Aff

We affirm

Our sole contention is the Restoring the Economy

The US Bureau of Public Debt quantifies the current US debt-to-GDP ratio currently sits at 105% and the **CBO** concludes the ratio will exceed 210% in 2048. Every year this gets worse as **Wasson of Bloomberg 18** reports the recent tax bill will increase the deficit by 2 trillion dollars. Indeed, **Camp of the Committee on Ways and Means 10** concludes the rising deficit costs the American economy 1 million jobs each year and **Boccia of the Heritage Foundation 13** concludes if the debt is unaddressed, the economy will shrink by $10 trillion by 2046.

Thankfully, there are four ways reducing the debt will restore the american economy

First is reestablishing investor confidence

Recently foreign investors have lost confidence in the American debt market. **Goodkind of Newsweek 18** writes foreign investment in US debt is at its lowest point and has been declining since 2008. Problematically when foreign investment in American debt falters, **Goldwein of the CRFB 18** explains American capital is forced to pick up the slack, shifting away from more productive investments and instead into government issued bonds. Thus, **Huntley of the CBO 14** quantifies for every dollar increase in the deficit, 50 cents are lost in private investment. Already, the **SBE Council 16** reports a gap of 1.4 trillion dollars in private investment in 2016. Bringing back private investment is key as **Firebaugh of UChicago** determines every 1 percent increase in private investment boosts economic growth by 0.23%.

Second is reducing interest rates

Hicks of US News 18 writes as the government issues more securities to cover its deficit, the supply of bonds increases. In order to incentivize investors to buy the now more plentiful bonds, **Barnes '18** concludes the government must increase yield rates. **The CRFB 18** quantifies each 1% increase in budget deficit, increases bond yields by 0.2%. Indeed, **Cox of CNBC 18** confirms yield rates will reach 3.6% by 2019, 50% of which is directly caused by the rising debt. This hurts consumers as **Blumberg of Transunion 16** confirms just a quarter percent rise in interest rates would cause payment shocks to 9.3 million consumers who can't afford the increased credit card payment. **Woolhouse of the Boston Globe 14** corroborates high interest make it impossible for low income households to ever pay down their debt, keeping them in a cycle of indebtedness. **Babcock of Crittenton 14** concludes high debt keeps low income individuals from being able to provide for their basic needs, cementing them into poverty.

Third is revitalizing business

Roberts '15 explains as the government increases its borrowing, financial intermediaries are forced to take on more of the government's debt. This trades off with their holdings of corporate debt. Ultimately, he concludes every 1% increase in government debt causes commercial banks to reduce corporate lending by 0.12%.

This effect is already being felt as **McCarthy of Fundera 17** reports there has been a 20% decline in small business lending. This hurts business formation as **Carbajo of Business Credit Insiders Circle 17** writes 75% of businesses get their initial funding from loans, and 27% of businesses currently can't grow due to a lack of capital. As a result, the **Harrison of the Washington Post 15** reports after experiencing a 30% drop during the recession, new business formation remains at historic lows as business deaths are now outpacing births for the first time since the 1970s. In fact the **SBE Council 18** reports due to government deficit spending there remains 3.7 million missing businesses that could have been formed in the economy.

Bringing back these businesses is key as **Slivinski of the Goldwater Institute 12** quantifies a 1% increase in firms reduces poverty by 2%. Even further, **Areneyer of Financial Poise 18** concludes small businesses add resiliency to an economy making them essential for recession recovery.

<u>Fourth is saving for the future</u>

The Peterson Foundation estimates in the next decade interest costs on the debt will reach 5.2 trillion dollars and by 2048 will be the largest government expenditure. Unfortunately, **Ghilarducci of Forbes 18** explains high interest payments prohibit fiscal stimulus during recession. Indeed, **Tully of Fortune 18** furthers our ballooning debt makes it impossible to quickly and effectively respond to economic downturns. For example, the **Peterson Foundation 18** finds low US debt before 08 allowed for fiscal stimulus. **Blinder of the Center on Budget and Policy Priorities 15** concludes without stimulus in 2008, the recession would have been twice as long, the deficit 20% higher, and 10 million more jobs lost.

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Uniqueness

US debt-to-GDP ratio 105.4% in 2017

Will Kenton, 18, (), Debt-To-GDP Ratio, Investopedia, 12-13-2018, https://www.investopedia.com/terms/d/debtgdpratio.asp, DOA-12-30-2018 (RP)

> **The United States had a debt-to-GDP ratio of 104.17 percent in 2015 and 105.4 percent in 2017, according to the U.S. Bureau of Public Debt**. The U.S. experienced its highest debt-to-GDP ratio in 1946 at 121.7 percent at the end of World War II, and its lowest in 1974 at 31.7 percent. Debt levels gradually fell from their post-World War II peak before plateauing between 31 percent and 40 percent in the 1970s. They have been rising steadily since 1980, jumping sharply following the subprime housing crisis of 2007 and subsequent financial meltdown. The U.S. government finances its debt by issuing U.S. Treasuries, which are considered the safest bonds on the market. The countries and regions with the 10 largest holdings of U.S. Treasuries are Taiwan at $182.3 billion, Hong Kong at $200.3 billion, Luxembourg at $221.3 billion, the United Kingdom at $227.6 billion, Switzerland at $230 billion, Ireland at $264.3 billion, Brazil at $246.4 billion, the Cayman Islands at $265 billion, Japan at $1.147 trillion and mainland China at $1.244 trillion.

Debt will be 210% of GDP by 2048

Yuval Levin, 18, (), "The Entitlement Crisis Is Looming", Weekly Standard, 9-24-2018, DOA 12-26-2018, https://www.weeklystandard.com/yuval-levin/the-entitlement-crisis-is-real-and-its-worse-than-you-think, (NR)

> The consequence of this bipartisan determination to borrow and spend is a fiscal outlook that has never been more dire. The Congressional Budget Office (CBO) projects the federal government will begin running annual deficits exceeding $1 trillion in 2020 and run a cumulative 10-year deficit of $12.4 trillion from 2019 to 2028. These large deficits are on the order of those racked up immediately after the Great Recession, but they are now in the offing when the economy is strong, employment is high, inflation and interest rates are low, and the business cycle is likely near its peak. If we faced another recession today, we would be starting from a baseline of extremely high deficits and growing them further. We also confront these projections just as the aging baby-boom generation begins to exert maximum pressure on entitlement spending. **CBO projects that under plausible assumptions (such as permanent extension of the 2017 tax cuts), the government's cumulative debt will grow from 78 percent of GDP this year to 148 percent in 2038 and to 210 percent of GDP in 2048**. Debt at such high levels would be unprecedented in the nation's history (let alone in peacetime), and if CBO's assumption that we will face no major wars or severe economic crises in this period should prove too rosy, then the debt will only grow higher. In 2008, before the full effects of the financial crash had driven up federal spending and suppressed tax collection, federal debt stood at 39 percent of GDP.

Recent legislation increases deficit

Erik Wasson,Sarah Mcgregor, 18, (), "U.S. Deficit to Surpass $1 Trillion Two Years Ahead of Estimates, CBO Says", Bloomberg, 4-9-2018, https://www.bloomberg.com/news/articles/2018-04-09/u-s-budget-deficit-to-balloon-to-1-trillion-by-2020-cbo-says, DOA-12-27-2018 (MO)

> The report includes new projections for the effects of the tax legislation -- saying it will increase the deficit by almost $1.9 trillion over the next 11 years, when accounting for its macroeconomic effects and increased debt-service costs. In December, Congress's

Joint Committee on Taxation had said the tax package would reduce federal revenue by almost $1.1 trillion over a 10-year period. "Today's CBO report confirms that major damage was done to our fiscal outlook in just the past few months," Michael Peterson, who heads the budget watchdog Peterson Foundation, said in a statement. "This is the first forecast to take into account the recent tax and spending legislation, and it's clear that lawmakers have added significantly more debt on top of an already unsustainable trajectory."

The government debt is preventing the addition of 1 million jobs to the economy

Camp 10, (), "Record Debt Reducing GDP, Costing As Many As 1 Million U.S. Jobs", 6-8-2010, DOA 1-9-2019, https://gop-waysandmeans.house.gov/record-debt-reducing-gdp-costing-as-many-as-1-million-u-s-jobs/, (NR)

> Washington, DC – With understandably little fanfare and late on Friday night during a Congressional recess, the U.S. Treasury Department met its legal obligation to issue its "Annual Report on Public Debt." The document, which came out on the same day the Labor Department reported virtually no private sector jobs were created last month, contained more bad news for the American people –as the national debt will soar to record levels. Citing recent expert testimony, Ways and Means Ranking Member Dave Camp (R-MI) noted the national debt will be so large this year that it will impede job creation. **"The President's economic experts say a 1 percent increase in GDP can create almost one million jobs, and that 1 percent is what experts think we are losing because of the debt's massive drag on our economy," said Camp. "**The failure of this Congress to even produce a budget, let alone get spending under control, is doing direct harm to our economy. Washington must start paying for its spending with something other than more debt and more lost jobs." On page 8 of the report, the Administration estimates the total debt for Fiscal Year 2010 will reach $13.6 trillion, or 93.1 percent of Gross Domestic Product (GDP). University of Maryland Professor Carmen Reinhart, who is also a member of both the National Bureau of Economic Research and Center for Economic Policy Research, recently warned the National Commission on Fiscal Responsibility that debt loads above 90 percent of GDP result in a reduction in economic growth of one percentage point. According to the Administration's Romer-Bernstein economic model, a one percent increase in GDP could create 979,000 jobs. "The debt is preventing us from creating the jobs America needs," said Camp. "This report is yet another warning that Congress cannot continue to pass unpaid-for spending without further hurting our recovery." A Gallup poll released Friday showed that Americans are keenly aware of the harm the debt is causing. A total of 79% of Americans now view the federal debt as a serious threat to the "future well being" of the country – an identical number to those viewing terrorism as a serious threat.

Reduce gdp 10 trillion

Romina Boccia, xx, (), "How the United States' High Debt Will Weaken the Economy and Hurt Americans", Heritage Foundation, xx-xx-xxxx, DOA 1-7-2019, https://www.heritage.org/budget-and-spending/report/how-the-united-states-high-debt-will-weaken-the-economy-and-hurt, (NR)

These figures indicate just how dire the U.S. situation could become: According to the Congressional Budget Office baseline economic forecast, U.S. GDP is projected to be $25.9 trillion in fiscal year 2023. U.S. publicly held debt is projected to reach nearly 90 percent of GDP that year. Assuming a 2.2 percent growth rate over 23 years, U.S. GDP would reach $42.7 trillion in 2046 if there was no impact from the debt overhang. Applying the crude assumption that GDP would be reduced by 1.2 percentage points, in each year of the assumed 23-year debt overhang period, U.S. GDP growth would be slashed by more than half to a mere 1 percent. **<u>This would reduce U.S. GDP by more than $10 trillion, to only $32.6 trillion in 2046. The cumulative effect from the debt overhang would result in a level of GDP lower by nearly one-quarter at the end of the period.</u>**

<u>Investor confidence</u>

Goodkind - Forein investors decreasing bc high debt

Nicole Goodkind, 18, (), "U.S. debt is growing and foreigners are buying less: Here's why that could be disastrous for the economy", Newsweek, 5-2-2018, https://www.newsweek.com/trump-tax-cuts-debt-china-907763, DOA-12-19-2018 (MO)

> 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 **<u>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</u>**, when foreigners owned about 55 percent of American debt. **<u>Foreign ownership of federal debt is essential to the country's economic well-being</u>**, 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.

Goldwein - Foreign investor pullout impact

Nicole Goodkind, 18, (), "U.S. debt is growing and foreigners are buying less: Here's why that could be disastrous for the economy", Newsweek, 5-2-2018, https://www.newsweek.com/trump-tax-cuts-debt-china-907763, DOA-12-19-2018 (MO)

> **<u>If fewer foreigners buy U.S. debt, American investors will be forced to pick up the slack and buy debt instead of active investments, a problem called "crowding out."</u>** "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. Recent Republican tax cuts will cost $1.9 trillion over the next 10 years, and the omnibus spending bill cost another $1.3 trillion, and because of this increase in federal spending, the government is now on track to run a deficit of more than $1 trillion by 2020. At a certain point, if that status quo is sustained, foreign unwillingness to buy U.S. debt will move beyond increased domestic purchasing and into panic territory, said Goldwein. "You could see a big jump in interest rates that happens quite rapidly." If the United States has to offer five percent returns on its debt instead of 2 percent to interest potential buyers, outstanding debt will become less valuable to investors. Just like the quick sell-off of housing debt led, in part, to the financial crisis of 2008, "a sell-off of debt could cause financial crisis," said Goldwein. "But who's big enough to bail out the U.S. federal government?" The United States is currently the wealthiest nation in the world and is in a good position to take on more debt if it needs to, but this could be a "the bigger they are the harder they fall" situation, said Goldwein. "It's not likely, but if [a large debt sell-off] does happen it would be really bad and could make the recent financial crisis look modest in comparison." There is also worry that China, the largest foreign holder of U.S. bonds, may put additional pressure on the U.S. in the face of President Donald Trump's threats of a trade war. Last month Cui Tiankai, Chinese ambassador to the U.S., told Bloomberg that China had not ruled out scaling back

purchases of American debt as retaliation. China currently has about $1.8 trillion in American holdings. Treasury Secretary Steven Mnuchin told Bloomberg that the rising U.S. debt and potential actions in Beijing don't worry him. "It's a very large, robust market—it's the most liquid market in the world, and there is a lot of supply, but I think the market can easily handle it," he said Monday from the Milken Global Conference in Los Angeles. "By definition supply and demand will equate," he explained. "I'm not concerned about that. I think that there are still a lot of buyers for U.S. Treasuries." Meanwhile, the International Monetary Fund (IMF) has warned against taking on debt of these levels. "We urge policymakers to avoid fiscal policies that provide unnecessary stimulus when economic activity is already picking up. Instead, most advanced, emerging market and low income developing countries should deliver on their fiscal plans, and put deficits and debt firmly on a downward path," said Vitor Gaspar and Laura Jaramillo, director and assistant director, respectively, of the IMF's Fiscal Affairs Department, last month. The IMF predicts that by 2023, the U.S. will have a larger debt-to-GDP ratio than Italy, a country with such high debt that it's often referred to as a "systemic threat" to Europe. Foreigners currently own about $6.3 trillion of U.S. debt.

Huntley - Every dollar of deficit leads to a 15-50 cent decrease in domestic investment and increase in net capital inflow

Jonathan Huntley, 14, (), " The Long-Run Effects of Federal Budget Deficits on National Saving and Private Domestic Investment", Congresional Budget Office, February 2014, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/workingpaper/45140-NSPDI_workingPaper_1.pdf, DOA-12-6-2018 (MO)

Small estimate of the effect of deficits on investment. **Each additional dollar of deficit leads to a 15 cent decline in domestic investment.** In particular, **every additional dollar of deficit is projected to** increase private saving by 61 cents and to **reduce national saving by 39 cents**, and every dollar's decline in national saving is projected to lead to a 61 cent increase in the amount of foreign capital invested in the United States. Together, those estimates imply that **a dollar's increase in the federal deficit results in a 61 cent increase in private saving, a 24 cent increase in net capital inflows (that is, 39 cents times 0.61), and a 15 cent decline in domestic investment.**

Central estimate of the effect of deficits on investment. **Each additional dollar of deficit leads to a 33 cent decline in domestic investment.** In particular, every additional dollar of deficit is projected to increase private saving by 43 cents and reduce national saving by 57 cents, and every dollar's decline in national saving is projected to lead to a 24 cent increase in the amount of foreign capital invested in the United States. Together, those estimates imply that **a dollar's increase in the federal deficit results in a 43 cent increase in private saving, a 24 cent increase in net capital inflows (that is, 57 cents times 0.43), and a 33 cent decline in domestic investment.**

Large estimate of the effect of deficits on investment. **Each additional dollar of deficit leads to a 50 cent decline in domestic investment**. In particular, every additional dollar of deficit is projected to increase private saving by 29 cents and reduce national saving by 71 cents, and every dollar's decline in national saving is projected to lead to a 29 cent

> increase in the amount of foreign capital invested in the United States. Together, **<u>those estimates imply that a dollar's increase in the budget federal deficit results in a 29 cent increase in private saving, a 21 cent increase in net capital inflows (that is, 71 cents times 0.29), and a 50 cent decline in domestic investment.</u>**

SBE Council - $1.4 trillion dollars in private investment gap in 2016

Sbe Council, xx, (), "Small Business & Entrepreneurship Council", No Publication, xx-xx-xxxx, DOA 1-10-2019, https://sbecouncil.org/2016/06/10/gap-analysis-2-the-lost-decade-for-private-investment/, (NR)

> This second SBE Council "Gap Analysis" looks at the stunning shortfall in real private investment over the past decade. Indeed, the U.S. economy has experienced a "lost decade" when it comes to investment, and that in turn, has been central to the poor economic growth experienced, as explained in the first Gap analysis. Consider the shortfall or gap in each major private investment component as presented in GDP data. $1.4 Trillion Real Gross Private Domestic Investment Gap in 2016 The U.S. Bureau of Economic Analysis defines "gross private domestic investment" as: "Private fixed investment and change in private inventories. It is measured without a deduction for consumption of fixed capital (CFC) [that is, depreciation], includes replacements and additions to the capital stock, and excludes investment by U.S. residents in other countries." This is the broadest measure of private investment. The investment gap that has developed over the last decade in real gross private domestic investment is substantial. This gap is determined by comparing actual gross private domestic investment levels since 2006, with the levels that would have been achieved if investment increased at the average annual rate over the 60-year period from 1956 to 2016. Real gross private domestic investment grew at an average annual rate of 1.8 percent from 2007 to 2016. That was a fraction of the 4.9 percent average growth rate from 1956 to 2016. This difference (assuming a rather generous growth rate for 2016) **<u>leaves a real gross private domestic investment gap of $1.4 trillion (in 2009 dollars) in 2016.</u>**

Firebaugh - 1% increase domestic investment=.23% increase economic growth

Firebaugh (), "Sci-Hub", No Publication, xx-xx-xxxx, DOA 1-11-2019, https://sci-hub.tw/10.2307/2781194, (NR)

> What do we find? There is strong support for the view that foreign investment is not as good as domestic investment (table 1). Other things constant, annual economic growth is boosted by an estimated .23% for every 1% annual increase in domestic investment, but only by .08% for every 1% annual increase in foreign investment (see table 1, col. 3). The difference between the slopes (domestic vs. foreign Ir) is significant (P < .05) in every instance (significance tests not shown). Regardless of measure-investment rate as percentage increase or annual rate or annualized rate-domestic investment is better.3

Interest Rates

Hicks/Barnes - Debt bad for econ growth (Barnes card here as well)

Coryanne Hicks, 18, (), "How the National Debt Affects You", US News & World Report, 9-26-2018, https://money.usnews.com/investing/investing-101/articles/how-the-national-debt-affects-you, DOA-12-6-2018 (MO)

The national debt may seem as far removed from your investments as your parents' debt is from your bank account. But, like your parents' debt, **if the federal government's budget deficit grows too large, it will impact your daily life and investments in a painful way.** "The economy is not going to implode tomorrow because of the national debt or federal deficit," says David Primo, a scholar at the Mercatus Center and a professor at the University of Rochester. "**But it is a long run problem and the sooner we start dealing with it, the better off we'll be as a country**." At almost $21.5 trillion, the U.S.'s national debt is larger than GDP. It's more than the GDP of the next three largest nations (China, Japan and Germany) combined. And it's only expected to grow. **If current law remains unchanged, the Congressional Budget Office estimates national debt held by the public will more than triple in the next 30 years to $54 trillion in today's dollars.** By 2028, the publicly held debt-to-GDP ratio would be the largest it's been since the end of World War II. How does national debt impact investment decisions? Investors need to be aware of what rising national debt means for the future of our economy and financial markets. Here are some of the ways the expanding budget deficit and national debt may affect you and your investments: **More government bonds cause higher interest rates and lower stock market returns. As the U.S. government issues more Treasury securities to cover its budget deficit, the market supply of bonds increases. "When you have more of something, it gets cheaper,**" says Jim Barnes, director of fixed Income at Bryn Mawr Trust. **In bonds, cheaper means lower prices and higher interest rates. For bondholders this is both a boon and a burden: New bonds will provide higher yields but the prices on old bonds will fall. For stock investors, higher rates are only a burden**. "Higher interest rates tend to lead to lower stock market returns," says Gus Faucher, chief economist for PNC Financial Services Group. This is because higher rates increase the cost of borrowing. While the Federal Reserve controls short-term interest rates through the federal funds rate, when the federal government raises rates on Treasury securities, it pushes up long-term rates like the one on your mortgage and student loans. **With debt taking a bigger chunk out of their budgets, investors have less income available to invest. Fewer dollars in the market means fewer opportunities for the power of compounding to work its magic.** High cost of debt works against investors in another way: **As consumers' budgets get tighter, so too do their purse strings. When people stop spending on goods and services, company revenues take a hit.** And – unless you're Tesla (TSLA) – falling profits translate into declining stock prices. Higher interest rates weigh on business growth and stock prices. **Corporations are hit by national debt-induced rising interest rates from two sides: Not only are they getting less love from consumers, but they also have to compete with the biggest and "safest" bond issuer in the bond market: the U.S. government.** As Treasury rates rise, investors preference low-risk government bonds over riskier corporate ones. Companies must offer even higher interest rates to entice bond investors. Higher interest payments leave less money to reinvest in their businesses. And when business growth wanes, so do long-term stock prices, Faucher says. **National debt drags on economic growth. The U.S. Treasury feels a similar strain from higher interest rates. As its interest payments increase, more federal revenues must be directed toward debt repayment, leaving less money for other economically stimulating activities**, Primo says. "Once government debt reaches a certain size, it really drags on long-term [economic] growth," he says. It can also drag on the creditworthiness of the U.S. government. Treasury securities may no longer be risk-free**. As the federal government's debt level rises, its ability to repay its obligations may come into question.** While there's nothing to suggest the U.S. government has reached a point of being unable to service its national debt currently, or is even near this threshold, Barnes says, other nations (Italy and Greece, for example) have indebted themselves to the breaking point. [See: 7 of the Hottest Internet Stocks to Own.] As the world's reserve currency, the U.S. Treasury can get away with more national debt than most. But what happens if we lose that coveted status? "The way we're running our finances, we're running the risk that we won't be the world's reserve currency forever," Primo says.

CRFB - higher interest rates quantified and scalar

Goldman Sachs, 18, (), "Goldman Sachs Warns that the US Fiscal Outlook is “Not Good”", Committee for a Responsible Federal Budget, 6-20-2018, http://www.crfb.org/blogs/goldman-sachs-warns-us-fiscal-outlook-not-good, DOA-12-28-2018 (MO)

Finally, growing debt and deficits are likely to put upward pressure on interest rates, which would then further increase deficits. Interest spending is already expected to grow significantly, and higher interest rates would make that trend worse. Goldman Sachs estimates that a 1 percentage point increase in the budget deficit as a share of GDP raises the 10-year Treasury yield by roughly 0.2 percentage points. As the report notes, this suggests the increase in the deficit over the next decade would raise the ten-year yield by about 0.7 percentage points. Economists at Goldman Sachs have highlighted the economic risks posed by the growing debt and deficit. If lawmakers do not wish to find themselves constrained in the face of the next recession, they need to get to work on stabilizing the national debt, and ideally, shrinking it as a share of the economy.

Blumberg - Credit card impact

Dave Blumberg, 16, (), "Fed Interest Rate Hike Could Cause ‘Payment Shock’ For 9 Million+ Consumers, But Majority Of Population Would Go Unscathed", Transunion, 9-1-2016, https://newsroom.transunion.com/fed-interest-rate-hike-could-cause-payment-shock-for-9-million-consumers-but-majority-of-population-would-go-unscathed/, DOA-1-2-2019 (MO)

According to TransUnion’s study, while consumers across all risk tiers would experience an impact from the potential Fed interest rate hike, the impact varies. Consumers in the near prime risk tier (those with a VantageScore® 3.0 credit score between 601 and 660) had the largest share, with 82% of near prime consumers impacted from a potential rate increase. TransUnion found that if the Federal Reserve increases interest rates by 25 basis points, 82% of impacted consumers would have a monthly payment shock of less than $10. The average change in monthly payment obligations would be just $6.45. "Most consumers have the financial capacity to absorb a seven dollar increase in their monthly payments, especially if they can plan ahead for the increased obligation," added Verma. TransUnion used its CreditVision® aggregate excess payment ("AEP") algorithm, which incorporates monthly payments from mortgages, credit cards and other debt obligations, to determine a consumer's capacity to afford an increased monthly payment. **With a 25 basis point rise in interest rates, 90% of exposed consumers can absorb their respective payment shocks. However, 9.3 million consumers do not appear to have the capacity to absorb a 25 basis point rise in interest rates**. "While it's important to address the 9.3 million consumers who cannot absorb the payment shock, 90% of exposed consumers can afford their increased monthly payments," said Verma. "However, if interest rates continue to rise progressively, more consumers might not be able to absorb the payment shock. Lenders should be mindful of which consumers in their portfolio are at risk from payment shocks, and use solutions such as AEP to identify these consumers and engage them appropriately." **TransUnion's study found that if interest rates rise by 100 basis points, an additional 2.5 million consumers might have a negative capacity to absorb their respective payment shocks.** In total, 11.8 million consumers are estimated to be at risk of a negative capacity to absorb their increased payment obligations from a sudden 100 basis point rate increase.

Woolhouse - High debt bc interest bad

Megan Woolhouse, 14, (), "Debt weighs heavily on those trying to rise from poverty", BostonGlobe, 11-12-2014, https://www.bostonglobe.com/business/2014/11/12/debt-weighs-heavily-those-trying-rise-from-poverty/yBy0ZVd48bcANQGgk0Kf9K/story.html, DOA-1-2-2019 (MO)

The study, based on a survey of more than 100 low-income individuals, found that most of the debts resulted from stretches of unemployment, medical costs, and student loans. **The study also found that poor people are often overwhelmed by high interest rates that make it nearly impossible to pay down debts, then penalized again when prospective employers or landlords conduct credit checks before hiring or renting to them.** "It's so discouraging," Ruthie Liberman, vice president of public policy at Crittenton. "We brought their education level up and brought their income up, and they're still trapped." The report said a growing number of employers use credit reports to help vet a potential employee, and cited research that nearly 50 percent of Massachusetts residents have subprime credit scores. It's impossible to know for sure if companies disqualify candidates based on credit scores, since most people aren't told the reasons they done get a job, said Liberman. But the concerns are great enough that state Senator Jamie Eldridge, Democrat of Acton, said he is drafting a legislation that would limit the use of credit scores in hiring. As co-chairman of the Senate's Asset Development Commission, he said he heard many people testify that they borrowed money for college or a trade certificate, but could not find work. When their student loans came due and they were unable to pay, their credit rating suffered -- and so have their job prospects. The debt "left many, often single mothers, in a worse position than when they started," he said. More than 20 agencies, including the Federal Reserve Bank of Boston, Financial Planning Association of Massachusetts, National Consumer Law Center, shaped the survey questionnaire, which was administered by nine social service programs throughout Greater Boston. The average income of those who responded was $19,380 a year. About 70 percent were women, and about 30 percent had a college degree. Tasha Jean-Felix of Everett, a mother of two, was a paralegal earning $35,000 a year, until she got sick unexpectedly, couldn't work, lost her health care, and racked up about $3,000 in debt. Felix, who works 10 hours a week, has repaid her medical debt, slowly, with help from a hospital repayment plan, but still hasn't found a full-time job. Ana Patricia Munoz, a researcher at the Federal Reserve Bank of Boston, said lower income people often live close to edge, without the savings or other assets that might help them in an emergency. Many turn to payday loans or pawn shops, where they face high interest rates and other penalties that only compound their financial problems. "Those barriers are very hard to surmount," she said. "These are people with no assets and lots of debt."

Babcock - cemented into poverty

Elizabeth Babcock, 14, (), "Crushing debt part of cycle of poverty, according to report by Crittenton Women's Union", Crittenton, 11-13-2014, https://www.masslive.com/news/index.ssf/2014/11/crushing_debt_part_of_cycle_of.html, DOA-1-2-2019 (MO)

Elizabeth Babcock, president and chief executive officer of Crittenton, said consumer debt is preventing low-income people from attaining the "basic building blocks of getting ahead." When low-income people are unable to meet their debts, it "**<u>cements them in poverty</u>**," said Jennifer Lowe, the lead author of the study, "From Opportunity to Burden: Profiles of Low-Income Households Caught in the Credit Trap." The group is calling for passage of legislation that would prevent employers from checking someone's credit score, as well as legislation that would put limits on health care debt, and protect consumers from credit industry abuses. Sens. James Eldridge, D-Acton, and Michael Barrett, D-Lexington, both said they plan to file bills related to debt protections. Eldridge said he is also re-filing a bill next legislative session that would require financial literacy curriculum in all public schools. Margaret Miley, executive director of the Midas Collaborative - a network of community groups focused on financial education - said personal debt has become an overwhelming issue for many people because "real living" expenses are going up while wages are not. College costs in the last 30 years have increased twelve-fold, according to Miley, and medical costs have gone up 600 percent during the same period.

Pettinger - Austerity measures and reducing the deficit are responsible for dropping bond yields

Tejvan Pettinger, 18, (), "Does higher debt lead to higher interest rates?", Economics Help, 3-8-2018, DOA 12-31-2018, https://www.economicshelp.org/blog/4966/debt/link-between-debt-and-bond-yields/, (NR)

> Budget deficit From 2011-15 – net debt is rising, but there is a fall in the annual borrowing requirement In addition to net public sector debt (total debt), it is worth looking at the annual budget deficit. It could be argued that if there is a 'credible' plan to reduce the budget deficit this reassures markets that government debt is manageable. **For example, the UK government will claim that their austerity measures to reduce the budget deficit are responsible for the fall in UK bond yields (2012-17).**

Business formation

Roberts - Corporate bonds are issued less when government bonds are issued more

Roberts, 15 Wharton "Government Debt Issues Can Raise Corporate Bond Costs", Knowledge@Wharton, 3-25-2015, DOA 1-8-2019, http://knowledge.wharton.upenn.edu/article/the-important-role-of-government-debt-in-shaping-corporate-behavior/, (NR)

> When the government reduces its bond sales, in other words, big, healthy corporations increase theirs, helping to assure investors have a safe place to put their money. But when government bond sales grow, forcing the government to pay higher yields to attract investors, corporations must pay higher yields as well to compete, making financing and investment more expensive. As a result, corporations issue fewer bonds. “It’s a simple and intuitive idea,” Roberts says, explaining that “when there is more government debt, there is more competition for investors’ money — there is less demand by investors for corporate debt…. So it becomes harder or corporations to issue debt.” The relationship between prices and yields of government and corporate debt has long been clear. But how this dance affects corporate financial decisions has received little attention, Roberts says. “We’re not saying that government debt is bad, period,” Roberts notes. “But rather, government debt does crowd out corporate debt in investors’ portfolios, which has a negative effect on firms’ abilities to finance their investment.” A ‘Simple and Intuitive’ Idea The research used nearly 100 years of data from firms listed on the major U.S. stock exchanges, focusing on non-financial firms in unregulated industries. The researchers found that an increase in government debt of a given amount caused a decrease in corporate debt about a third as large. The effect was concentrated in long-term debt, rather than short-term. The work also found that firms do not increase their stock issuance to make up for their lower debt levels during times when government debt is high. New stock issues come with a price, such as diluting the value of pre-existing shares, so firms can be reluctant to simply turn to the equity markets when debt becomes less attractive, Roberts says. As a result, corporate investment falls when government debt issuance rises. The interplay between government debt and corporate policies is not the same for all companies. “We find that the debt and leverage policies of larger, more creditworthy firms are more sensitive to variation in government debt than are the policies of smaller, less creditworthy firms whose debt is a more distant substitute for Treasuries,” Roberts and his colleagues write. Risks and returns on high-quality corporate debt are similar to those of Treasury securities, making them easy substitutes. But investors are attracted to lower-quality corporate debt for different reasons, pursuing higher yields even if accompanied by more risk, so low-quality corporate debt is not an easy alternative to government debt.

Roberts - 1% increase in gov’t debt leads to corporate lending decreasing by 0.12%

Roberts ’15 Wharton "Government Debt Issues Can Raise Corporate Bond Costs", Knowledge@Wharton, 3-25-2015, DOA 1-8-2019, http://knowledge.wharton.upenn.edu/article/the-important-role-of-government-debt-in-shaping-corporate-behavior/, (NR)

> The rise and fall of government debt also affects lending policies of major institutional players such as commercial banks, insurance companies and pension funds. **Every percentage point increase in government debt causes these institutions to reduce corporate lending by four to 12 basis points. "Thus, financial intermediaries respond to increased government borrowing by increasing their holdings of government debt, marginally increasing their holdings of agency debt and reducing their holdings of corporate debt**," Roberts and his colleagues write.

McCarthy - 20% decline in small business lending since pre 08 levels

McCarthy, 17, (), "Why Bank Lending to Small Businesses Isn't Recovering", Fundera Ledger, 3-20-2017, DOA 1-8-2019, https://www.fundera.com/blog/bank-lending-small-businesses-isnt-recovering, (NR)

> In fact, about 80 percent of small business owners who apply for a bank loan get rejected. That's a staggering number, and it's easy to think that this is just a ripple effect of the financial crisis of 2008. After all, banks almost by definition tighten the credit spigot during a banking crisis, and there's no question that the crash is partly responsible for the 20 percent decline in small-business lending from the pre-crisis boom. Moreover, terms on small business loans tightened during the crisis, and have loosened much less for small firms than for large firms during the recovery.

Carbajo - 27% of businesses cant get the funding they need; 75% of young firms get funding from loans

Marco Carbajo, 17, (), "10 Stats That Explain Why Business Credit is Important for Small Business", No Publication, 3-9-2017, DOA 1-8-2019, https://www.sba.gov/blogs/10-stats-explain-why-business-credit-important-small-business, (NR)

> Similar to personal credit, business credit determines whether your company can be trusted by the way it manages money. Think of your business credit report as a gauge for the financial reputation of your business. Here are ten statistics that make the case on the importance of establishing credit for your business. **27% of businesses surveyed by the NSBA claimed that they were not able to receive the funding they needed. For those 1-in-4 businesses, the most frequent primary impact that a lack of funding had was preventing them from growing their business.** 46% of all small businesses use personal credit cards. Many small businesses fail to separate business and personal expenses, according to research conducted by MasterCard®. According to the NSBA Small Business Access to Capital Study, 20% of small business loans are denied due to business credit. In the first 6 months of 2013, according to Creditera, Dun & Bradstreet had 45 million business credit report requests and Equifax Commercial had 35 million. The Nav American Dream Gap Survey, 2015 revealed of small business owners surveyed, 45% did not know they have a business credit score, 72% did not know where to find information on their business credit score and 82% didn't know how to interpret their score. Many lenders consider a business credit score of 75 as "acceptable" making it

harder for those with a lower score to get a small business loan according to Small Business by Demand Media 2015. The average business needs 12-18 months to improve its business credit score according to Cardhub in 2015. **Bolt Insurance stated that one in three small business owners borrow money from family and friends, while 75 percent of young firms' funds come from bank loans and business credit.** Dun & Bradstreet states 90% of the Fortune 500™, and companies of every size around the world, rely on their data, insights and analytics to streamline operations, manage risk, improve targeting, find quality leads, boost customer relationships and – most important of all – grow. Mercator Advisory Group research finds that small business credit cards account for $430 billion in spending, or about 1 in every 6 dollars spent on general purpose cards

Harrison - More businesses are closing than opening. New business creation dropped 30%

J.D. Harrison, 15, (), "The decline of American entrepreneurship — in five charts", Washington Post, 2-12-2015, DOA 1-10-2019, https://www.washingtonpost.com/news/on-small-business/wp/2015/02/12/the-decline-of-american-entrepreneurship-in-five-charts/, (NR)

New research shows that the country's rate of new business creation, which peaked about decade ago, plunged more than 30 percent during the economic collapse and has been slow to bounce back following the recession. And that's despite the fact that, over the last few years, the portion of the U.S. population between the ages of 25 and 55 – historically the prime years for starting a business – has been expanding, according to data compiled by the Kauffman Foundation, an entrepreneurship research organization that hosted the event – the group's annual State of Entrepreneurship symposium – on Wednesday. The rate of new business creation dropped like a rock during the recession and has been slow to recover. (Chart by Kauffman Foundation) Not surprisingly, fewer new businesses means fewer new jobs. Zandi cited Labor Department statistics showing that companies less than one year old contributed 5.2 million jobs in the year ending June 2014, down from the usual 6 million or so they generated in the years leading up to the recession and well off the normal pace of 7 million to 7.5 million jobs a year seen in the 1990's. "We're getting less bang from our fast-growing companies," said Wendy Guillies, Kauffman's acting president. Echoing Zandi, she added: "I know the headlines look good, but when you dig a little deeper, something's not quite right." It gets worse. While the rate of business formation has slowed, the pace of business closures, which had held steady over the previous decade, started to ascend in 2005 and spiked in 2008, according to data compiled by the Brookings Institute. **Consequently, business deaths now outpace business births for the first time since researchers started collecting the data in the late 1970's.** For the first time on record, business deaths now outpace business. (Chart by Brookings Institute) The result, as shown below, is that long-established companies represent an increasingly large share of U.S. firms, with those that have been in business for more than five years now accounting for more

Slivinski - 1% increase in business=2% decline in poverty

Slivinski , Goldwater institute, xx-xx-xxxx, DOA 1-11-2019, https://www.realclearmarkets.com/docs/2012/11/PR254%20Increasing%20Entrepreneurship.pdf, (NR)

> There is a strong connection between a state's rate of entrepreneurship and declines in poverty. Statistical analysis of all 50 states indicates that states with a larger share of entrepreneurs had bigger declines in poverty. In fact, comparing states during the last economic boom—from 2001 to 2007—data show that for every 1 percentage point increase in the rate of entrepreneurship in a state, there is a 2 percent decline in the poverty rate.

Arenmeyer – small businesses k2 recovery

John Arensmeyer, 18, (), "Small Businesses Are Key to Driving Economic Recovery", Financial Poise, 8-20-2018, https://www.financialpoise.com/key-to-driving-economic-recovery/, DOA-1-11-2019 (MO)

> Despite a shortage of capital, small business is driving economic recovery and job growth in the United States. In fact, small businesses represent more than 99% of employer firms and employ 58 million of the nation's private-sector workforce. And, small business job creation often outperforms that of big businesses. A healthy small business community is crucial to driving economic recovery. In order to boost small businesses' bottom lines, investors need to ensure entrepreneurs have the capital they need to grow and hire.

Interest payments

PGP foundation - Debt Decrease public investment – crowd out

No Author, xx, (), "The Fiscal & Economic Impact of the National Debt", **PETER G. PETERSON FOUNDATION**, xx-xx-xxxx, https://www.pgpf.org/the-fiscal-and-economic-challenge/fiscal-and-economic-impact, DOA-12-7-2018 (MO)

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

Ghilarducci - High interest payments prohibit fiscal stimulus during recession

Teresa Ghilarducci, 18, (), "Why We Should Control The Federal Debt Before The Next Recession", Forbes, 9-23-2018, https://www.forbes.com/sites/teresaghilarducci/2018/09/23/why-we-should-control-the-federal-debt-before-the-next-recession/#18e8e24cd33b, DOA-12-21-2018 (MO)

> Although rolling back last year's tax cuts would make economic sense, politics may prevent tax cuts ever getting repealed— President Obama left over 80% of George W. Bush's tax cuts in place. **Without healthy revenues, federal spending cuts and a national recession could erode federal and household investments in human and physical capital and infrastructure.** Why is the deficit spiking during an economic expansion? Mainly because of the Republican 2017 tax cuts. Although income and payroll taxes have kept pace, the tax cuts sharply reduced revenue coming from capital gains and corporate tax receipts, and that is creating a revenue gap. But the biggest red warning light on the spending side is the rising net interest on the public debt. **Using our precious income to pay off past debts – especially if the debt wasn't used for investment -- leaves less for future investment and help during a recession**. Driven both by the overall increase in debt and rising interest rates, CBO writes that "the government's net interest costs are projected to more than double as a share of the economy over the next decade." Former Forbes contributor Stan Collender called the debt-causing tax cuts among the most fiscally irresponsible in modern history. Yet Republican majorities in Congress -- hoping to influence the fall elections – are proposing another $2 trillion in tax cuts. We can afford to reverse the tax cuts now and we should before the recession. Forbes contributor Jeffrey Dorfman argues tax revenue

to GDP is a better measure of national capacity than debt. In 2016, the U.S. took 26% of GDP in taxes, compared to 31.7% in Canada, 33.2% in the United Kingdom, and 37.6% in Germany. The economics and math for stabilizing the economy is known and easy – raise tax revenue during an upturn, take on good debt, and cap increasing interest payments. But last year's tax cuts aimed to repeal the laws of math and economics and ignored the goal of stabilization. **All in all, the 2017 tax cuts created bad debt and more economic risks. When the next recession hits, we all will pay the price.**

Tully - Cant spend on infrastructure or lower taxes in a recession

Shawn Tully, 18, (), "How Debt Could Blow Up the Trump Economy", Fortune, 3-15-2018, http://fortune.com/2018/03/15/us-national-debt-trump-tax-cuts/, DOA-12-28-2018 (MO)

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."

US debt before the 2008 financial crisis allowed for fiscal stimulus

CBO '18 "The Fiscal & Economic Impact of the National Debt", PETER G. PETERSON FOUNDATION, xx-xx-xxxx, https://www.pgpf.org/the-fiscal-and-economic-challenge/fiscal-and-economic-impact, DOA-12-7-2018 (MO)

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

Blinder - Without stimulus in 2008, the recession would have been twice as long, the deficit 20% higher, and 10 million more jobs lost.

Alan S. Blinder & Mark Zandi, 15, (), "The Financial Crisis: Lessons for the Next One", Center on Budget and Policy Priorities, 10-15-2015, https://www.cbpp.org/research/economy/the-financial-crisis-lessons-for-the-next-one, DOA-12-30-2018 (MO)

> The massive and multifaceted policy responses to the financial crisis and Great Recession — ranging from traditional fiscal stimulus to tools that policymakers invented on the fly — dramatically reduced the severity and length of the meltdown that began in 2008; its effects on jobs, unemployment, and budget deficits; and its lasting impact on today's economy. Without the policy responses of late 2008 and early 2009, we estimate that: The peak-to-trough decline in real gross domestic product (GDP), which was barely over 4%, would have been close to a stunning 14%; **The economy would have contracted for more than three years, more than twice as long as it did;** More than 17 million jobs would have been lost, about twice the actual number. **Unemployment would have peaked at just under 16%, rather than the actual 10%; The budget deficit would have grown to more than 20 percent of GDP, about double its actual peak of 10 percent**, topping off at $2.8 trillion in fiscal 2011. Today's economy might be far weaker than it is — with real GDP in the second quarter of 2015 about $800 billion lower than its actual level, 3.6 million fewer jobs, and unemployment at a still-dizzying 7.6%. We estimate that, due to the fiscal and financial responses of policymakers (the latter of which includes the Federal Reserve), real GDP was 16.3% higher in 2011 than it would have been. **Unemployment was almost seven percentage points lower that year than it would have been, with about 10 million more jobs.**