more foreign aid. Even worse, a study by Easterly shows that the high percentage of corrupt countries that receive aid from the U.S. is not actually explained by the fact that these are the poorest countries. Easterly showed that 76% of the U.S.’s aid went to corrupt countries while only 29% of its aid went to the least developed countries. Perhaps some citizens may believe that the U.S.’s focus on self-interest is justified, preferring their tax dollars to have at least tangential benefits to Americans. [↑](#footnote-ref-49)
50. [http://www.ncpathinktank.org/pub/bg167](https://www.google.com/url?q=http://www.ncpathinktank.org/pub/bg167&sa=D&ust=1546231521854000&usg=AFQjCNHajWgpNNd9VBiOBgWGo0bZEX7Iuw)
There are also the costs from the redistribution of payments from the Authority to governments of developing countries. Many of these governments are less than savory, and traditional aid funds or revenues from existing natural resources are already being channeled into the pockets of the governing class and used to keep them in power. An additional revenue stream from the Authority would further cement their positions and worsen the condition of their peoples, further suppressing global growth. Add to this the aforementioned risk of allocating funds to separatist or terrorist organizations, which could turn the Authority into a backdoor source of funding for the arms trade. Thus, if the Authority works in the way it is constituted, it would represent a perverse cost to the poorest people in the world. [↑](#footnote-ref-50)
51. [https://scholarsarchive.byu.edu/cgi/viewcontent.cgi?article=1173&amp;context=sigma](https://www.google.com/url?q=https://scholarsarchive.byu.edu/cgi/viewcontent.cgi?article%3D1173%26amp;context%3Dsigma&sa=D&ust=1546231521861000&usg=AFQjCNEw9FsNUAEY_Bu2tfeXG3nOWA2PvA)
The newly developed database offoreign aid loans (PLAID) provides data on the independent variable, and the Gini coefficient is used as the measure of the dependent variable. In addition, we control for eight separate causes of income inequality. The study includes two panel datasets including 169 observations from twenty:four countries. To account for limitations in the DLS, we used a Feasible Generalized Least Squared (FGLS) model. The results suggest that a highly substantive relationship exists between foreign aid and inequality, although the efj(!Cts may be subject to endogeneity. Holding all things constant, this .finding shows that while aid may help the poor, it clearly benefits the rich more [↑](#footnote-ref-51)
52. [http://www.nber.org/papers/w11513.pdf](https://www.google.com/url?q=http://www.nber.org/papers/w11513.pdf&sa=D&ust=1546231521866000&usg=AFQjCNGJBf9VcXmiqKwKyr-MezzzhBTRHQ)
The results are quite clear. In all four cases, the estimated aid coefficient is negative, and statistically significant at conventional levels in three (1960-2000, 1970-2000, and 1980- 2000). The magnitude in these cases suggests that an increase in aid of 1 percentage point of GDP is correlated with lower long-run growth of approximately 0.1 percentage points per year. [↑](#footnote-ref-52)
53. https://projects.iq.harvard.edu/files/gov2126/files/1632.pdf

For the most fractionalized country (ethnic 5 0.93), a one standard deviation increase in predicted aid (2.0 percentage points) is associated with a 0.8 standard deviation increase in the corruption index (0.8 points). [↑](#footnote-ref-53)
54. [https://scholar.harvard.edu/files/nunn/files/faidconf\_20130806\_final\_0.pdf](https://www.google.com/url?q=https://scholar.harvard.edu/files/nunn/files/faidconf_20130806_final_0.pdf&sa=D&ust=1546231521871000&usg=AFQjCNEO6eXp1l-ebuth-yXwMmyBUD4qOw)

For a country that receives the sample mean quantity of US food aid of
approximately 27,610 MT ($7.6 million in 2008) and experiences the
mean incidence of conflict (17.6 percentage points), our estimates
imply that increasing food aid by 10 percent increases the incidence
of conflict by approximately 0.70 percentage points. This increase
equals approximately 4 percent of the mean incidence of conflict. [↑](#footnote-ref-54)
55. Ear, Sophal. “Does Foreign Aid Fuel Corruption?” World Economic Forum,
3 Dec. 2012, [www.weforum.org/agenda/2012/12/does-foreign-aid-fuel-corruption/](https://www.google.com/url?q=http://www.weforum.org/agenda/2012/12/does-foreign-aid-fuel-corruption/&sa=D&ust=1546231521891000&usg=AFQjCNFBIusLq4w4mIYvLu1frZVKSecACw)

Even debt forgiveness is bad for the economy in the long run since it
[aid] sends a signal to the government that borrowed money need not be
repaid. This in turn inculcates a sense of lethargy amongst government
officials that promotes corrupt or inefficient uses of money. If loans
have to be paid back, donors are likely to ask for a clear plan to
raise the money for repayments. Such a plan is likely to benefit the
long-term fiscal health of the country.

On the other hand, if one combined both current domestic revenues and
estimates of corruption, Cambodia would have the required resources to
develop on its own. However, it is likely that the steady influx of
aid is disrupting the relationship between citizens and the
administration. Using 2002-2010 data from the WDI, for every dollar
spent by the central government, more than 94 cents of net foreign aid
was received. Essentially, for every dollar the government spent, it
received almost one dollar. The motivation to independently develop is
lost. [↑](#footnote-ref-55)
56. Brad **Plumer**, 2-10-**2015**, "It doesn't matter how much we spend on infrastructure if it just gets wasted," **Vox**, https://www.vox.com/2015/2/10/8012211/infrastructure-crumbling-more-spending

By now it's become a cliche to say that America's infrastructure is in disrepair. Cue that famous stat about how 24 percent of bridges are either structurally deficient or obsolete. With that in mind, many **politicians argue that the US needs to spend a lot more money on transportation. President Obama has proposed $478 billion over six years to upgrade the nation's roads, bridges, transit, and freight — a big bump from current levels.** The American Society of Civil Engineers wants to go further, asking for $1.6 trillion between now and 2020. But in many ways, calls for more money misdiagnose the problem. **One reason America's transportation infrastructure is faltering is that the considerable amount of money we *do* spend is often misdirected — leading to bloated costs and excessive sprawl while doing little to alleviate traffic congestion or deterioration.** Over at Streetsblog, Angie Schmitt recently wrote an excellent piece on this theme titled "More Money Won’t Fix U.S. Infrastructure If We Don’t Change How It’s Spent." Her basic, crucial point is that **we don't pay nearly enough attention to where all this transportation money actually goes.** Take those "crumbling" roads and bridges we hear so much about. **Right now, the federal government kicks about $50 billion a year to state transportation agencies — with roughly 80 percent going toward roads and highways (another fifth goes to public transit).** Surely that should fix the problem? Except that, **historically, states have used the majority of their money to build brand-new roads and highways rather than fix their existing ones. Between 2009 and 2011, Smart Growth America found, states spent 55 percent of road funds on new construction — even though this represents just 1 percent of the overall system.** (The amounts vary by state: North Dakota tilts heavily toward repairs, whereas Mississippi mostly focused on new building.) The remaining 45 percent of funds went to fix the other 99 percent of roadways. If all these new roads were beneficial, that might make sense. But, as Schmitt points out, that's not always the case. One study by the Center for American Progress found that 50 percent of US roads don't even generate enough traffic to pay for themselves in gas taxes. With driving on the decline and the National Highway System reaching the end of its natural lifespan, there's a good argument for devoting more scarce resources to repairing the expensive and dilapidated system we already have. Back in 2011, UCLA economist Matthew Kahn and the University of Minnesota's David Levinson made the case that Congress should devote most or even all federal gas-tax revenue toward repairs (and set up a separate infrastructure bank for new projects). For starters, they note that the productivity gains from expanding the road system were huge back in the 1950s, but those returns have diminished over time. Meanwhile, there's a good economic case for focusing on repairs. Poor road conditions are a "significant factor" in one-third of all traffic fatalities and cause extra wear-and-tear on cars. What's more, because of how pavement deteriorates, it’s much cheaper to fix a road early on, when it’s still in "fair" condition, than when it drops down to "serious" condition:

Using third quarter numbers to illustrate, the added spending would have made the reported growth of 2.8% close to 3.3%. Putting that in perspective, the average nominal growth of the U.S. economy from 1980 until just before the last recession was 6.2%. Thus, new infrastructure spending would help, but it would not get us markedly closer to the average historical rate of growth. Bear in mind, too, that for **the economy to receive the full benefit of the $275 billion investment there can be no offsetting spending cuts in other areas.** For example, **cutting the entitlement programs to do more infrastructure spending would generate no additional economic growth.** [↑](#footnote-ref-56)
57. <https://www.abcactionnews.com/news/national-politics/president-trump-tweets-that-he-wont-sign-infrastructure-legislation-without-funding-for-wall> [↑](#footnote-ref-57)
58. <http://www.globalconstructionreview.com/news/democrats-wont-support-trumps-infrastructure-plan-/> [↑](#footnote-ref-58)
59. **Yglesias**, Matthew. “House Democrats Must Resist Trump's Infrastructure Trap.” **Vox**.com, Vox Media, 9 Nov. **2018**, www.vox.com/policy-and-politics/2018/11/9/18075086/house-democrats-trump-infrastructure-deal-trap.

At the moment, Senate **Democrats’ current negotiating posture is that they want a $1 trillion infrastructure plan paid for by rolling back Trump’s tax cuts. Trump obviously isn’t going to go for that,** but Democrats need to ask themselves what their response would be if he proposed doing the spending and just not offsetting it. [↑](#footnote-ref-59)
60. **Bacon** Jr., Perry. “Infrastructure Is A Political Opportunity For Trump That Will Likely Go To Waste.” **FiveThirtyEight**, FiveThirtyEight, 16 Jan. **2018**, fivethirtyeight.com/features/infrastructure-is-a-political-opportunity-for-trump-that-will-likely-go-to-waste/.

Here’s what is more likely to happen: **Republicans will come up with an infrastructure proposal opposed by nearly all Democrats and some very conservative House Republicans, and it will struggle to pass**. Why? For one, the GOP appears to have settled on an infrastructure vision that Democrats probably won’t like. Last year, Senate **Democrats proposed sending $1 trillion to states and cities over 10 years for projects like road building and improvements**, funded by increasing taxes on both wealthy people and corporations. **Republicans say they have a $1 trillion infrastructure plan, too. But they are coalescing around a plan that would provide $200 billion to localities over 10 years — much less than the Democratic proposal.** White House officials are hoping that those federal dollars inspire public-private partnerships and that eventually cities, states and businesses put up about $800 billion. Democrats say that states and cities don’t have enough money for that kind of spending. [↑](#footnote-ref-60)
61. <https://www.wsj.com/articles/you-call-that-infrastructure-11546560801>

his is political logrolling disguised as public necessity. Do Democrats think it’s what Mr. Trump has in mind when he imagines a bargain on infrastructure? Biofuel tax credits, charging stations for Teslas, and light-rail lines that probably will run mostly empty? This wish list illustrates the problem of trying to engineer a coast-to-coast construction spree from a city on the Potomac. Much of the money in the Democratic plan would be given out as grants. Many of the numbers appear to be made up almost at random: “$1 billion for Indian Irrigation projects.” (Why not $2 billion, or $500 million?) The proposal is also full of stipulations—on the share of subcontracts that must go to small companies (33%), the percentage of employees who must be “workers with disabilities” (14%), the importance of hiring “Women-Owned Businesses (WOBs),” and so forth. Bureaucratic friction like this burns taxpayer money, and the plan also mandates union prevailing wages, which raises costs. A real compromise on public works would leverage some taxpayer money to raise more private funds to build the most urgent projects while easing permitting rules and political red tape. **But since that isn’t what Democrats have in mind, the most likely outcome is that old Interstate 95 standby: gridlock** [↑](#footnote-ref-61)
62. **Lauren Camera**,, 2-12-2018, "Infrastructure Plan Includes Unrelated Higher Education Changes," US News &amp; World Report, <https://www.usnews.com/news/education-news/articles/2018-02-12/confusion-over-major-higher-education-changes-in-infrastructure-plan>

**Notably, Trump's plan does not include specific funding to**[**modernize facilities at K-12 schools**](https://www.usnews.com/news/the-report/articles/2018-01-31/infrastructure-spending-for-schools-if-history-repeats-itself-no)**, some of which have been making national headlines for their state of disrepair.** On the campaign trail, Trump had been steadfast in including funding to update school facilities in any infrastructure plan he put forth. [↑](#footnote-ref-62)
63. **Gregg, Aaron**. “While Federal Employment Shrinks in D.C., Government Contractors Are on a Hiring Spree.” *The Washington Post*, WP Company, 22 July 2018, www.washingtonpost.com/business/capitalbusiness/while-federal-employment-shrinks-in-dc-government-contractors-are-on-a-hiring-spree/2018/07/22/d80b03e4-8c45-11e8-a345-a1bf7847b375\_story.html?utm\_term=.590b85268525.

Dave Cerne, who runs the midsize government services contractor Acclaim Technical Services, said business has been booming. Cerne says his Reston-based company has hired about 40 people so far in 2018, **75 percent of them for new positions that opened up on existing government contracts**. “It’s a very healthy, robust market right now,” he said. The biggest thing holding him back from hiring even more people, Cerne says, is a slowdown in the process for clearing skilled workers to handle classified material, which has made it hard for contractors to staff certain projects. The number of people waiting for security clearances [swelled to 700,000](https://www.washingtonpost.com/business/economy/delays-in-federal-background-checks-leave-more-than-700000-people-in-limboas-backlog-grows-trump-administration-stops-reporting-numbers/2017/08/25/8a1bbab6-8921-11e7-a94f-3139abce39f5_story.html?utm_term=.a26b48ce64fa) last summer and has changed little in the year since, with many reviews taking a year or more. Contractors will usually hold off on bringing in new hires while they wait for otherwise-qualified candidates’ clearances to process rather than pay people for work they aren’t cleared for. [↑](#footnote-ref-63)
64. **Bivens 2014** [Josh Bivens, PhD in economics, director of research and policy at the Economic Policy Institute, published economist, “The Short- and Long-Term Impact of Infrastructure Investments on Employment and Economic Activity in the U.S. Economy”, *Economic Policy Institute*, <<http://www.epi.org/publication/impact-of-infrastructure-investments/>>] //CJC

Under all scenarios, jobs created are disproportionately male, Latino, and skewed away from younger workers. **Under scenario one, male employment accounts for 77 percent of all jobs created, while under scenario two it accounts for 80.4 percent of all jobs created, and under scenario three it accounts for 74.1 percent,** compared with an economy-wide average of 50.2 percent of all jobs being held by men. Under scenario one Latino employment accounts for 15.4 percent of all jobs created, while under scenario two it accounts for 16.2 percent of all jobs created, and under scenario three it accounts for 14.3 percent, compared with an economy-wide average of 12.3 percent. Under scenario one, employment of young adults (under 25 years old) accounts for 9.3 percent of all jobs created, while under scenario two it accounts for 9.5 percent of all jobs created, and under scenario three it accounts for 7.8 percent, compared with an economy-wide average of 13.2 percent. Under all scenarios, jobs created are disproportionately filled by workers without a four-year university degree. Under scenario one, workers with a bachelor’s degree or more education fill 23 percent of all jobs created, while under scenario two college-educated employment accounts for 19.6 percent of all jobs created, and under scenario three it accounts for 21.4 percent, compared with an economy-wide average of 32.6 percent. Under all scenarios, jobs created are disproportionately middle- and/or high-wage. Under scenario one **employment in the bottom wage quintile accounts for just 9.5 percent of all jobs created, while under scenario two it accounts for 9.4 percent of all jobs created, and under scenario three it accounts for 11.2 percent of all jobs created,** compared with an economy-wide average of 18.9 percent.

 [↑](#footnote-ref-64)
65. **Liu 2014** [Liu, Yvonne Len. "SINKING UNDERGROUND THE GROWING INFORMAL ECONOMY IN CALIFORNIA CONSTRUCTION." Economic Roundtable A Public Benefit Research Organization (n.d.): n. pag. University of Pennsylvania, Underwritten by the United Brotherhood of Carpenters, 2014. Web. 24 Mar. 2016. <<http://www.smartcitiesprevail.org/wp-content/uploads/2015/09/Sinking_Underground_2014-1-5-2.pdf>>]

Misclassification is growing as a source of informal employment in construction. Some employers seek a fig leaf of legal compliance while avoiding payment of payroll taxes and benefits by misclassifying hourly workers as independent contractors. Employers are not required to pay Social Security tax, unemployment insurance, disability insurance, worker’s compensation insurance, overtime, or the minimum wage for independent contractors. Misclassifying workers can decrease payroll costs for employers by 30 percent.19 A 2009 study commissioned by the California Department of Insurance’s Fraud Assessment Commission found the number of employees either under- or misreported by employers increased when workers’ compensation premiums increased.20 Employers underreported 1 to 4 percent of their payroll when premium levels were low, but misreporting increased when premiums were increased in 2000. **Estimates of the scope of misclassification range from 14 to 38 percent of construction workers who are reported to be self-employed**. A 2000 study issued by the Department of Labor estimated that almost 30 percent of unemployment insurance audits in 1998 yielded misclassified cases across all industries.21 Construction had the second highest rate of misclassification among California industries. 22 A **1984 study by the IRS reported that 19.8 percent of construction employers misclassified their employees.** Other studies estimated a **misclassification rate in the construction industry of: 14–24 percent in Massachusetts (2004)24 14 percent in Maine (2005)25 19.5 percent in Illinois (2006)26 14.8 percent New York state (2007)27 17.8 percent in New York City (2007) 28 38 percent in Austin, Texas (2009)29 11–21 percent, includes unreported workers, in Tennessee (2010)30 16.8 percent in Indiana (2010).**31 There were an estimated 39,800 misclassified California workers in 2011, or 19 percent of construction workers who reported being self-employed (see Figure 3). A decade earlier, only 18,000, or less than half as many, self-employed workers were misclassified. In the 40 years since 1972, the number of misclassified construction workers has increased by 42,700. [↑](#footnote-ref-65)
66. **Bacchetta**, Marc, Ekkehard Ernst, and Juana P. Bustamante. Globalization and Informal Jobs in Developing Countries. Geneva: International Labour Organization, 2009. Economic Research and Statistics Division World Trade Organization, **2009**. Web. 24 Mar. 2016. <https://www.wto.org/english/res\_e/booksp\_e/jobs\_devel\_countries\_e.pdf>.

Nevertheless, such an aggregate picture masks differences among informal workers at the microeconomic level as the measured wage gap varies substantially between different segments and tiers of the informal economy (Bargain and Kwenda, 2009). Indeed, depending on the type of informal work – informal employer, self-employed, casual worker or home worker – informal employment is remunerated at vastly different levels, further contributing to distributional concerns (Carr and Chen, 2002). The correlation that may be drawn from these studies is, however, no proof of causality. Indeed, recent analyses demonstrate that the link between inequality and informality is running in both directions. A higher incidence of informal employment is raising the degree of income inequality through a composition effect. At the same time, a higher degree of income inequality is increasing the size of the informal economy as individuals are prevented from joining the formal economy, due to a lack of either human or fi nancial wealth (Chong and Gradstein, 2007). **In cross-country regressions an increase in the size of the informal economy by 3 percentage points can be shown to raise income inequality as measured by the Gini coefficient by as much as 8 percentage points**. Chong and Gradstein (2007) also show that the strength of this link depends on institutional quality, such as the degree of corruption, the integrity of the rule of law, government stability and democratic accountability. This result is also confi rmed by earlier studies which looked only at transition economies in Eastern Europe and Central Asia (Rosser et al., 2000). Looking beyond the static picture of unequal income distribution, one can also draw inferences from studies analysing earnings mobility for workers transiting between different segments of the labor market. [↑](#footnote-ref-66)
67. **Smith, n.d (post-2013)**  [Victoria Smith is a Professor of Sociology, “Low-wage Work Uncertainty often Traps Low-wage Workers,” Center for Poverty Research, <http://poverty.ucdavis.edu/policy-brief/low-wage-work-uncertainty-often-traps-low-wage-workers>] MJS

For this exploratory study, **researchers conducted in-depth interviews with 25 low-wage workers** in the Napa/Sonoma area in the fall of 2012. Interviewees were drawn from several sectors, including food service (13), landscaping (9), domestic work and office cleaning (6) and **construction (6)**. Some interviewees worked in multiple sectors. **Low-wage employment is often erratic and precarious, limiting workers’ ability to learn new skills and search for better jobs**. **Typically, low-wage jobs are part-time with no guaranteed hours, making it difficult for individuals to manage time effectively across work and non-work areas of their lives. Many employers expect workers to be on-call and available if needed, even sometimes for 12-hour shifts without advanced notice.** This uncertainty leaves workers vulnerable to the capriciousness of management and often unable to have any control over their schedules. **This makes it extremely difficult for these workers to take advantage of education and training opportunities which require scheduled attendance.** [↑](#footnote-ref-67)
68. Garvin ‘8 (Michael J., Ph.D., P.E. is an Associate Professor of construction at Virginia Tech, November, 20, 2008, “Assessing the Effectiveness of Infrastructure Public–Private Partnership Programs and Projects”, http://pwm.sagepub.com/content/13/2/162.abstract)
**The P3 arrangements are often viewed by governments as a solution to infrastructure-funding shortfalls** (Orr, 2006). **This claim**, however**, is somewhat contentious as a government certainly has the capacity to utilize user fees, which are often an integral part of a P3 project, as the principal security for a project’s financial package while also offering its general creditworthiness as secondary security. One would expect that the cost of capital for such an arrangement would be lower than the cost that a private sponsor could obtain, even if taxexempt status is granted.** [↑](#footnote-ref-68)
69. David Van Slyke, 6-7-2017, "Trump's infrastructure plan: How "private" will he go?", Agenda, https://www.politico.com/agenda/story/2017/06/07/trumps-infrastructure-public-private-partnership-000454 // ZS
As President Donald Trump unveils elements of his infrastructure plan this week, Democrats are attacking it as a betrayal of basic government responsibilities. This “privatization,” as they call it, would sell out rural America and allow companies to exploit public assets like roads and bridges. **But a close look at Trump’s proposal—at least what we know of it so far—reveals a plan that rests not on privatization but on public-private partnerships.** The two ideas sound similar but are actually very different, and understanding the differences is critical to accomplishing Trump’s goal of modernizing and upgrading America’s infrastructure. The Trump administration has proposed using $200 billion in federal monies to leverage an additional $800 billion from the private sector. It’s an ambitious proposal, one that, if successful, could permanently change the landscape of America. The government can reap huge benefits from public-private partnerships—but only if they are structured correctly**. All too often, though, government officials lack the knowledge and experience necessary to negotiate good deals, ultimately costing taxpayers millions, if not billions, of dollars.**In their attacks, Democrats may be misusing the word “privatization” when describing Trump’s infrastructure plan but the risks they describe are very real. Traditionally, the term “privatization” means the outright sale of a public asset or service to a private company. It’s a permanent transfer of infrastructure, with no term limits or expectations of management oversight. The government accepts payment and walks away with its only roles being enforcement of rules and regulations. Well-structured privatization can be beneficial in some situations where there is no public interest (say, a parking garage) but officials should ask themselves hard questions about why it’s getting out of delivering a particular good or service, and whether there truly is no public interest in the asset. The history of privatizations is littered with failures. Take the privatization of British Rail in the 1990s. The operation of British Rail, after privatization, had many pieces franchised and outsourced to a range of vendors with no single systems integrator. This failure to integrate infrastructure and operations created a major breakdown in coordination and singular accountability oriented toward safety, reliability and affordability and caused many safety problems—including two fatal accidents. **The biggest cases of true privatization in the U.S. have never come to fruition—including the privatization of Amtrak, the U.S. Postal Service and Social Security—because the public and private sectors could never agree on the terms of sale without compromising important public interests around access, quality and affordability.** For instance, the U.S. government is responsible for delivering transportation and mail delivery services to the entire country, even in geographically remote and sparsely populated areas. But since most services are uneconomical, the private sector would agree only to a sale that included major concessions on fees and frequency of delivery—terms to which elected officials would be loath to agree to because of public protest. In fact, what most people in the United States really mean when they use the word “privatization” is deeper private-sector involvement in the production and delivery of traditionally government-provided goods and services. Privatization and PPPs are not the same thing. The former is an outright asset sale while the latter is a market-based arrangement that is limited in term—on average about 25 years—and relies on government and its private partners to accurately evaluate, negotiate and come to terms on ownership, structure and risk issues. With well-structured PPPs, the relationship begins at the point of transaction, and the parties are mutually dependent on each other for success. With privatization, the relationship ends at the point of transaction and both parties go their separate ways for the most part, aside from government regulation. If a PPP is a marriage, then privatization is a divorce. To support $1 trillion in infrastructure investment, the Trump administration is proposing to reward state and local governments who enter PPPs and other private-sector deals with up to $200 billion in federal funding. Transportation Secretary Elaine Chao announced last month that St. Louis Lambert International Airport would become part of a test program “designed to allow airports to generate access to sources of private capital for airport improvement and development.” The city has preliminary approval to negotiate a PPP in which private firms will lease and operate the airport for a term of up to 40 years. If executed well, the city stands to gain not just millions for the initial lease but also a share in any profits, including potential new profit sources identified by private sector partners with deep expertise in this area. Public-private partnerships allow government to leverage private sector expertise to cut infrastructure costs and speed up construction. It works toward a win-win outcome based on a mutual understanding that comes from a relationship built on aligned goals, clear rules and appropriate governance mechanisms. Private sector innovation and expertise can then be integrated with government’s desire to serve the public interest while improving cost, performance and accountability. **But government is often at a disadvantage in negotiating these agreements. Most government agencies, and especially nearly all municipal governments, lack the analytical capacity and market-based pricing expertise to accurately estimate the value of their existing infrastructure assets, attract enough competition and bring the concession to closure. Meanwhile, the private sector is very astute at discerning which infrastructure assets are worth buying, at what price, for what duration, and with what potential return on their investment over a fixed period of time.** Take, for example, the infamous case of [Chicago Parking Meters LLC](https://www.washingtonpost.com/blogs/govbeat/wp/2013/09/13/how-parking-meters-killed-privatization-of-midway-airport/?utm_term=.14573b63fbcd). The city of Chicago entered a 75-year deal with a private corporation for control of its 36,000 parking meters in exchange for $1.15 billion. After the rushed and poorly conceived deal, which aldermen had just one day to review and approve, the city’s inspector general estimated that government underpriced the value by about $1 billion. Further, the private company enacted profit-driven changes with direct implications on public access and affordability such as reducing the number of handicapped spaces, creating smaller overall spaces, instituting congestion pricing, and raising hourly costs—leading to public outrage, boycotts and vandalized meters. Consider also the indirect public harm to economic development that parking issues can have on a community. It’s a prime example of short-term thinking that believes we can offload public assets, many at the municipal level, and gain cash in the short term, without considerations for the longer-term implications of the important economic development role that high-quality, public infrastructure plays in communities and states all around the country and the impact of poorer service quality and potentially higher costs on the public. The best way for government officials to ensure that a public-private partnership benefits their constituents is to take the necessary time to understand the proposed deal, run the numbers and perform the due diligence. It's easy to rush into a desire to engage a PPP without considering the importance of public involvement. In the trade-off between the speed of decision-making and the necessity of citizen and stakeholder engagement, speed wins way more often than it should. **And that could get a lot worse under Trump**. Speaking to a Senate committee recently, [Chao was asked](http://www.cnn.com/2017/05/17/politics/chao-infrastructure-senate/) about the administration’s delays in releasing its infrastructure plan. She responded, “Obviously, the president is very impatient**.” In the world of public-private partnerships, though, impatience will lead only to bad deals for both the public and private partners with citizens potentially losing the most in terms of access, quality and affordability**. [↑](#footnote-ref-69)
70. Dan **Lips**, 01-26-**2009**, "Ten Reasons Why the "Economic Stimulus" Should Not Include Education Spending," **Heritage Foundation**, <https://www.heritage.org/education/report/ten-reasons-why-the-economic-stimulus-should-not-include-education-spending>

Current budget shortfalls follow years of regular increases in state spending levels. Proposed budget cuts should be placed in the context of today's historic levels of education spending. Per pupil expenditures in U.S. public schools have increased by 49 percent over the past 20 years after adjusting for inflation.[8] State policymakers should be able to identify areas where education spending can be reduced without diminishing the quality of education. Moreover, a federal bailout for states -- which is what this bill would be -- may only delay necessary adjustments in long-term spending projections. In fact, the proposed legislation would penalize states that choose to review their spending priorities and decrease education funding. The plan would require states to use funds to restore fiscal year (FY) 2008 funding levels in order to qualify for federal aid. At a time when many states should be reviewing their long-term spending commitments, the federal government would be pressuring them to do just the opposite. In addition, a state bailout may create moral hazard for state governments: If states with the greatest budget challenges receive an extra share of stabilization funding, this effectively -- and perversely -- rewards irresponsible spenders and penalizes state governments that have budgeted wisely. 3. **Past experience shows that more K-12 spending does not significantly improve educational performance.** This plan is premised on the belief that higher spending on public education improves educational performance. But decades of experience have demonstrated the limits of increasing federal education spending. **Since 1985**, real federal **spending on** K- 12 **education has increased by 138 percent. But higher federal spending has not corresponded with equal improvement in American educational performance, as judged by long-term test scores and graduation rates.[9] Moreover, experience at the state and district levels suggests that simply increasing funds for public education does not lead to improved student performance**.[10] In the area of STEM education, it is unlikely that additional federal funding will significantly improve American students' achievement in these critical fields. The Government Accountability Office (GAO) reported that the federal government spent nearly $4 billion on more than 200 STEM programs that were spread across 13 federal agencies in 2004.[11] The GAO also reported that the federal government had provided little information about the effectiveness of these programs.[12] 4. **Past experience shows that federal early childhood education programs have not provided lasting benefits to disadvantaged children.** The proposal includes billions in new funding for early childhood education programs, including $2.1 billion in new funding for Head Start and Early Head Start. American taxpayers have invested about $100 billion in Head Start since 1965. The federal government currently spends $6.9 billion -- about $7,500 per student -- every year. Yet, here, too, **there is little evidence to suggest that Head Start has delivered lasting improvement in outcomes for participating students.[13] Moreover, recent government oversight evaluations have identified significant problems in Head Start's program management and governance.[14] Experience suggests that new funds will not provide significant long-term benefits for participating students**. 5. history shows that increasing college subsidies have not solved the real problem of higher education affordability. Years of federal spending increases on higher education have not come close to solving the problem of college affordability. Inthe academic year 2006-2007, the federal government spent more than $86 billion on student aid for postsecondary education -- a real increase of 77 percent over what was spent ten years ago.[15] Yet paying for college tuition continues to present a significant challenge for many American families. Over the past decade, the real cost of two semesters at four-year private and public colleges increased by 29 percent and 41 percent, respectively.[16] Some economists have argued that ever-rising federal subsidies for higher education contribute to the problem of rising college tuition prices by making American students less sensitive to price increases.[17] While a $500 Pell Grant increase per pupil (costing $15.6 billion in total) may be a welcome benefit for eligible students, it is not a long-term solution for addressing the problem of college affordability. [↑](#footnote-ref-70)
71. Aria **Bendix**, 3-16-**2017**, "Trump's Education Budget Revealed," **Atlantic**, <https://www.theatlantic.com/education/archive/2017/03/trumps-education-budget-revealed/519837/>

Although President Trump stayed mum on his plans for the U.S. Department of Education, one policy has been clear: Trump plans to cut nonmilitary spending. The administration’s new “America First” budget, released Thursday, follows through on this promise by **slashing funds for the Education Department by 13.5 percent, or $9.2 billion**. It’s worth noting that the proposed budget is merely a blueprint. Congressional lawmakers will draft their own budget proposals, and the plan Congress passes will form the basis of the appropriation bills that fund the government. That, as my colleague Russell Berman pointed out, won’t come until May. To start, **Trump’s budget plan would remove $2.4 billion in grants for teacher training and $1.2 billion in funding for summer- and after-school programs. It also curtails or eliminates funding for around 20 departmental programs “that are not effective, that duplicate other efforts, or that do not serve national needs.”** Although decreased funding for the Education Department will have repercussions for students and educators across the country, low-income students are particularly vulnerable. In addition to eliminating Supplemental Educational Opportunity Grants (SEOG), which offer need-based aid to around 1.6 million low-income undergraduates each year, the Trump administration wants to “significantly” reduce Federal Work-Study. Although work-study programs have been criticized for disproportionately aiding private institutions, they are typically successful at helping students graduate and find employment post-college. [↑](#footnote-ref-71)
72. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.459.2339&rep=rep1&type=pdf

 This paper investigates the relationship between defense spending and economic growth for the G-7 nations during the years 1964-1965. Using a two-way, fixed effects regression model, time series and cross-sections are pooled. The percentage change in real GDP is assumed to be a function of the percentage of GDP devoted to military spending and the percentage change in population. Results indicate a statistically significant, inverse relationship between defense spending and economic growth. **If the percentage of GDP spent on defense spending increases by one percentage point, economic growth decreases by almost 1.3 percentage points**. F-tests indicate the two-way, fixed effects model is superior to both the one-way, fixed effects model and the random effects model. [↑](#footnote-ref-72)
73. **Waldman, Paul. “Defense Spending Is the Most Expensive Way to Create Jobs”. The American Prospect. N.p., 22 Jan 2014. Web. 5 Dec 2016.**

Which brings us to a new report from the Center for International Policy, which argues that Lockheed Martin's claim that the F-35 "supports" 125,000 jobs is wildly exaggerated, and the true figure is between 50,000 and 60,000. But let's remain agnostic on that question for a moment. What might we be spending on the F-35 to create each job? There's some fuzziness in both the numerator and the denominator here, but the cost estimates for building the planes now run around $400 billion, making the F-35 the most expensive weapons system in American history. Estimates for the long-term cost, which includes maintenance over the decades the plane is supposed to be in service, run well over a trillion dollars, but let's use the $400 billion figure. If we used Lockheed's number of 125,000 jobs, $400 billion divided by 125,000 gives us $3.2 million spent for each job "supported." **If we use the CIP's more modest number of 50,000 jobs, we get $8 million dollars spent per job.** Those are some pretty fancy jobs. Of course, jobs aren't the only reason to build a plane; we also get a plane. Unfortunately, the F-35 has been plagued by a spectacular array of technical problems, so much so that at the moment, the jet isn't allowed to fly at night. Or in the rain. Or within 25 miles of lightning. Or above the speed of sound. Or while climbing at an angle above 18 degrees. You get the idea. [↑](#footnote-ref-73)
74. https://thehill.com/policy/defense/417219-trump-and-congress-on-collision-course-with-military-spending[Kheel ‘18 of the HillKheel ‘18 of the Hill](https://thehill.com/policy/defense/417219-trump-and-congress-on-collision-course-with-military-spending) [↑](#footnote-ref-74)
75. ####  VDC Research

https://www.vdcresearch.com/News-events/ias-blog/110-yen-how-japans-systematic-currency.html

**The devaluation of the Japanese Yen was** one of the biggest global macro-economic themes affecting automation suppliers in 2013. As the picture for 2015 comes into focus, the Bank of Japan (BOJ) looks to continue its role in manipulating global markets. The Japanese economy has been **mired in stagnation** since the early 90s **due to** a confluence of factors including aging demographics, poor oversight, **a high level of debt to GDP**, and the emergence of China as an electronics manufacturing powerhouse. The currency had appreciated during this period rising to about 80 USD/JPY in the 2011 timeframe. Since then, Prime Minister Shinzo Abe was elected and with him brought a host of policy changes in an effort to jumpstart the Japanese economy. Japan’s “Abenomics” program is similar to the Quantitative Easing program that the US has undergone in recent years; however the program was about 3 times larger in relative comparison. This effort to unwind the strength of the Yen has worked to some degree but the policy’s effect on the economy still remains to be seen. [↑](#footnote-ref-75)
76. ####  Scutt

<https://www.businessinsider.com.au/japan-real-wage-growth-boj-qqe-2018-4>

Japan’s unemployment rate currently sits at 2.5%, just off the multi-decade low of 2.4% struck earlier this year. There’s also no shortage of jobs to fill with the nation’s jobs-to-applicants ratio — simply measuring the number of people seeking work to number of jobs available — also sits just off a multi-decade high at 1.58. Put another way, there’s currently 1.58 jobs available for every person looking for work. Great odds, right? From a supply and demand perspective, it points to a labour market that’s not only hot but scolding hot. There’s heaps of jobs available but few workers to choose from, something that would usually lead to an explosion in wage growth. However, Japan, like so many other major developed economies right now, is discovering that the relationship between unemployment levels and wage growth isn’t the same as it was in the past. **While unemployment is incredibly low, so too is wage growth. It’s so low, in fact, that it’s actually going backwards in real, inflation-adjusted terms. According to data released by Japan’s Labour Ministry, real worker wages fell 0.5% in the 12 months** to February, a marginal improvement on the 0.6% contraction in the year to January. [↑](#footnote-ref-76)
77. **Foran**, Clare. “Congress Isn't Likely to Make Trump's New Tax-Cut Pledge a Reality Anytime Soon.” **CNN**, Cable News Network, 23 Oct. **2018**, www.cnn.com/2018/10/23/politics/tax-cut-plan-congress-republicans/index.html.

The President has talked up the possibility of a 10% tax cut for middle-income Americans on the campaign trail and in the White House in recent days. But the idea, which appeared to materialize out of thin air, has taken Republicans on Capitol Hill by surprise and prompted **Trump's own economic adviser on Tuesday to concede that any cuts "may not surface for a while."** When Trump first floated the idea of a new tax cut over the weekend, he suggested it could be unveiled ahead of the midterms. The House and Senate are out of session through the midterm elections, however, which are now just two weeks away. Beyond that, **it's not clear there is any specific legislative proposal on Capitol Hill that would achieve the President's goal.** And even if Republicans push for tax cuts after the midterms, it could be difficult, if not impossible, for any new tax cut to pass both chambers when lawmakers return to Washington for a lame-duck session before a new Congress takes over in January. [↑](#footnote-ref-77)
78. **Cohen**, Patricia. “What Democratic Control of the House Could Mean for Your Wallet.” **The New York Times**, The New York Times, 7 Nov. **2018**, www.nytimes.com/2018/11/07/business/economy/house-democrats-midterm-elections.html.

The Democrats’ success in winning back control of the House comes after an election in which economic issues were often overshadowed. Still, the change on Capitol Hill will make a difference on some spending priorities and tax policy. **House Democrats are in a position to block Republicans from extending the temporary tax cuts and provisions enacted last year, and from giving further breaks to businesses.** President Trump even talked at his Wednesday news conference about working with Democrats to raise business taxes to pay for a middle-class tax cut. Teaming up to rebuild infrastructure is another possibility, the president said. [↑](#footnote-ref-78)
79. Robert Tannenwald and Iris J. Lav10, [Robert Tannenwald Iris J. Lav- Senior Fellow in the Center’s State Fiscal Project. "The Zero-Sum Game: States Cannot Stimulate Their Economies by Cutting Taxes", Center on Budget and Policy Priorities, 3-2-2010, http://www.cbpp.org/research/the-zero-sum-game-states-cannot-stimulate-their-economies-by-cutting-taxes]
If a state cuts a tax, it generally has to make an offsetting cut to expenditures for a program or service in order to maintain balance. This spending cut is likely to reduce demand in the state just as much as the reduction in taxes may stimulate demand.1 It is at best a zero-sum game, where the gains in one area are offset by the losses in another. Moreover, a tax cut designed to induce the hiring of additional private-sector workers may also cause the layoff of other workers in the public or private sector because of the loss in state or local revenue. When states cut spending, they lay off public employees, cancel contracts with privatesector vendors, and eliminate or lower payments to nonprofit organizations that provide direct services. Such steps lead to job losses in the private and nonprofit sectors, as well as the public sector. Thus, state-level tax cuts may shift employment from one sector (or business) to another, but the net effect is unlikely to be positive. Because of this dynamic that occurs under a balanced budget requirement, a state cannot stimulate its economy during a fiscal crisis by cutting taxes — either through a general tax cut or one targeted to specific sectors of the economy. [↑](#footnote-ref-79)
80. **“**CBO Finds Tax Cuts Are Bad for the Economy.” **Committee for a Responsible Federal Budget**, 17 May **2016**, www.crfb.org/blogs/cbo-finds-tax-cuts-are-bad-economy.

In testimony before the Senate Budget Committee last week, CBO Director Douglas Elmendorf quantified the impacts that extending some or all of the 2001 and 2003 tax cuts would have on the economy. CBO looked at both the near-term and in the long-term. The conclusion? CBO estimates that in 2011 and and 2012, **any extension (full or partial, permanent or temporary) of the tax cuts would increase real growth (by varying degrees) in the short-term, but by 2020 and 2040, any extension would decrease national income** (although by varying degress). The reason? **Additional debt-- financing the tax cuts through borrowing will crowd out private investment**.x To be exact, extending the **tax cuts permanently could reduce GNP** in 2020 by as much as 2% and anywhere from 2.5% **to 11% by 2040** [↑](#footnote-ref-80)
81. **Kern**, Dan. “How the Tax Plan Affects Investments.” **U.S. News & World Report**, U.S. News & World Report, 21 Dec. **2017**, money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/articles/2017-12-21/how-the-tax-plan-affects-investments.

**The near-term boost and front-end loading of economic growth from tax cuts raises the odds that the U.S. economy will overheat**, making it likely that interest rates will rise at a more rapid rate in 2018 and 2019. The front-loaded benefits will likely fade absent structural changes in the supply-side of the U.S. economy. **The economy may still struggle to achieve long-term growth** of more than 2 percent, given the constraints of debt, deficit and demographic challenges. The durability of the tax bill may also be a relevant issue. The bill passed without any Democratic votes, there will be big winners and big losers resulting from the complex bill, and the potential for unintended consequences is quite high. The combination of these three factors makes a renewed battle over taxes likely whenever the Democratic Party returns to power. [↑](#footnote-ref-81)
82. Robert J. Gordon, September/October 2016, "American Growth Has Slowed Down. Get Used to It.", POLITICO Magazine, https://www.politico.com/magazine/story/2016/09/economic-growth-jobs-recession-slowed-technology-214220 // ZS
What can be done about slow economic growth? My findings cast doubt on some favorite prescriptions, like investing more in infrastructure and research. Research and development is already well-funded by America’s flourishing venture capital industry, and besides, there’s no reason to believe that the next round of innovations will have the impact of the big changes that came before 1970. [↑](#footnote-ref-82)
83. Karen Baker (Economic Policy Institute). DOES FOREIGN DIRECT INVESTMENT CROWD OUT DOMESTIC ENTREPRENEURSHIP. Accessed 2/15/2017. Published 5/12/2013. http://www.econ.upf.edu/docs/papers/downloads/618.pdf.
The results in table 3 support the hypothesis that international competition hinders the formation of domestic entrepreneurs. The negative and significant coefficients of IMPGROWTH and FORENTRY clearly suggest that **import competition and the inflow of FDI have a negative effect on the entry of domestic entrepreneurs. Strong import competition causes prices to fall on product markets and discourages domestic entrepreneurs to enter the shrinking the domestic market.** The immediate negative effect of import competition on domestic entry is -0.091 (-0.099\*0.921) while the total effect through the partial adjustment process is -0.131 (-0.099\*0.921/0.695). The negative effect of foreign entry is significantly larger, suggesting that **the inflow of FDI impedes the entry of domestic entrepreneurs because of stronger competition on the product market as well as skimming off the (best) workers on the labor market.** The immediate effect of foreign entry is -0.214 (= -0,237\*0,921), while the total response of domestic entry on foreign entry is -0.702 (= -0,237\*0,921/0,305). As the coefficients can be interpreted as elasticities, **an extra FDI inflow of 10% would then cause**, ceteris paribus, **the entry rate of domestic firms to fall with 7% in the long run**. The insignificant coefficient of FOREXIT suggests that new domestic firms do not easily replace foreign firms leaving Belgium. **The results for the domestic exit-equation also support the crowding out effect of domestic firms** by foreign firms and to a lesser extent by import competition. The positive coefficient of FORENTRY demonstrates that **the inflow of FDI forces domestic entrepreneurs to exit, because of lower prices on product markets and/or higher wages on the labor market** (encouraging domestic entrepreneurs to become wage workers). The positive albeit insignificant coefficient of FOREXIT in this equation may reflect that the exit of foreign firms directly results in the exit of domestic supplying/buying firms, however further evidence is necessary in order to validate this explanation. [↑](#footnote-ref-83)
84. Ian Fletcher & Jeff Ferry, 3-18-2011, "Free Trade Isn't Helping World Poverty", HuffPost, https://www.huffingtonpost.com/ian-fletcher/free-trade-isnt-helping-w\_b\_837893.html // ZS
This is actually not a terribly big secret, and is fairly well known to the people who promote free trade. For a start, the World Bank standard for poverty is $2 a day, so “moving people out of poverty” can merely consist in moving people from $1.99 a day to $2.01 a day. In one major study, there were only two nations in which the average beneficiary jumped from less than $1.88 to more than $2.13: Pakistan and Thailand. Every other nation was making minor jumps in between. The developing world’s gains from trade liberalization (insofar as there are any) are concentrated in a relatively small group of nations, due to the fact that only a few developing nations have economies that are actually capable of taking advantage of freer trade to any meaningful extent. Although it depends a bit on the model, China, India, Brazil, Mexico, Argentina, Vietnam, and Turkey generally take the lion’s share. This list sounds impressive, but it actually leaves out most Third World nations. Dirt-poor nations like Haiti aren’t even on the radar. Even nations one notch up the scale, like Bolivia, barely figure. So forget helping starving children in Africa this way. They’re not even *in the game* of international trade—let alone winners of it. Like it or not, this is perfectly logical, as increased access to the ruthlessly competitive global marketplace (which is all free trade provides) benefits only nations whose industries have something to sell *which foreign trade barriers are currently keeping out*. Their industries must both be strong enough to be globally competitive and have pent-up potential due to trade barriers abroad, a fairly rare combination. As a result, the most desperately impoverished nations, which have few or no internationally competitive industries, have basically nothing to gain from freer trade. What progress against poverty has occurred in the world in recent decades has not been due to free trade, but due to the embrace of [**mercantilism**](http://www.huffingtonpost.com/ian-fletcher/in-praise-of-mercantilism_b_828555.html) and industrial policy by some poor nations. (This is, of course, the same way nations like the [U.S.](http://www.huffingtonpost.com/ian-fletcher/america-was-founded-as-a_b_713521.html) and England became prosperous hundreds of years ago.) According to the World Bank, the *entire* net global decline in the number of people living in poverty since 1981 has been in mercantilist China, where free trade is spurned. [“2008 World Development Indicators: Poverty Data Supplement,” The World Bank, 2008, p. 10.] Elsewhere, their numbers have grown. The story on global economic progress for poor nations in the last 30 years is roughly as follows: 1. China (one fifth of humanity) braked its population growth, made a quantum leap from agrarian Marxism to industrial mercantilism, and thrived—largely because the U.S. was so open to being the “designated driver” of its export-centered growth strategy during this period. 2. India (another fifth) sharply increased the capitalist share of its mixture of capitalism and Gandhian-Fabian socialism after 1991. It did reasonably well, but not as well as China and not well enough to reduce the absolute number of its people living in poverty, given unbraked population growth. 3. Latin America lost its way after the oil shocks of the 1970s, experienced the 1980s as an economic “lost decade,” and tried to implement the free market Washington Consensus in the 1990s. It didn’t get the promised results, so some nations responded with a pragmatic retreat from free market purism, others with a lurch to the left, the former showing results in the last five years or so. 4. The collapse of Communism left some nations (Cuba, North Korea) marooned in Marxist poverty, while others (Uzbekistan, Mongolia) discovered that the only thing worse than an intact communist economy is the wreckage of one. Much of Eastern Europe and the ex-USSR got burned by an overly abrupt transition to capitalism, then recovered at various speeds. 5. Sub-Saharan Africa spent much of this period in political chaos, with predictable economic results (except for South Africa and Botswana). Washington Consensus policies in the 1990s did not deliver, and the few recent bright spots have yet to deliver increased per capita income or lower unemployment. 6. Other poor countries followed patterns one through five to varying degrees, with corresponding outcomes. China is unquestionably the star here. But all its brutally efficient achievements in forcing up the living standards of its people from an extremely low base, it still has serious problems. Its growth miracle has been largely confined to the metropolitan areas of the country’s coastal provinces. Of the 800 million peasants left behind in agriculture, perhaps 400 million have seen their incomes stagnate or even decline. Over the last 30 years of greatly expanding free trade, most of the world’s poor nations have actually seen the gap between themselves and the rest of the world increase. As economist Dani Rodrik of Harvard summarizes the data: [↑](#footnote-ref-84)
85. Ian Fletcher & Jeff Ferry, 3-18-2011, "Free Trade Isn't Helping World Poverty", HuffPost, https://www.huffingtonpost.com/ian-fletcher/free-trade-isnt-helping-w\_b\_837893.html // ZS
Contrary to impressions in the media, economic success is actually becoming more concentrated in the Western world, not less. According to one summary of the data by Syed Murshed of Erasmus University in Holland: Between 1960 and 2000 the Western share of rich countries has been increasing; to be affluent has almost become an exclusive Western prerogative—16 out of 19 non-Western nations who were rich in 1960 traversed into less affluent categories by 2000 (for example, Algeria, Angola, and Argentina). Against that, four Asian non-rich countries moved into the first group. Most non-Western rich nations in 1960 joined the second income group by 2000, and most non-Western upper-middle-income countries in 1960 had fallen into the second and third categories by 2000. Of 22 upper-middle-income nations in 1960, 20 had declined into the third and fourth income categories, among them the Democratic Republic of the Congo, also known recently as Zaire, and Ghana. Most nations in the third group in 1960 descended into the lowest income category by 2000. Only Botswana moved to the third group from the fourth category, while Egypt remains in the third category. We seem to inhabit a downwardly mobile world with a vanishing middle class; by 2000 most countries were either rich or poor, in contrast to 1960 when most nations were in the middle-income groups. (Emphasis added.) This is no accident. Free trade tends to mean that the industrial sectors of developing nations either “make it to the big time” and become globally competitive, or else they get killed off entirely by imports, leaving nothing but agriculture and raw materials extraction, dead-end sectors which tend not to grow very fast. Free trade eliminates the protected middle ground for economies, like Mongolia or Peru, which don’t have globally competitive industrial sectors but were still better off having such sectors, albeit inefficient ones, than not having them at all. The productivity of modern industry is so much higher than peasant agriculture that it raises average income even if it is not globally competitive. Nations which open up their economies to (somewhat) free trade relatively late in their development, and continue to support domestic firms with industrial policy, are far more likely to retain medium and high technology industry, the key to their futures, than nations which embrace full-blown free trade and a laissez faire absence of industrial policy too early in their development. [↑](#footnote-ref-85)