Because we believe in responsible fiscal policy, we negate. Resolved: The United States federal government should prioritize reducing the federal debt over promoting economic growth.

Contention 1 is Irresponsible Interest Rates

Right now, Federal Reserve Chairman Jerome Powell's focus is on stabilizing the economy. Heath of the Washington Post last December reports, QUOTE "In response to questions after his speech, Powell noted recent stock market volatility but said **the Fed was largely focused on** slower-moving trends that tell him more about **the health of the economy**."[1] As a result, interest rates are slowly returning to normal. Powell in October stated "**The** really **extremely** accommodative **low interest rates that we needed when the economy was** quite **weak,** we don't need those anymore. They**'re not appropriate anymore**" "**We don't see the kind of buildup in risks in the financial markets, let alone the banking system**"[2]. For this reason, Ellyatt of CNBC from 3 days ago concludes, "It's still our view that **we're not headed for recession in any of the major economies**"[3] However, prioritizing debt changes the Fed's incentive and forces them to lower interest rates, since higher rates add to the debt. Kramer of CCN last week explains, "**Through increased interest rates, government debt gets a higher cost of interest, adding to the debt balance**" If "**Powell is concerned about debt** is not bad news for the

[1] **Heath 2018** (Thomas Heath, Local business reporter and columnist, writing about entrepreneurs and companies in the Washington metropolitan area, 28 November 2018, *Washington Post*, "Fed chair sends markets soaring with suggestion that rate hikes may slow", https://www.washingtonpost.com/business/economy/fed-chairman-powell-sends-markets-soaring-with-comments-on-interest-rates/2018/11/28/5d0b4dae-f331-11e8-aeea-b85fd44449f5_story.html?utm_term=.2550de0d08db, Accessed 01/15/2019) IW

[2] **Cox 18** (Jeff Cox, 10-3-2018, writer for CNBC, "Powell says we're 'a long way' from neutral on interest rates, indicating more hikes are coming," CNBC, https://www.cnbc.com/2018/10/03/powell-says-were-a-long-way-from-neutral-on-interest-rates.html DOA 12/14/18) MDS

[3] Ellyatt 2019 (Holly Ellyatt writes for CNBC.com focusing on European macro-economics and politics, "Goldman Sachs predicts no recession in 2019 but sees a 'pretty sharp slowdown'", *CNBC*, January 15th 2019, https://www.cnbc.com/2019/01/15/goldman-sachs-predicts-no-recession-in-2019-but-sees-a-pretty-sharp-slowdown.html. DOA: January 17th 2019) TG

markets. It actually makes further interest rate hikes less likely as Powell will be concerned about further compounding the U.S. debt balance. **It could** even **mean the Federal Reserve considers an interest rate reduction**"[4] UNQUOTE

Low interest rates are problematic because they create asset bubbles. Mourdoukoutas of Columbia University continues, "**low interest rates** help "**steal**" **sales from the future**, creating market saturation that eventually depresses spending on "high ticket" items. That's what happened shortly before the Great Recession. The Federal Reserve, by **implementing** a policy of ultra-**low interest rates** between 2002 and 2006, **created a distorted economic environment where consumers abused cheap credit**"[5] This means that people rush to buy products or invest in places because of their low interest rates and not their actual value, creating a bubble. This happened empirically, as Stanford Economics Professor John Taylor argues, the Fed "Starting in 2003-05, it **held interest rates too low** for too long and **thereby encouraged excessive risk-taking and the housing boom**" When people inevitably defaulted on those unsustainable mortgages, the housing bubble popped, sending us into the Great Recession in 2008. Columbo of Forbes in 2018 isolates several potential new bubbles caused by interest rates, specifically, "**Emerging markets, U.S. corporate debt, the U.S. shale energy boom, U.S. auto loans, U.S. Commercial real estate, and the U.S. stock market.**" Low interest rates forces these bubbles to inflate as well as create new ones. When they pop, we go into recession.

The impact to recession is poverty. This happens in two places.

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[4] **Kramer 2019** (Melanie Kramer, author at CCN, 10 January 2019, *CCN*, "Federal Reserve's Jerome Powell "Very Worried" About Massive U.S. Debt", https://www.ccn.com/federal-reserves-jerome-powell-very-worried-about-massive-u-s-debt/, Accessed 01/15/2019) IW

[5] **Mourdoukoutas 16** (Panos Mourdoukoutas, Professor and Chair of the Department of Economics at LIU Post in New York. I also teach at Columbia University. I've published several articles in professional journals and magazines, including Barron's, The New York Times 5-22-2016, "How Ultra-Low Interest Rates Will Cause The Next Global Recession," Forbes, https://www.forbes.com/sites/panosmourdoukoutas/2016/05/22/how-ultra-low-interest-rates-will-cause-the-next-global-recession/#38de7f206b7e DOA 1/10/19) MDS

First, the United States. Parrott, an economics major from the University of Michigan in 2008 writes, with a recession, "**the number of poor Americans will rise** above its 2006 level by 8.4-**10.9 million**"[6]

Second, the developing world. Kose of VoxEU in 2017 explains, "**Shocks to the US economy transmit to the rest of the world** through three main channels. **An acceleration in US activity can lift growth in trading partners** directly **through an increase in import demand**, and indirectly by strengthening productivity spillovers embedded in trade" "**US growth could boost growth in** advanced economies by 0.8 of a percentage point, and in emerging market and **developing economies by 0.6 of a percentage point**"[7] Chen-Mao of the NCBI in 2017 quantifies, "**The World Bank** also **estimated a consequent rise in global unemployment of around 30 million, resulting in additional deaths** during the recession period"[8]

Contention 2 is Spending Cuts

The only possible way to reduce the federal debt is by cutting spending. All other measures fail, as Giokaris, a tax attorney writing for the MIC explains, if "let's just say **we were able to close every tax loophole** in existence, eliminate all deductions, and successfully crack down on tax evasion **while bumping up our corporate tax rate to** the highest in the world at an even **40%** and returning to Clinton-era income tax rate levels. Of course, any talks of eliminating these subsidies and loopholes will mean Washington will be barraged by an army of lobbyists and attorneys seeking to keep

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[6] **Parrott 2008** (Sharon Parrott, Senior Fellow and Senior Counselor at the Center on Budget and Policy Priorities, She received both her B.A. in Economics and master's degree in Social Work from the University of Michigan, 25 November 2008, *Center on Budget and Policy Priorities*, "Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty", https://www.cbpp.org/research/recession-could-cause-large-increases-in-poverty-and-push-millions-into-deep-poverty, Accessed 12/03/2018) IW

[7] **Kose et al 17** (M. Ayhan Kose et al, World Bank Director Development Prospects Group, 2-27-2017, "Understanding the global role of the US economy," No Publication, https://voxeu.org/article/understanding-global-role-us-economy DOA 11/29/18) MDS

[8] **Chen-Mao 2017** (Liao Chen-Mao and Lin Chih-Ming, Liao is part of the Department of Applied Statistics and Information Science, Ming Chuan University, Ming is part of the Department of Healthcare Information and Management, Ming Chuan University, 30 May 2017, *NCBI*, "The Effects of the Global Economic Recession and a Reduced Alcohol Tax on Hospitalizations Due to Alcohol-Attributed Diseases in Taiwan", https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5486266/, Accessed 12/10/2018) IW

these very things in place. There would have to be enough politicians willing to ignore these efforts **and** follow through on closing them to begin with, as well as enough politicians thinking raising tax rates is a good idea – impossible in today's political climate, but for argument's sake, let's say all the stars aligned. The U.S. has lost out on $337 billion worth of revenue to tax evasion. So again, for argument's sake, let's **assume every millionaire** and billionaire out there all of a sudden stops trying to dodge paying taxes and **decides** they all want **to pay as high of a rate as Washington wants to raise it** and the Fed has all the means possible to enforce collection. So how much revenue does that give us in 2012? Some $2.337 trillion. Not bad. But guess what? **That doesn't even cover next year's projected spending**"[9]. Thus, Amadeo, an MIT graduate with 20 years of economic expertise in 2018 corroborates, "**You can't reduce the deficit or debt without major cuts to** defense and **mandated benefit programs**"[10] Horowitz of the Boston Globe in 2018 concludes, "**The programs most often rushed to the chopping block in debt-reduction plans are the big entitlements: Social Security and Medicare**"[11]

There are two impacts to cutting these programs.

First, Social Security. Bernstein, a senior fellow at the Center on Budget and Policy Priorities in 2013 finds "Budget and Policy Priorities, points out that **excluding Social Security benefits, the poverty rate among the elderly would be an astounding 44 percent**. Including those benefits, it is 9 percent. **They lift 22 million people out of poverty.** In the hands of this Congress, a "grand bargain" could easily be a disaster for these folks."[12]

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[9] **Giokaris 2011** (John Giokaris, tax attorney in Chicago, 14 December 2011, *MIC*, "Raising Taxes Won't Solve America's Debt Problem", https://mic.com/articles/2862/raising-taxes-won-t-solve-america-s-debt-problem#.dn2XJWOeI, Accessed 01/05/2019) IW

[10] **Amadeo 2018** (Kimberly Amadeo, 20 years senior-level corporate experience in economic analysis and business strategy. She received an M.S. in Management from the Sloan School of Business at M.I.T., 10-23-2018, "Trump and the National Debt", *Balance*, https://www.thebalance.com/trump-plans-to-reduce-national-debt-4114401, Accessed 01/07/2018) IW

[11] **Horowitz 2018** (Evan Horowitz, writer for the Boston Globe, "A balanced budget sounds good, but could it trigger a recession that drags on?", *Boston Globe*, September 23rd 2018, https://www.bostonglobe.com/business/2018/09/23/balanced-budget-sound-good-but-could-trigger-recession-that-drags/hmIz8ZWF0EcJFDyHHFhhQN/story.html. DOA: January 7th 2019) TG

[12] **Bernstein 2013** (Jared Bernstein is a senior fellow at the Center on Budget and Policy Priorities in Washington and a former chief economist to Vice President Joseph R. Biden Jr., "How the Budget Debate Could Help the Economy", *New York Times*, October 25th 2013, https://economix.blogs.nytimes.com/2013/10/25/how-the-budget-debate-could-help-the-economy/?_r=0. DOA: November 26th 2018) TG

Second, Medicare. Cecere from the Cambridge Health Alliance in 2017 explains, "**An increase in the number of uninsured** and an eroding medical safety net for the disadvantaged likely **explain the substantial increase in the number of deaths**, as the uninsured are more likely to go without needed care."[13] Copeland, the Medicare Rights Center Federal Policy Director in 2018 estimates, "**This shift would put** the **59 million** older adults and **people** with disabilities who rely on Medicare's promise of affordable, comprehensive health care **at risk of** higher costs, **fewer coverage** options, and greater uncertainty"[14]

Thus, we negate.

[13]**Cecere 2017** (David Cecere, Cambridge Health Alliance, September 17 2009, *The Harvard Gazette*, "New study finds 45,000 deaths annually linked to lack of health coverage", https://news.harvard.edu/gazette/story/2009/09/new-study-finds-45000-deaths-annually-linked-to-lack-of-health-coverage/, Accessed 10/22/2018) IW

[14] **Copeland 2018** (Lindsey Copeland, former director of policy and legislative affairs at the National Association of States United for Aging and Disabilities, and current Medicare Rights Center Federal Policy Director, "As Expected, House Budget Plan Targets Medicare and Medicaid", *Medicare Rights Center*, June 21st 2018, https://blog.medicarerights.org/expected-house-budget-plan-targets-medicare-medicaid/. DOA: January 8th 2019) TG

Card Appendix

Fed purpose

Heath 2018 (Thomas Heath, Local business reporter and columnist, writing about entrepreneurs and companies in the Washington metropolitan area, 28 November 2018, *Washington Post*, "Fed chair sends markets soaring with suggestion that rate hikes may slow", https://www.washingtonpost.com/business/economy/fed-chairman-powell-sends-markets-soaring-with-comments-on-interest-rates/2018/11/28/5d0b4dae-f331-11e8-aeea-b85fd44449f5_story.html?utm_term=.2550de0d08db, Accessed 01/15/2019) IW

The Fed is tasked with maximizing employment and stabilizing prices. By controlling interest rates, it aims to prevent the economy from growing too quickly and creating distorted prices in the stock market and elsewhere that eventually crash and lead to a recession. But knowing when to raise interest rates can be challenging, and people often have different opinions about how much running room the Fed should permit. In response to questions after his speech, Powell noted recent stock market volatility but said **the Fed was largely focused on slower-moving trends that tell him more about the health of the economy**. He also described the Fed's cautious approach toward raising interest rates as akin to being in a room with furniture when the lights go out and then having to proceed carefully to avoid bumping into anything.

Fed isn't messing up like they did before so no recession

Cox 18 (Jeff Cox, 10-3-2018, writer for CNBC, "Powell says we're 'a long way' from neutral on interest rates, indicating more hikes are coming," CNBC, https://www.cnbc.com/2018/10/03/powell-says-were-a-long-way-from-neutral-on-interest-rates.html DOA 12/14/18) MDS

Federal Reserve Chairman Jerome Powell said the central bank has a ways to go yet before it gets interest rates to where they are neither restrictive nor accommodative. In a question-and-answer session Wednesday with Judy Woodruff of PBS, **Powell said the Fed no longer needs the policies that were in place that pulled the economy out of the financial crisis malaise. "The really extremely accommodative low interest rates that we needed when the economy was quite weak, we don't need those anymore. They're not appropriate anymore," Powell said. "Interest rates are still accommodative, but we're gradually moving to a place where they will be neutral," he added. "We may go past neutral, but we're a long way from neutral at this point**, probably." The question of **the neutral rate is** critical for the Fed's policymaking. Officials have been debating for years where that level may be, with the Fed consensus **near 3 percent.** The current range for the central bank's benchmark rate is 2 percent to 2.25 percent; **projections released last week indicated the policymaking Federal Open Market Committee is likely to take the funds rate to 3.4 percent before pausing**. During the interview, the euro dropped to its lowest level since Aug. 21 as investors saw Powell's remarks as affirmation of more rate hikes down the road. Government bonds were getting slammed in early market action Thursday, responding both to Powell's comments and stronger economic data. The 10-year U.S. Treasury note's yield jumped to 3.21 percent, its highest level in seven years. Powell spoke on a number of issues as well: 'Rising chorus' of trade concerns While he said the trade war in which the U.S. finds itself with a number of its partners is not having an impact on data, the Fed has heard plenty from its business contacts who are concerned about multiple issues. Rising materials costs, supply chains and the loss of markets are among the worries. However, Powell said the end result could be positive both for the U.S. and other economies around the world. "If we wind up with lower tariffs broadly speaking and people obeying the rules of global trade, then that will be good for us it will be good for other countries, too," he said. "If perhaps inadvertently we wind up instead in a more protectionist era where countries are putting tariffs back and forth on each other, that will be bad for American workers and the American economy and perhaps for other countries as well." On his relationship with Trump President Donald Trump has been a critic of Fed policy, though he appointed Powell to his leadership role. The president is worried that the Fed's consistent rate hikes will interfere with economic growth. However, Powell said neither he nor other Fed officials are letting the politics bother them. "My focus is essentially on controlling the uncontrollable. We control what do," he said to laughter from the audience. "To anybody who has known our situation over time, this is just who we are and who we will always be." Asked whether he has spoken with Trump since the president made his remarks, Powell said, "No." On the next crisis Asked what keeps him up at night, Powell said "basically everything." "Nobody wants a central banker who sleeps well, right? What good is that?" he said. However, he said that he thinks the next crisis will not be the same as the financial system meltdown in 2008 that caused the Fed to take its benchmark rate to near-zero and to buy nearly $4 trillion of bonds. **"My guess is the next set of problems we have won't look a lot like the**

last set of problems we had," he said. "It will be something else, a cyber attack, some type of global event." "We don't see the kind of buildup in risks in the financial markets, let alone the banking system," Powell added.

If Powell's first priority were debt reduction, interest rates might be lowered

Kramer 2019 (Melanie Kramer, author at CCN, 10 January 2019, *CCN*, "Federal Reserve's Jerome Powell "Very Worried" About Massive U.S. Debt", https://www.ccn.com/federal-reserves-jerome-powell-very-worried-about-massive-u-s-debt/, Accessed 01/15/2019) IW

The Federal Reserve has been pursuing a policy of quantitative tightening. This to counter the quantitative easing put in place in response to the global economic crisis. It has been reducing the amount of U.S Treasury Bonds it purchased by allowing these holdings to expire. **This means the Federal Reserve is earning less interest on its holdings. Interest that usually contributes positively to the treasury balance. Through increased interest rates, government debt gets a higher cost of interest, adding to the debt balance. That said, the Federal Reserve's impact on the accruing U.S. debt is minor compared to the biggest culprit – government spending**. Wall Street legend Jeffrey Gundlach warned in December that the federal reserve appeared to be on a "suicide mission" to be raising interest rates at the same time as U.S. debt is increasing. **An expanding deficit can often be a signal for the federal reserve to lower interest rates, instead of potentially compounding a problem**. Banker and author Satyajit Das questioned in April 2018 if in fact the process of normalization after years of quantitative easing to counter recession could "set off a debt bomb." Das wrote: "A decade of unprecedently low global rates and abundant liquidity appears to have encouraged a spree of public and private debt accumulation." Adding: "Higher interest rates will exacerbate the risk of financial distress for highly indebted corporate and sovereign borrowers." The fact that **Powell is concerned about debt** is not bad news for the markets. **It actually makes further interest rate hikes less likely as Powell will be concerned about**

further compounding the U.S. debt balance. It could even mean the Federal Reserve considers an interest rate reduction.

Low interest rates steal sales from the future because everyone wants to take advantage of them, leading to the creation of bubbles which crashes the industry later

Mourdoukoutas 16 (Panos Mourdoukoutas, Professor and Chair of the Department of Economics at LIU Post in New York. I've published several articles in professional journals and magazines, including Barron's, The New York Times 5-22-2016, "How Ultra-Low Interest Rates Will Cause The Next Global Recession," Forbes, https://www.forbes.com/sites/panosmourdoukoutas/2016/05/22/how-ultra-low-interest-rates-will-cause-the-next-global-recession/#38de7f206b7e DOA 1/10/19) MDS

Second, **ultra-low interest rates for a prolonged period of time fuel** what I call **"pent-down" demand, which undermines future growth.** To understand what pent-down demand is, a natural place to start is with the more familiar concept of pent-up demand, which boosts future growth. **Pent-up demand**, which usually arises before a period of consumer euphoria, describes the lack of demand - **when consumers choose to postpone their expenditures to a future date**, due to lower price expectations, depressed consumer confidence, or lack of access to credit. In contrast, **pent-down demand** materializes after a period of consumer euphoria and excess borrowing and describes the lack of current demand — **when consumers have moved future purchases forward in previous periods, due to the low cost of financing** -- which blurs the distinction between present and future. Simply put, **ultra-low interest rates help "steal" sales from the future**, creating market saturation that eventually depresses spending on "high ticket" items. **That's what happened shortly before the Great Recession. The Federal Reserve**, **by implementing** a policy of ultra-**low interest rates between 2002 and 2006, created a distorted economic environment where**

consumers abused cheap credit to boost present aggregate spending at the expense of future spending. **Consumers**, for instance, **raced to take advantage of “zero percent” financing to buy cars they would normally buy years later**. **That’s how automobile sales increased** from an average of 15 million in the 1980s and the 1990s to 17 million in the first six years of 2000s, **before they tumbled during the Great Recession. We all know what happened shortly after: the Great Recession followed and aggregate spending dropped sharply.**

Low rates following .com caused housing bubble

Taylor 12 (John B. Taylor, professor of economics at Stanford and a senior fellow at the Hoover Institution. This op-ed is adapted from his testimony this week before the Joint Economic Committee, which drew on his book "First Principles: Five Keys to Restoring America's Prosperity." 29 March 2012, “The Dangers of an Interventionist Fed" https://www.wsj.com/articles/SB10001424052702303816504577307403971824094 DOA 1/11/19) MDS

In contrast, through much of the 1980s and '90s and into the past decade the Fed ran a more predictable, rules-based policy with a clear price-stability goal. This eventually led to lower unemployment, lower interest rates, longer expansions, and stronger economic growth. Unfortunately the Fed has returned to its discretionary, unpredictable ways, and the results are not good. **Starting in 2003-05, it held interest rates too low for too long and thereby encouraged excessive risk-taking and the housing boom. It then overshot the needed increase in interest rates, which worsened the bust.** Now, with inflation and the economy picking up, the Fed is again veering into "too low for too long" territory. Policy indicators suggest the need for higher interest rates, while the Fed signals a zero rate through 2014. It is difficult to overstate the extraordinary nature of the recent interventions, even if you ignore actions during the 2008 panic, including the Bear Stearns and AIG bailouts, and consider only the subsequent two rounds of "quantitative easing" (QE1 and QE2)—the large-scale purchases of mortgage-backed securities and longer-term Treasurys.

Rising interest rates destroy emerging markets, blow up corporate debt, ruin auto loans, and real estate

Colombo 2018 (Jesse Colombo is an economic analyst, registered investment advisor, and Forbes contributor who warns about bubbles and future financial crises, "How Interest Rate Hikes Will Trigger The Next Financial Crisis", *Forbes*, September 27th 2018, https://www.forbes.com/sites/jessecolombo/2018/09/27/how-interest-rate-hikes-will-trigger-the-next-financial-crisis/#7153d6d66717. DOA: December 15th 2018) TG

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 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. Here are some examples of interest rate-sensitive sectors that I believe are experiencing bubbles that will burst as interest rates rise: Emerging markets: Ultra-low interest rates and quantitative easing in the U.S. and Europe after the Great Recession caused trillions of dollars worth of "hot money" to flow into emerging economies, which led to the development of credit and asset bubbles in those countries. Emerging market debt nearly tripled to $60 trillion in the past decade*. Turkey, South Africa, and many other emerging markets are being roiled as U.S. interest rates and the dollar rise. *U.S. corporate debt bubble: The low interest rate environment after the Great Recession has encouraged public corporations to borrow heavily in the bond market. Total outstanding non-financial corporate debt has increased by over $2.5 trillion or 40% since its 2008 high*. U.S.

corporate debt is now at an all-time high of over 45% of GDP (see chart below), which is even worse than the levels reached during the dot-com bubble and U.S. housing and credit bubble. Read my corporate debt bubble warning on Forbes to learn more. *U.S. shale energy boom/energy junk bonds: This boom/bubble is closely related to the corporate debt bubble discussed above. Extracting oil and gas from shale via fracking is extremely capital-intensive and would not be feasible in a normal interest rate environment.* Thanks to the artificially low interest rate environment since the Great Recession, the shale energy industry's net debt surged to $200 billion in 2015 - a 300% increase from 2005. *Rising interest rates and the bursting of the corporate debt/junk bond bubble will cause a major bust in the shale energy industry. U.S. auto loans: Low interest rates after the Great Recession made financing and leasing automobiles much cheaper, which has resulted in an automobile sales boom. Total outstanding auto loans increased 36% to $1.118 trillion in the past decade. Rising interest rates will cause monthly auto loan payments to be more expensive, which will result in lower sales and a bust in the automotive industry. U.S. commercial real estate: Commercial real estate is a very interest rate-sensitive arena that has levitated due to low interest rates after the Great Recession. According to Green Street Advisors, U.S. commercial real estate prices have more than doubled since 2009. U.S. residential real estate: As I've recently explained in Forbes, U.S. housing prices now exceed their housing bubble peak and are up 50% from their low point in 2012 thanks to ultra-low mortgage rates. Mortgage rates did not reach such low levels on their own, but due to intervention by the Fed in the form of quantitative easing*. The Fed is now reversing its quantitative easing program by $40 billion per month and, unsurprisingly, mortgage rates just hit a seven-year high and the housing market is decelerating. *U.S. stock market investors are dangerously exposed to coming busts in interest rate-sensitive sectors, which will spill over into the highly-inflated stock market*. Please read my U.S. stock market bubble report in Forbes for more information. The S&P 500 has risen over 300% since March 2009 due to the Federal Reserve's market manipulation:

10.9 Million go into poverty due to recession

Parrott 2008 (Sharon Parrott, Senior Fellow and Senior Counselor at the Center on Budget and Policy Priorities, She received both her B.A. in Economics and master's degree in Social Work from the University of Michigan, 25 November 2008, *Center on Budget and Policy Priorities*, "Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty", https://www.cbpp.org/research/recession-could-cause-large-increases-in-poverty-and-push-millions-into-deep-poverty, Accessed 12/03/2018) IW

Goldman Sachs projects that the unemployment rate will rise to 9 percent by the fourth quarter of 2009 (the firm has increased its forecast for the unemployment rate a couple of times in the last month). If this holds true and the increase in poverty relative to the increase in unemployment is within the range of the last three recessions, **the number of poor Americans will rise** above its 2006 level **by 8.4-10.9 million, the number of poor children will rise by 2.6-3.9 million, and the number of children in deep poverty will climb by 1.5-2.4 million.** (This increase will not take place in a single year, but will occur **over several years**.)

US economy is critical to the global economy with an 80% correlation of affecting other advanced economies

Kose et al 17 (M. Ayhan Kose et al, World Bank Director Development Prospects Group, 2-27-2017, "Understanding the global role of the US economy," No Publication, https://voxeu.org/article/understanding-global-role-us-economy DOA 11/29/18) MDS

A surge in US growth – whether due to expansionary fiscal policies or other reasons – could provide a significant boost to the global economy. **Shocks to the US economy transmit to the rest of the world through three main channels.¶ An acceleration in US activity can lift growth in trading partners directly through an increase in**

import demand, and indirectly by strengthening productivity spillovers embedded in trade.¶

Financial market developments in the US may have even wider global implications. **US bond and equity markets are the largest and most liquid in the world** and the US dollar is the currency mostly widely used in trade and financial transactions. **This makes US monetary policy and investor confidence important drivers of global financial conditions** (Arteta et al. 2015, IMF2015).¶ Given its role in global commodity markets (the US is both the world's largest gas and oil consumer and producer), changes in US growth prospects can affect global commodity prices. This affects activity, fiscal and balance of payment developments in commodity exporters.¶ Estimates indicate that a percentage-point increase in **US growth could boost growth in advanced economies by 0.8 of a percentage point, and in emerging market and developing economies by 0.6 of a percentage point** after one year (Figure 2.A). **Investment could respond even more strongly**. A boost to investment could come for instance from fiscal stimulus measures – but the effect would largely depend on the circumstances of the implementation of these measures, including the amount of remaining economic slack, the response of monetary policy, and the adjustment of household and business expectations to the prospect of higher deficit and debt levels. A faster tightening of US monetary policy than previously expected could, for instance, lead to sudden increases in borrowing costs, currency pressures, financial market volatility, and capital outflows for more vulnerable emerging market and developing economies.¶ Even in the absence of actual policy changes, *heightened uncertainty driven by* financial market volatility or ambiguity about *the direction and scope of US policies* **could discourage investment both in the US and in the rest of the world**. Empirical estimates suggest that a sustained 10% increase in **US stock market volatility (specifically, the VIX) could, after one year, reduce investment growth in the US by about 0.6 of a percentage point, in other advanced economies by around 0.5 of a percentage point, and in emerging market and developing economies by 0.6 of a percentage point (Figure 2.B).**

Sad numbers about the Great Recession—increases of 3% unemployment leads to 25% increase in death rates due to alcohol

Chen-Mao 2017 (Liao Chen-Mao and Lin Chih-Ming, Liao is part of the Department of Applied Statistics and Information Science, Ming Chuan University, Ming is part of the Department of Healthcare Information and Management, Ming Chuan University, 30 May 2017, *NCBI*, "The Effects of the Global Economic Recession and a Reduced Alcohol Tax on Hospitalizations Due to Alcohol-Attributed Diseases in Taiwan", https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5486266/, Accessed 12/10/2018) IW

Beginning in the third quarter of 2008, a major global economic crisis struck many developed industrial countries. By April 2009, the International Monetary Fund estimated that **banks and other financial institutions around the world had lost four trillion US dollars** [1]. **The World Bank also estimated a consequent rise in global unemployment of around 30 million, resulting in additional deaths during the recession period** [2]. Judging from earlier experiences of financial crises in various parts of the world, **stresses associated with rising unemployment, poverty, and social insecurity will lead to upward trends in suicide rates, as well as to increases in the prevalence of various psychiatric illnesses** [3,4,5,6,7,8]. P;revious studies have found that **alcohol consumption, meanwhile, rises along with income, indicating that alcohol is a normal good** [9,10,11]. Bor et al. interviewed adults in the US between 2006 and 2010 to assess changes in their alcohol use and found that the **prevalence of alcohol consumption significantly declined during the Great Recession** [12]. **On the other hand, during an economic downturn, people may feel stress and decreased levels of happiness even without losing their jobs, and such feelings could lead to increased levels of alcohol consumption** as well as to changes in the types of alcohol consumed [13,14]. Stuckler et al. reported that **increases of more than 3% in unemployment resulted in increases of at least 28.0% in death**

rates due to alcohol abuse for those younger than 65 years of age during the downturn in various European countries. The aforementioned findings raise the question of whether alcohol is an inferior good or a normal good according to economic conditions.

Even if all loopholes were closed and taxes were super high, we would still have to cut spending

Giokaris 2011 (John Giokaris, tax attorney in Chicago, 14 December 2011, *MIC*, "Raising Taxes Won't Solve America's Debt Problem", https://mic.com/articles/2862/raising-taxes-won-t-solve-america-s-debt-problem#.dn2XJWOeI, Accessed 01/05/2019) IW

Taxes, taxes, taxes. But while Democrats are obsessed with the revenue end of the equation and pay little attention nor take any action at all on the spending side, I think we're losing sight of the bigger picture here – the fact that **there isn't even enough money to tax in order to cover our national debt or even next year's projected spending**. It may be cliché to say at this point, but it's true; **America has a spending problem, not a tax problem.** U.S. companies have stocked $2 trillion in cash coffers in the wake of the recession, mainly as a defense mechanism in case the dreaded double dip occurs. So if you want to raise our corporate tax rate (already the second highest in the world at 39.2%) even higher, that's how much cash you can hope to squeeze out of it. **For argument's sake, let's just say we were able to close every tax loophole in existence, eliminate all deductions, and successfully crack down on tax evasion while bumping up our corporate tax rate to the highest in the world at an even 40% and returning to Clinton-era income tax rate** levels. Of course, any talks of eliminating these subsidies and loopholes will mean **Washington will be barraged by an army of lobbyists** and attorneys seeking to keep these very things in place. There would have to be enough politicians willing to ignore these efforts and follow through on closing them to begin with, as well as enough politicians thinking raising tax rates is a good idea – impossible in today's political climate, **but for argument's sake, let's say all the stars aligned.** The U.S. has lost out on $337 billion worth of revenue to tax evasion. **So again, for argument's sake, let's assume every millionaire and**

billionaire out there all of a sudden stops trying to dodge paying taxes and decides they all want to pay as high of a rate as Washington wants to raise it and the Fed has all the means possible to enforce collection. So how much revenue does that give us in 2012? Some $2.337 trillion. Not bad. But guess what? **That doesn't even cover next year's projected spending**. The total spending expenditures requested from the Obama administration for the 2012 budget is $3.729 trillion. **Even if we collected all the cash sitting on the sidelines and hiding overseas tomorrow, that would still leave a $1.392 trillion budget deficit. Also, in case you hadn't heard, we already happen to be $15.1 trillion in debt on top of that. Add that to the projected deficit, and there is $16.5 trillion worth of money the U.S. needs that raising taxes and collecting revenue couldn't even cover because there just isn't enough money to play with.** How many more increments of quantitative easing (printing more money) can the Fed even get away with without severely contributing to a rise in inflation? To add insult, another round would cost another $1 trillion. My point here is this – at what point do we seriously look at the spending end of the equation in all this? Could we raise taxes? Of course, and it provides for great rhetoric for politicians on the campaign trail. Could we close every loophole in existence and effectively collect on those higher rates? Tougher, but even if we could, the resulting revenue would only be enough to pay down either 15.7% of our national debt or 62.7% of the 2012 budget. Does this not worry anyone else? Real spending reform has to come sooner or later, and that should be our top priority. Either that or we're going to have to kill a hell of a lot more trees and bring in truckloads more ink.

To even reduce the deficit, mandated programs have to be cut

Amadeo 2018 (Kimberly Amadeo, 20 years senior-level corporate experience in economic analysis and business strategy. She received an M.S. in Management from the Sloan School of Business at M.I.T., 10-23-2018, "Trump and the National Debt", *Balance*, https://www.thebalance.com/trump-plans-to-reduce-national-debt-4114401, Accessed 01/07/2018) IW

Trump was right that there is waste in federal spending. The problem isn't finding it. Both Bush and Obama did that. The problem is in cutting it. Each program has a constituency that lobbies Congress. Eliminating these benefits loses voters and contributors. Congress will agree to cut spending in someone else's district, but not in their own. **<u>Any president must cut into the biggest programs to make an impact on the debt. More than two-thirds of government spending goes to obligations made by previous Acts of Congress. Social Security benefits cost $1 trillion a year, Medicare costs $625 billion, and Medicaid costs $412 billion. The interest on the debt is $363 billion. In addition, military spending must also be cut.</u>** Obama spent $770 billion in FY 2017. Instead of cutting, Trump added $40 billion. In FY 2019, he asked for an additional $20 billion, taking total military spending to $886 billion. That leaves $1 trillion to pay for everything else. **<u>That includes agencies that process the mandated benefits</u>**, the Justice Department, and the Internal Revenue Service. **<u>You'd have to cut almost all of it to eliminate the $985 billion national deficit. You can't reduce the deficit or debt without major cuts to defense and mandated benefit programs. Cutting waste isn't enough.</u>**

Reducing debt decreases the need for default premiums, putting downward pressure on interest rates, limiting recession response and hurting spending

Horowitz 2018 (Evan Horowitz, writer for the Boston Globe, "A balanced budget sounds good, but could it trigger a recession that drags on?", *Boston Globe*, September 23rd 2018, https://www.bostonglobe.com/business/2018/09/23/balanced-budget-sound-good-but-could-trigger-recession-that-drags/hmIz8ZWF0EcJFDyHHFhhQN/story.html. DOA: January 7th 2019) TG

Usually, the Fed's first move in a downturn is to inject stimulus by cutting interest rates 5 or 6 percent percentage points. But with low rates, they can't do that. Instead, they'll cut what they can and get stuck at zero, even if the economy needs more support. This worrying limitation —

sometimes called the "zero lower bound" problem — is already well-known among economy-watchers, but Summers has found a new wrinkle, suggesting that a serious deficit-reduction program by the US government could make the challenge a lot trickier, maybe insoluble. That's because the deficit is actually helping to prop up interest rates, and keeping the Goldilocks rate from dropping deep into negative territory. In order to borrow, the government has to attract lenders, which it does by paying decent levels of interest. *Any reduction in the deficit would reduce the need to entice investors with premium yields, thus putting downward pressure on interest rates and leaving central banks closer to that zero lower bound. And there's another problem. The programs most often rushed to the chopping block in debt-reduction plans are the big entitlements: Social Security and Medicare*. But think what would happen to interest rates if we cut these programs. *Suddenly, Americans would have new reason to boost their retirement savings, because Social Security and Medicare are sort of like anti-savings programs*. Why save for retirement, when you know that a substantial share of your future needs will be covered by government programs? Without them*, people would put a larger share of their income into savings accounts, bonds, and other investments. But that will drive down interest rates as banks and companies realize they can offer lower returns and still fill their coffers. This will again leave central banks closer to the zero bound, with less room to maneuver*. Pushback was strongest on this part of Summers' argument, when he presented it earlier this month at a Boston Federal Reserve conference. Savings are usually considered good, after all. Larry Ball, the chairman of economics at Johns Hopkins, noted how "heterodox" Summers' argument is, emphasizing that in most mainstream economic models, savings are key to long-term success.

Debt negotiations lead to gridlock and could devastate Social Security benefits

Bernstein 2013 (Jared Bernstein is a senior fellow at the Center on Budget and Policy Priorities in Washington and a former chief economist to Vice President Joseph R. Biden

Jr., “How the Budget Debate Could Help the Economy”, *New York Times*, October 25th 2013, https://economix.blogs.nytimes.com/2013/10/25/how-the-budget-debate-could-help-the-economy/?_r=0. DOA: November 26th 2018) TG

I remain truly and deeply disturbed by the immediate pivot from the debt-ceiling debacle and government shutdown to yet another set of budget negotiations, with not even a head fake toward dealing with the slogging economy. Still, is there any lemonade to be made out of this lemon of a budget conference that’s about to get under way? I think there is. *First, it is a good sign that all sides are eschewing the elusive “grand bargain,” in which the Democrats accept significant cuts to entitlements and the Republicans accept significant new tax revenues. That’s good news, because that route leads to gridlock — and presents a real risk of reducing essential income and health supports for economically vulnerable retirees and others who depend on Social Security, Medicare and Medicaid.* On this latter point, while there are obviously wealthy beneficiaries of Social Security and Medicare who would be fine without those programs, far more depend on them. Kathy Ruffing, a colleague at the Center on Budget and Policy Priorities, points out *that excluding Social Security benefits, the poverty rate among the elderly would be an astounding 44 percent. Including those benefits, it is 9 percent. They lift 22 million people out of poverty. In the hands of this Congress, a “grand bargain” could easily be a disaster for these folks.*

40% increase in risk of death for uninsured

Cecere 2017 (David Cecere, Cambridge Health Alliance, September 17 2009, *The Harvard Gazette*, "New study finds 45,000 deaths annually linked to lack of health coverage", https://news.harvard.edu/gazette/story/2009/09/new-study-finds-45000-deaths-annually-linked-to-lack-of-health-coverage/, Accessed 10/22/2018) IW

An increase in the number of uninsured and an eroding medical safety net for the disadvantaged likely explain the substantial increase in the number of deaths, as the uninsured are more likely to go without needed care. Another factor contributing to the widening gap in the risk of death between those who have insurance and those who do not is the improved quality of care for those who can get it. The researchers analyzed U.S. adults under age 65 who participated in the annual National Health and Nutrition Examination Surveys (NHANES) between 1986 and 1994. Respondents first answered detailed questions about their socioeconomic status and health and were then examined by physicians. The CDC tracked study participants to see who died by 2000. **The study found a 40 percent increased risk of death among the uninsured. As expected, death rates were also higher for males (37 percent increase), current or former smokers (102 percent and 42 percent increases), people who said that their health was fair or poor (126 percent increase), and those who examining physicians said were in fair or poor health (222 percent increase).** Steffie Woolhandler, study co-author, professor of medicine at Harvard Medical School, and a primary care physician at Cambridge Health Alliance, noted: "Historically, **every other developed nation has achieved universal health care** through some form of nonprofit national health insurance. Our failure to do so means that **all Americans pay higher health care costs, and 45,000 pay with their lives**."

Republican budget proposals slash benefits by implementing more requirements and restructuring them, putting healthcare out of reach

Copeland 2018 (Lindsey Copeland, former director of policy and legislative affairs at the National Association of States United for Aging and Disabilities, and current Medicare Rights Center Federal Policy Director, "As Expected, House Budget Plan Targets Medicare and Medicaid", *Medicare Rights Center*, June 21st 2018, https://blog.medicarerights.org/expected-house-budget-plan-targets-medicare-medicaid/. DOA: January 8th 2019) TG

This week, House Republicans unveiled a 2019 budget proposal that would balance the federal budget in nine years—largely by significantly cutting and fundamentally restructuring Medicare and Medicaid. This approach is not unexpected. Lawmakers were clear that after passing a costly tax bill that drives up deficits, they would use these higher deficits to justify cuts to programs like Medicare. *In the House budget resolution, they are keeping that promise: the budget would end Medicare and Medicaid as we know them. In addition to cutting $537 billion from the Medicare program over 10 years, the House plan would transform Medicare into a 'premium support system,' in which Medicare's guaranteed, earned benefit package would be replaced with a fixed-dollar amount (or voucher) that beneficiaries would use to purchase health insurance. This shift would put the 59 million older adults and people with disabilities who rely on Medicare's promise of affordable, comprehensive health care at risk of higher costs, fewer coverage options, and greater uncertainty.* T*he House plan would also jeopardize eligibility and benefits for the 74 million Americans with Medicaid—including nearly 12 million low-income Medicare beneficiaries who also rely on Medicaid for critical health care services.* The budget would end their guaranteed coverage by transforming Medicaid's open-ended financing system into a per-capita cap or block grant, severing the federal-state partnership on which the program was built, shifting costs and risks to states and, ultimately, to people who need and provide services. *The budget's changes would cut Medicaid and other health programs by $1.5 trillion over the next decade.* The budget also lays the groundwork for lawmakers to try once again to repeal the Affordable Care Act through the fast-tracked, filibuster-proof reconciliation process, and recommends changes to Medicare Part D that would increase out-of-pocket costs for some beneficiaries. *It also proposes adding work requirements in Medicaid and SNAP, and would cut Social Security by $4 billion.*