

Because we believe in long-term, sustainable growth, we affirm. Resolved: The United States federal government should prioritize reducing the federal debt over promoting economic growth.

### **Our sole contention is Surviving the Next Recession**

The United States has high, unsustainable debt levels. Ghilarducci, a professor of economics at the University of Notre Dame in 2018 explains, QUOTE **“the U.S. will increase its debt-to-GDP ratio in the next five years”**<sup>1</sup> This is worrisome as the economy is due for recession soon.

According to Kemp of Reuters in 2018, “The current yield gap is consistent with a wealth of other **indicators**, including purchasing surveys, consumer confidence, unemployment, retail price inflation, freight movements and the escalation in share prices. They **all point to an economy approaching a cyclical peak, and then likely to move into a period of** more moderate growth, if not **recession, over the next 12 to 24 months”**<sup>2</sup> Reporter Michael Collins writes in 2018, **“If the country continues its current path of mounting debt**, it may not have the ability to respond to such unforeseen crises in the future, Peterson said. That means **another recession could be deeper, longer and more painful”**<sup>3</sup> There are two main reasons why recession is inevitable.

*First, corporate credit.* Bair of the New York Times last week explains, **“Cracks are already forming.** In December, **borrowing in the high-yield bond market came to a standstill”** **“The debt**

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<sup>1</sup> **Ghilarducci 18** (Teresa Ghilarducci, 25 years as a professor of economics at the University of Notre Dame, 9-23-2018, "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/#39d04806d33b> DOA 12/9/18) MDS

<sup>2</sup> **Kemp 2018** (John Kemp, Senior Market Analyst, Commodities and Energy, 31 August 2018, *Reuters*, " Commentary: U.S. economy accelerates towards cyclical peak", <https://www.reuters.com/article/uk-usa-economy-kemp/commentary-u-s-economy-accelerates-towards-cyclical-peak-idUKKCN1LG12S>, Accessed 12/10/2018) IW

<sup>3</sup> **Collins 2018** (Michael Collins is a reporter in USA Today's Washington Bureau, "The national debt and the federal deficit are skyrocketing. How it affects you", *USAToday*, October 16<sup>th</sup> 2018, <https://www.usatoday.com/story/news/politics/2018/10/16/government-spending-how-rising-federal-debt-deficit-impact-americans/1589889002/>. DOA: November 25th 2018) TG

**owed by businesses** as a percentage of gross domestic product **is at a record high. But the credit quality of investment-grade bonds has deteriorated**<sup>4</sup> Mauldin of Forbes from last week corroborates, **“yield-hungry investors have been throwing money at these companies. They accepted it but don’t necessarily use it wisely” “The last three times this happened near the beginning of recessions”**<sup>5</sup>

*Second, student loans.* Student debt is increasing, leading a large amount of people to default on that debt, as Healey of Investopedia in 2018 reports, **“nearly 40% of borrowers who entered college in 2004 may default on their student loans by 2023” “High student debt burdens and defaults on loans affect students’ credit scores, making it more difficult to buy a home or get ahead in life”** Unfortunately, Nova of CNBC in 2018 predicts, **“Borrowing is unlikely to slow any time soon”**<sup>6</sup> For this reason, Healey concludes, **“student loan defaults** have the potential to adversely impact the U.S. economy, which **could trigger another recession”**<sup>7</sup>

When the U.S. goes into recession, spending works to recover, as Gimein of Times in 2016 writes that during the Great Recession, **“the fiscal stimulus** reduced the unemployment rolls by as much as 3 million and **kept the economy from contracting around 2%** Overall role: Substantial<sup>8</sup>. Ghilarducci concludes

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<sup>4</sup> **Bair 2019** (Sheila C. Bair and Gaurav Vasisht, Ms. Bair was chairwoman of the Federal Deposit Insurance Corporation from 2006 to 2011. Mr. Vasisht is director of financial regulation at the Volcker Alliance, 10 January 2019, *The New York Times*, "The Shutdown Isn't the Only Threat to the Economy", <https://www.nytimes.com/2019/01/10/opinion/shutdown-economy-recession.html>, Accessed 01/10/2019) IW

<sup>5</sup> **Mauldin 2019** (John Mauldin, financial writer, publisher, and New York Times bestselling-author, 09 January 2019, *Forbes*, "2019 Economic Outlook: Recession Probability, Credit Conditions And Stock Valuations", <https://www.forbes.com/sites/johnmauldin/2019/01/09/2019-economic-outlook-recession-probability-credit-conditions-and-stock-valuations/#5045c0823554>, Accessed 01/10/2019) IW

<sup>6</sup> **Nova 18** (Annie Nova, reporter for CNBC, 9-22-2018, "Despite the economic recovery, student debtors' 'monster in the closet' has only worsened," CNBC, <https://www.cnbc.com/2018/09/21/the-student-loan-bubble.html> DOA 1/11/19) MDS

<sup>7</sup> **Healey 18** (Patrick Healey, Founder and President of Caliber Financial Partners and has over 20 years of experience in the financial services industry, 5-21-2018, "Why Student Loan Debt Might Be the Next Financial Crisis," Investopedia, <https://www.investopedia.com/advisor-network/articles/why-student-loan-debt-might-be-next-financial-crisis/> DOA 1/11/19) MDS

<sup>8</sup> **Gimein 16** (Mark Gimein, writer for Time Money, 1-13-2016, "Who Really Dug Us Out of the Great Recession?," Money, <http://time.com/money/4176949/who-really-dug-us-out-of-the-great-recession/> DOA 12/3/18) MDS



























