

We negate. Resolved: The United States federal government should prioritize reducing the federal debt over promoting economic growth

The stable status quo has successfully lifted millions out of poverty through growth-oriented policies. Lowering debt slashes aid programs, and erodes the glue that holds the American economy together

C1: Recessions

The key way the government takes on debt is through issuing bonds, as Buchanan of the The George Washington University Law School 2012 finds that (QUOTE) **The government borrows money by selling Treasury bonds,24 which are legal contracts obligating the government to pay principal and interest to lenders under specified terms**¹.(UNQUOTE)

Attempting to pay down the debt cause instability by eliminating this stable funding source, since we no longer will issue bonds in the first place, since we are running a budget surplus. Buchanan previously cited furthers that (QUOTE) “ I will argue further that **paying down the national debt would destabilize financial markets, by removing an essential source of risk-free financing** that is used in nearly all major private-sector financial transactions, and that is the basis of sound financial planning for households and businesses alike”² _ (UNQUOTE)

This would cause asset bubbles to form, by shifting investors from safe bonds to risky speculative investment. Acharya, Economist at the Federal Reserve Bank of New York in 2018 finds (QUOTE) **Worse still, risky bubbles which burst with some probability may arise.**³.(UNQUOTE)

Reducing bonds eliminates our best chance to fight bubbles, which Acharya says is (QUOTE)

It is often suggested that monetary policy should lean against the wind to prevent bubbles; our model suggests that fiscal policy should do so, by **committing to aggressively increase the public supply of safe assets to crowd out privately provided safe-ish assets.**⁴(UNQUOTE)

¹Buchanan 2012 (Neil Buchanan, Professor, The George Washington University Law School (Washington, D.C.), and Senior Fellow, Taxation Law and Policy Research Institute, Monash University (Melbourne, Australia)., “Why We Should Never Pay Down the National Debt”, *University of Louisville Law Review*, 2012,

https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1025&context=faculty_publications. DOA: November 29th 2018) TG

²Buchanan 2012 (Neil Buchanan, Professor, The George Washington University Law School (Washington, D.C.), and Senior Fellow, Taxation Law and Policy Research Institute, Monash University (Melbourne, Australia)., “Why We Should Never Pay Down the National Debt”, *University of Louisville Law Review*, 2012,

https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1025&context=faculty_publications. DOA: November 29th 2018) TG

³Acharya and Dogra 2018 (Sushant Acharya, Economist Macroeconomic and Monetary Studies Function Federal Reserve Bank of New York, and Keshav Dogra, Economist Macroeconomic and Monetary Studies Function Research and Statistics Group at the NY Fed, “The Side Effects of Safe Asset Creation”, *NY Fed*, March 2018,

https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr842.pdf?fbclid=IwAR0A2gT2ch_BZhn1IqIDIBDS583ZdvdOg7-S55FEbtmvSvJNYI3DJUsqhM. DOA: January 17th 2019) TG

⁴Acharya and Dogra 2018 (Sushant Acharya, Economist Macroeconomic and Monetary Studies Function Federal Reserve Bank of New York, and Keshav Dogra, Economist Macroeconomic and Monetary Studies Function Research and Statistics Group at the NY Fed, “The Side Effects of Safe Asset Creation”, *NY Fed*, March 2018,

https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr842.pdf?fbclid=IwAR0A2gT2ch_BZhn1IqIDIBDS583ZdvdOg7-S55FEbtmvSvJNYI3DJUsqhM. DOA: January 17th 2019) TG

This bubble formation could lead to recessions as Amadeo of the Balance finds in 2017 that (QUOTE) *Asset bubbles: This is **when the prices of internet companies, stocks or houses become inflated beyond their sustainable value. The bubble itself sets the stage for a recession to occur when it bursts.*** (UNQUOTE)

Because of this, Connelly of Medium in 2017 finds that (QUOTE)

“IT might make you feel better but tomorrow if the US Federal Government, or Australia or the UK repaid the entirety of its national debt, it would make not one dollar’s difference to your bank account. In fact the economy would tank. **“If America repaid all its national debt tomorrow, we very likely would crash into the mother of all great depressions long before the debt is ‘paid off’”**, says economist, Professor Randall Wray”⁵ (UNQUOTE)

Global Poverty

US recessions often spread to the rest of the world, as Kose of VoxEU in 2017 finds (QUOTE). “Although it is difficult to establish empirically whether the US economy leads business and financial cycle turning points in other economies, **recent research indicates that the US appears to influence the timing and duration of recessions in many major economies** (Francis et al. 2015).⁶ (UNQUOTE)

Recessions push millions of people across the world into poverty, as Verick of the International Labor Office writing in IZA in 2010 quantifies that (QUOTE) “In comparison, **the World Bank estimates that the Great Recession of 2008-2009 has resulted in an increase in poverty of 64 million people** (by 2010) (World Bank 2010).”⁷ (UNQUOTE)

⁵Connelly 2017 (Claire Connelly Lead writer at Renegade Inc, “What if every government paid off its national debt?”, *Medium*, August 5th 2017, <https://medium.com/@ClaireConnelly/what-if-every-government-paid-off-its-national-debt-fc3267829fe5>. DOA: November 29th 2018) TG

⁶Kose 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

⁷Verick 2010 (Sher Verick at the International Labour Office (ILO) and IZA, Iyanatul Islam at the International Labour Office (ILO) and Griffith University, “The Great Recession of 2008-2009: Causes, Consequences and Policy Responses”, *IZA*, May 2010, <http://ftp.iza.org/dp4934.pdf>. DOA: June 19th 2018) TG

C2: Foreign Aid

In a debt reduction plan, Foreign Aid will be cut for 2 reasons

1 Political Climate

Trump currently wants to cut foreign aid Rueckert of Global Citizen in 2017 finds (QUOTE)“In May of this year, US President Donald **Trump proposed slashing foreign aid by 32% in next year's budget**— with countries around the world that rely on America for humanitarian assistance seeing drastic cuts to funding for health, education, and economic development.”⁸ (UNQUOTE). The reason why is that voters don't support such high levels of aid. Novak of CNBC 2017 finds (QUOTE), “The reason why opposition was muted was probably the fact that **U.S. foreign aid has long been very unpopular among American voters**. For most of the last 45 years, polls have consistently shown that Americans believe the U.S. is spending too much on foreign aid. In fact for most years since 1972, those polls have shown 60 percent to 70 percent voter agreement in opposition to the amount of foreign aid spending. **The latest poll on the issue, just published by Rasmussen Reports, shows 57 percent of respondents saying the projected amount of foreign aid is too high** versus just 6 percent who say it isn't enough and 27 percent who say it's just right.”⁹ (UNQUOTE)

2 Historical Precedent

In 2013, when Congress tried to reduce the debt, they ended up making across the board cuts Lester Medical and Social Services Division in Texas, writing for the US Global Leadership Commission 2013, finds (QUOTE) “**With only two weeks until the Office of Management and Budget (OMB) sequesters \$85 billion from the FY13 budget, members of both the defense and non-defense communities are preparing for the effects of across-the-board cuts.**”¹⁰ (UNQUOTE) These cuts disproportionately impacted foreign aid, as Lester furthers (QUOTE). **The report also detailed the significant impact the 5.3% cut would have on the International Affairs Budget**— which has already been cut 15% since FY10.”¹¹

There are 2 impacts:

⁸Rueckert 2017 (Phineas Rueckert is a writer at Global Citizen, “These 5 Small African Countries Will Be Among the Hardest Hit by Trump's Budget Cuts”, *Global Citizen*, June 29th 2017,

<https://www.globalcitizen.org/en/content/countries-worst-affected-foreign-aid-cuts/>. DOA: January 16th 2019) TG

⁹Novak 2017 (Jake Novak, CNBC.com senior columnist, “After tax reform victory, Trump team's next big win will be cutting foreign aid”, *CNBC*, December 29th 2017,

<https://www.cnbc.com/2017/12/29/trump-should-slash-foreign-aid-budget-for-next-big-win-commentary.html>. DOA: January 16th 2019) TG

¹⁰Lester 2013 (Molly Lester Senior Advisor, Medical and Social Services Division at Texas Health and Human Services Commission, “Sequestration and America's Global Leadership”, *US Global Leadership Coalition*, February 15th 2013,

<https://www.usglc.org/blog/sequestration-and-americas-global-leadership/>. DOA: January 16th 2019) TG

¹¹Lester 2013 (Molly Lester Senior Advisor, Medical and Social Services Division at Texas Health and Human Services Commission, “Sequestration and America's Global Leadership”, *US Global Leadership Coalition*, February 15th 2013,

<https://www.usglc.org/blog/sequestration-and-americas-global-leadership/>. DOA: January 16th 2019) TG

1 Famine

The US contributes massive amounts to food aid programs, so cutting them would be devastating. Werft of Global Citizen finds in 2017, (QUOTE) **The US is the largest contributing country to food aid in the world. Over 3 billion people, or 40% of the world's population, have been recipients of US food aid in more than 150 countries over the past 60 years.**¹²(UNQUOTE). By voting pro and reducing federal spending, millions more could go into starvation as Rueckert previously cited finds (QUOTE) **“But in Trump’s proposed budget, foreign aid would be cut by more than two-thirds overall, including 100% of Title II food aid, currently totaling \$242 million. Without food aid, South Sudan’s 5 million food insecure people could quickly fall into a famine emergency.”**¹³(UNQUOTE)

2 Disease

US foreign aid also goes towards disease prevention and treatment. Werft previously cited finds (QUOTE). But US foreign aid does more than feed the world's hungry. **US foreign aid covers funding for everything from niche programs in places like Kosovo, where 400 girls are learning to code to fight sexual harassment, to delivering 1.9 billion medications that saved 743 million people from tropical diseases,** like trachoma, a devastating disease that leave children blind if left untreated¹⁴. (UNQUOTE). Voting pro and implementing cuts would devastate this mission, especially in terms of AIDS prevention, as Santora of the Borgen Project finds in 2017 (QUOTE). On the other hand, however, **it is estimated that 1.8 million people would die from HIV in South Africa and Ivory Coast within 10 years due to President Trump’s HIV foreign aid cuts.**¹⁵(UNQUOTE)

¹²Werft 2017 (Meghan Werft is an Editorial Coordinator at Global Citizen, “This Is How Many People US Foreign Aid Helps Around the World”, *Global Citizen*, July 5th 2017, <https://www.globalcitizen.org/en/content/people-helped-by-us-foreign-aid/>. DOA: January 16th 2019) TG

¹³Rueckert 2017 (Phineas Rueckert is a writer at Global Citizen, “These 5 Small African Countries Will Be Among the Hardest Hit by Trump’s Budget Cuts”, *Global Citizen*, June 29th 2017, <https://www.globalcitizen.org/en/content/countries-worst-affected-foreign-aid-cuts/>. DOA: January 16th 2019) TG

¹⁴Werft 2017 (Meghan Werft is an Editorial Coordinator at Global Citizen, “This Is How Many People US Foreign Aid Helps Around the World”, *Global Citizen*, July 5th 2017, <https://www.globalcitizen.org/en/content/people-helped-by-us-foreign-aid/>. DOA: January 16th 2019) TG

¹⁵Santora 2017 (Emily Santora, writer for the Borgen Project, “HIV Foreign Aid Cuts Are Projected to Cause Humanitarian Crisis”, *Borgen Project*, September 30th 2017, <https://borgenproject.org/hiv-foreign-aid-cuts/>. DOA: January 16th 2019) TG

The government issues bonds to local governments, foreign governments, households and businesses to borrow money

Buchanan 2012 (Neil Buchanan, Professor, The George Washington University Law School (Washington, D.C.), and Senior Fellow, Taxation Law and Policy Research Institute, Monash University (Melbourne, Australia)., "Why We Should Never Pay Down the National Debt", *University of Louisville Law Review*, 2012, https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1025&context=faculty_publications. DOA: November 29th 2018) TG

When a government borrows money, it creates both deficits and debt. Although many people (including far too many politicians) use those terms interchangeably, they are wholly different concepts. The federal government's budget deficit (also called the fiscal deficit, or the cash-flow deficit) represents the new borrowing that the United States Treasury must undertake in a given year, equal to the amount by which government spending exceeds tax revenues collected during the year.²¹ The debt, by contrast, is the total amount of money that the government owes to all of its lenders at any given time.²² *The debt, therefore, is equal to the sum of "all previous deficits (less previous annual surpluses), plus accumulated interest on the money borrowed."*²³ *The government borrows money by selling Treasury bonds,*²⁴ *which are legal contracts obligating the government to pay principal and interest to lenders under specified terms.*²⁵ *Businesses, households, state and local governments, and foreign governments voluntarily lend money to the United States government by buying its bonds.*²⁶ In addition, the federal government's debt is partly held internally, with some federal agencies holding Treasury bonds on their books as assets.²⁷ The most important of these agencies is the Social Security Administration, which accounts for its accumulated annual budget surpluses by holding Treasuries, thereby lending its annual surpluses to the rest of the federal government.²⁸ This means that the total federal debt is only partly held by parties that are not part of the federal government, creating a distinction between the total federal debt and the "debt held by the public."²⁹

Actively paying down debt leads to instability

Buchanan 2012 (Neil Buchanan, Professor, The George Washington University Law School (Washington, D.C.), and Senior Fellow, Taxation Law and Policy Research Institute, Monash University (Melbourne, Australia)., “Why We Should Never Pay Down the National Debt”, *University of Louisville Law Review*, 2012, https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1025&context=faculty_publications. DOA: November 29th 2018) TG

In this article, I will describe the accounting concepts underlying federal budget deficits and the national debt, as a prelude to explaining the possible costs and benefits of increasing the national debt. I will then argue that, *rather than agreeing to decrease the national debt, we should instead commit to a long-term plan to allow the federal debt to rise in a controlled fashion, using the borrowed funds to truly protect the interests of future generations*. I will argue further that *paying down the national debt would destabilize financial markets, by removing an essential source of risk-free financing that is used in nearly all major private-sector financial transactions, and that is the basis of sound financial planning for households and businesses alike*. Although it is understandable that people are confused by a subject as technical and complicated as federal budgeting, it is disturbing that this confusion is being reflected—and even amplified—in the national political debate. Fiscal responsibility is not a simple matter of refusing to borrow money. For families, businesses, and especially governments, borrowing money is often the most responsible path to future prosperity.

Rising debt eliminates bubbles by providing safe alternatives

Acharya and Dogra 2018 (Sushant Acharya, Economist Macroeconomic and Monetary Studies Function Federal Reserve Bank of New York, and Keshav Dogra, Economist Macroeconomic and Monetary Studies Function Research and Statistics Group at the NY Fed, "The Side Effects of Safe Asset Creation", *NY Fed*, March 2018, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr842.pdf?fbclid=IwAR0A2gT2ch_BZhn1IqIDIDBDS583ZdvdOg7-S55FEbtmvSvJNYI3DJUsqhM. DOA: January 17th 2019) TG

Besides pushing an economy to the ZLB, an increase in risk can also generate bubbles - assets with no intrinsic value which trade at a positive price. As in Samuelson (1958), in an environment with nonpositive real interest rates, such assets can be held in equilibrium even when they have a stable price and pay no dividend. At zero interest rates, pseudo-safe bubbles with a zero probability of bursting may emerge in equilibrium. Pseudo-safe bubbles are a perfect substitute for government debt, and crowd out capital - which reduces welfare since our economy is dynamically efficient. This contrasts with classic models of rational bubbles (Tirole, 1985), in which bubbles can arise only in dynamically inefficient economies, and thus raise welfare if they emerge.⁸ Worse still, risky bubbles which burst with some probability may arise. Risky bubbles reduce welfare both because they crowd out capital, and when they burst. It is often suggested that monetary policy should lean against the wind to prevent bubbles; our model suggests that fiscal policy should do so, by committing to aggressively increase the public supply of safe assets to crowd out privately provided safe-ish assets. This resonates with the argument of Greenwood et al. (2016) that public creation of safe assets should crowd out inefficient private creation of money-like assets.

Rising debt eliminates bubbles by providing safe alternatives

Acharya and Dogra 2018 (Sushant Acharya, Economist Macroeconomic and Monetary Studies Function Federal Reserve Bank of New York, and Keshav Dogra, Economist Macroeconomic and Monetary Studies Function Research and Statistics Group at the NY Fed, “The Side Effects of Safe Asset Creation”, *NY Fed*, March 2018, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr842.pdf?fbclid=IwAR0A2gT2ch_BZhn1IqIDIBDS583ZdvdOg7-S55FEbtmvSvJNYI3DJUsqhM. DOA: January 17th 2019) TG

Besides pushing an economy to the ZLB, an increase in risk can also generate bubbles - assets with no intrinsic value which trade at a positive price. As in Samuelson (1958), in an environment with nonpositive real interest rates, such assets can be held in equilibrium even when they have a stable price and pay no dividend. At zero interest rates, pseudo-safe bubbles with a zero probability of bursting may emerge in equilibrium. Pseudo-safe bubbles are a perfect substitute for government debt, and crowd out capital - which reduces welfare since our economy is dynamically efficient. This contrasts with classic models of rational bubbles (Tirole, 1985), in which bubbles can arise only in dynamically inefficient economies, and thus raise welfare if they emerge.⁸ Worse still, risky bubbles which burst with some probability may arise. Risky bubbles reduce welfare both because they crowd out capital, and when they burst. It is often suggested that monetary policy should lean against the wind to prevent bubbles; our model suggests that fiscal policy should do so, by committing to aggressively increase the public supply of safe assets to crowd out privately provided safe-ish assets. This resonates with the argument of Greenwood et al. (2016) that public creation of safe assets should crowd out inefficient private creation of money-like assets.

If we try to repay debt it collapses the economy

Connelly 2017 (Claire Connelly Lead writer at Renegade Inc, "What if every government paid off its national debt?", *Medium*, August 5th 2017,

<https://medium.com/@ClaireConnelly/what-if-every-government-paid-off-its-national-debt-fc3267829fe5>. DOA: November 29th 2018) TG

IT might make you feel better but tomorrow if the US Federal Government, or Australia or the UK repaid the entirety of its national debt, it would make not one dollar's difference to your bank account. In fact the economy would tank. "If America repaid all its national debt tomorrow, we very likely would crash into the mother of all great depressions long before the debt is 'paid off'", says economist, Professor

Randall Wray. There were six times in US history in which budget surpluses were achieved for long enough to retire a significant amount of debt. Five of those were followed by depressions, the last of which culminated in the Great Depression of the 1930s. The last time America ran a significant budget surplus (about 2.5 years) was under President Clinton. The 2002 recession is a direct result of Clinton's 1999 surplus which forced the domestic private sector into deficit. Consumer spending fell, unemployment rose and a recession occurred. The economy crashed first in 2000 and then onwards into the Great Recession that began in 2007.

US recessions are always connected to global recessions, with recent research concluding there is a causal link

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

Because of its size and interconnectedness, developments in the US economy are bound to have important effects around the world. The US has the world's single largest economy, accounting for almost a quarter of global GDP (at market exchange rates), one-fifth of global FDI, and more than a third of stock market capitalisation. It is the most important export destination for one-fifth of countries around the world. The US dollar is the most widely used currency in global trade and financial transactions, and changes in US monetary policy and investor sentiment play a major role in driving global financing conditions (World Bank 2016).¶ At the same time, the global economy is important for the US as well. Affiliates of US multinationals operating abroad, and affiliates of foreign companies located in the US account for a large share of US output, employment, cross-border trade and financial flows, and stock market capitalisation. Recent studies have examined the importance of global growth for the US economy (Shambaugh 2016), the global impact of changes in US monetary policy (Rey 2013), or the global effect of changing US trade policies (Furman et al. 2017, Crowley et al. 2017).¶ It is likely that there will be shifts in US growth, monetary and fiscal policies, as well as uncertainty in US financial markets. What will be the global spillovers? Our recent work (Kose et al. 2017) attempts to answer these questions:¶ How synchronised are US and global business cycles?¶ How large are global spillovers from US growth and policy shocks?¶ How important is the global economy for the US?¶ How synchronised are US and global business cycles?¶ Business cycles in the US, other advanced economies (AEs), and emerging market and developing economies (EMDEs) have been highly synchronous (Figure 1.A). This partly reflects the strength of global trade and financial linkages of the US economy with the rest of the world, but also that global shocks drive common cyclical fluctuations. This was particularly the case at the time of the 2008-09 Global Crisis. It is not a new phenomenon, however. Although **the four recessions the global economy experienced since 1960** (1975, 1982, 1991, and 2009) were driven by many problems in many places, they **all overlapped with severe recessions in the US** (Kose and Terrones 2015).¶ **Other countries tend to be in the same business cycle phase as the US roughly 80% of the time** (Figure 1.B). The degree of synchronisation with US financial cycles is slightly lower, but still significant – credit, housing, and equity price cycles are in the same phase about 60% of the time. Although it is difficult to establish empirically whether the US economy leads business and financial cycle turning points in other economies, **recent research indicates that the US appears to influence the timing and duration of recessions in many major economies** (Francis et al. 2015).

Millions went into poverty because of the recession

Verick 2010 (Sher Verick at the International Labour Office (ILO) and IZA, Iyanatul Islam at the International Labour Office (ILO) and Griffith University, “The Great Recession of 2008-2009: Causes, Consequences and Policy Responses”, IZA, May 2010, <http://ftp.iza.org/dp4934.pdf>. DOA: June 19th 2018) TG

In addition to this phenomenon, during 2007 and the early part of 2008, many developing countries were buffeted by food and energy price shocks that impaired the fiscal and current balances of the affected economies, led to food riots and protests in many countries and pushed millions into poverty.¹⁴ This process was also an outcome of the global boom and the surging demand for goods in China, India and other fast-growing emerging economies. This situation was more pronounced for the non-oil or mineral exporters, but even within countries benefiting from the commodity bonanza, the poor were suffering from skyrocketing inflation without seeing much of the returns from the exports. The 2007-2008 food and energy price shocks appears to have pushed more than 100 million people in the developing world into transient episodes of poverty.¹⁵ In comparison, *the World Bank estimates that the Great Recession of 2008-2009 has resulted in an increase in poverty of 64 million people (by 2010) (World Bank 2010)*. The food and oil crisis was (and is), therefore, arguably a much greater concern for low and middle-income countries than the global financial crisis that affected rich, highly globalized economies more severely

Bubbles set the stage for recessions

Amadeo 2017 ([Kimberly Amadeo](#), M.S. in Management from the Sloan School of Business at M.I.T. October 18, 2017 “11 Causes of Economic Recession” [Kimberly Amadeo](#) <https://www.thebalance.com/causes-of-economic-recession-3306010> DOA: 2/6/18) ESM

What you want to do is identify the causes and signs, before the recession occurs. Here are the seven most important causes of recession: [High-interest rates](#). When rates rise, they limit [liquidity](#), or the amount of money available to invest. The biggest culprit was the Federal Reserve, which often raised interest rates to protect the value of the dollar. The Fed raised rates to battle [stagflation](#), causing the 1980 recession. It did the same thing to protect the dollar/gold relationship, worsening the Great Depression. A [stock market crash](#). The sudden loss of confidence in investing can create a subsequent [bear market](#), draining capital out of businesses. Here's how [a stock market crash can cause a recession](#). Falling housing prices and sales. As homeowners lose equity, it forces a cutback in spending as they can no longer take out second mortgages. Over time, it will cause foreclosures. This was the initial trigger that set off the Great Recession, but for different reasons. Banks that lost money on the complicated derivatives based on underlying home values. A slowdown in [manufacturing](#) orders. Orders for [durable goods](#) started falling in October 2006, before the 2008 recession actually hit. Massive swindles. The [Savings and Loans Crisis](#) caused the 1990 recession. More than 1,000 banks (total assets of \$500 billion) failed as a result of land flips, questionable loans, and illegal activities. [Deregulation](#). The seeds of the S&L crisis were planted in 1982 when the Garn-St. Germain Depository Institutions Act was passed. This removed restrictions on [loan-to-value ratios](#) for these banks. Wage-price controls. Fortunately, this only happened once, when [President Nixon](#) kept prices too high, cutting demand. Employers laid off workers because they weren't allowed to lower wages. Slow down after a war. This caused both the 1953 recession, following the [Korean War](#), and the 1945 recession, following World War II. Credit crunch. This occurred when [Bear Stearns](#) announced losses thanks to the collapse of two [hedge funds](#) it owned. The funds were heavily invested in [collateralized debt obligations](#). When Moody's downgraded its debt, it, banks who were in a similar over-invested condition panicked. They stopped lending to each other, creating a massive credit crunch.

[Asset bubbles](#): *This is when the prices of internet companies, stocks or houses become inflated beyond their sustainable value. The bubble itself sets the stage for a recession to occur when it bursts.* [Deflation](#), which encourages people to wait until prices are lower. This aggravated the Great Depression

Trump proposed massive foreign aid cuts which would hit the poor the hardest
Rueckert 2017 (Phineas Rueckert is a writer at Global Citizen, “These 5 Small African
Countries Will Be Among the Hardest Hit by Trump’s Budget Cuts”, *Global Citizen*, June
29th 2017,

<https://www.globalcitizen.org/en/content/countries-worst-affected-foreign-aid-cuts/>.
DOA: January 16th 2019) TG

In May of this year, *US President Donald Trump proposed slashing foreign aid by 32% in next year's budget — with countries around the world that rely on America for humanitarian assistance seeing drastic cuts to funding for health, education, and economic development.* For individuals living in some of the world’s poorest countries, these cuts could literally mean the difference between life and death. Foreign aid cuts would hit poor countries where it hurts the most — reducing funding for various programs that give them the tools to build a sustainable future and escape extreme poverty. A report by leading humanitarian organizations, including Bread for the World, Catholic Relief Services, CARE USA, the International Rescue Committee, Interaction, Mercy Corps, ONE Campaign, Oxfam, PATH, Save the Children, and World Vision, has shown the devastating impact these cuts could have on development around the world.

Foreign Aid cuts are politically popular

Novak 2017 (Jake Novak, CNBC.com senior columnist, "After tax reform victory, Trump team's next big win will be cutting foreign aid", *CNBC*, December 29th 2017, <https://www.cnbc.com/2017/12/29/trump-should-slash-foreign-aid-budget-for-next-big-win-commentary.html>. DOA: January 16th 2019) TG

The Trump team put this issue into play again last week at the United Nations. That's when U.S. Ambassador to the U.N. Nikki Haley warned General Assembly members not to vote against the U.S. decision to recognize Jerusalem as Israel's capital. In that warning she said that the U.S. would be "taking names" to learn which one of our supposed allies was really on our side and still deserving of our financial aid. She then quickly announced that the U.S. has slashed \$285 million from the U.N.'s budget for next year. Let's just say there was no national outrage in response. The reason why opposition was muted was probably the fact that U.S. foreign aid has long been very unpopular among American voters. For most of the last 45 years, polls have consistently shown that Americans believe the U.S. is spending too much on foreign aid. In fact for most years since 1972, those polls have shown 60 percent to 70 percent voter agreement in opposition to the amount of foreign aid spending. The latest poll on the issue, just published by Rasmussen Reports, shows 57 percent of respondents saying the projected amount of foreign aid is too high versus just 6 percent who say it isn't enough and 27 percent who say it's just right.

Sequestration cut billions in foreign aid, including preventing AIDS treatment from 172k people
Lester 2013 (Molly Lester Senior Advisor, Medical and Social Services Division at Texas
Health and Human Services Commission, "Sequestration and America's Global
Leadership", *US Global Leadership Coalition*, February 15th 2013,
<https://www.usglc.org/blog/sequestration-and-americas-global-leadership/>. DOA:
January 16th 2019) TG

With only two weeks until the Office of Management and Budget (OMB) sequesters \$85 billion from the FY13 budget, *members of both the defense and non-defense communities are preparing for the effects of across-the-board cuts. Congressional leaders and the White House have yet to find any common ground toward averting sequestration, and federal agencies are making preparations to manage the mandated spending cuts.* On Wednesday, the House Appropriations Committee Democrats released a report outlining the impact of sequestration on programs from education to defense. The report also detailed the significant impact the 5.3% cut would have on the International Affairs Budget – which has already been cut 15% since FY10. *From embassy security to global health to international financial institutions, the report concludes sequestration would hinder diplomacy and development programs around the world and reverse progress on aid reform efforts. According to the report, basic operations for the State Department and USAID would be cut \$780 million, preventing the hiring of new Foreign Service officers and leading to the scaling down of embassies and missions around the world. It would also halt USAID Forward initiatives to improve foreign assistance transparency and accountability.* In terms of international security, *sequestration would reduce funding for diplomatic security by \$168 million, jeopardizing security upgrades in over 80 embassy facilities and putting at risk diplomatic facilities and personnel around the world. Sequestration would also cut \$19 million from international peacekeeping efforts*, impacting efforts to respond to emerging crises in countries such as Mali. Cuts to international development programs under sequestration could reverse important gains in global health, food security, and economic development. Cuts to refugee assistance and international disaster assistance (totaling \$152 million for both accounts) would impede efforts to respond to humanitarian crises in the Horn of Africa, Sudan, and Syria. *Over \$290 million would be cut from the President's Emergency Plan for AIDS Relief (PEPFAR), severely inhibiting progress towards and AIDS-free generation and preventing HIV/AIDS treatment from reaching almost 172,000 people.*

US food aid has saved lives, especially in war torn areas

Werft 2017 (Meghan Werft is an Editorial Coordinator at Global Citizen, “This Is How Many People US Foreign Aid Helps Around the World”, *Global Citizen*, July 5th 2017, <https://www.globalcitizen.org/en/content/people-helped-by-us-foreign-aid/>. DOA: January 16th 2019) TG

The US is the largest contributing country to food aid in the world. *Over 3 billion people, or 40% of the world's population, have been recipients of US food aid in more than 150 countries over the past 60 years.* That's 3 billion people who've benefitted from food assistance since 1949. *In 2015, the US helped train 9 million farmers and improve nutrition for 18 million children, globally.* The US is also the largest food aid provider to Syria. *The US helps feed 5 million hungry people each month in Syria as conflict and civil war in the country has shut off food supplies for some of the 6.5 million people internally displaced in the country.* USAID also provides funding that supports programs feeding 1.6 million Syrian refugees in neighboring countries, according to USAID. *Currently, USAID is also providing life-saving food aid in the Lake Chad Basin, Yemen, the Horn of Africa, and South Sudan to address the needs of 20 million people at risk of starving from famine.*

Trump's cuts could send 5 million in South Sudan into famine

Rueckert 2017 (Phineas Rueckert is a writer at Global Citizen, "These 5 Small African Countries Will Be Among the Hardest Hit by Trump's Budget Cuts", *Global Citizen*, June 29th 2017,

<https://www.globalcitizen.org/en/content/countries-worst-affected-foreign-aid-cuts/>.

DOA: January 16th 2019) TG

South Sudan (Proposed cut: \$372 million to \$110 million) Focus: Famine *prevention* *In some parts of South Sudan, more than 15% of the population have acute malnutrition — a threshold set by the World Health Organization as an indicator of a food emergency and a fact that has caused USAID to call the country's food security situation "critical."* The US government has responded to South Sudan's incipient famine crisis by increasing food aid to the country through the USAID Office of U.S. Foreign Disaster Assistance by more than \$60 million. *But in Trump's proposed budget, foreign aid would be cut by more than two-thirds overall, including 100% of Title II food aid, currently totaling \$242 million. Without food aid, South Sudan's 5 million food insecure people could quickly fall into a famine emergency.*

In the last decade, US Aid has helped over a billion people with healthcare

Werft 2017 (Meghan Werft is an Editorial Coordinator at Global Citizen, “This Is How Many People US Foreign Aid Helps Around the World”, *Global Citizen*, July 5th 2017, <https://www.globalcitizen.org/en/content/people-helped-by-us-foreign-aid/>. DOA: January 16th 2019) TG

US foreign aid for global health reaches people in over 50 countries, including Haiti, India, Kenya, and Guatemala. USAID focuses on three priorities for global health: preventing maternal and child death, eliminating HIV/AIDS, and protecting the world from infectious disease. *As of 2015 the lives of 4.8 million women and children were saved via access to safe births, 11.5 million people accessed life-saving HIV treatment, and 49 million people were treated for tuberculosis and malaria through USAID. In 2016, USAID helped another 82 million women and children access essential health services, from treating 69.5 million children for pneumonia and diarrhea to helping 5.9 million women safely deliver their babies.* But the real gain in global health have been in preventing tropical disease. *Over the past 10 years, 743 million people were treated with some of the \$11.1 billion in donated medicines funded by USAID. And more than 100 million people access family planning services through USAID, according to the Borgen Project, an organization advocating to end poverty. This adds up to over 1 billion people who've benefitted from USAID global health programs since 2007.*

Trump's cuts would risk the lives of millions reliant on AIDS funding and could lead to a global pandemic Santora 2017 (Emily Santora, writer for the Borgen Project, "HIV Foreign Aid Cuts Are Projected to Cause Humanitarian Crisis", *Borgen Project*, September 30th 2017, <https://borgenproject.org/hiv-foreign-aid-cuts/>. DOA: January 16th 2019) TG

in May 2017, President Donald Trump unveiled his "skinny budget" plan that would be implemented in the upcoming fiscal year. President Trump's plan is particularly worrisome for foreign countries that are plagued by HIV, as the plan cuts \$1 billion from the President's Emergency Plan for AIDS Relief (PEPAR) program. It has been estimated that President Trump's HIV foreign aid cuts would result in nine million life years lost in South Africa and Ivory Coast, which are two countries that have a predominant problem with the spread of HIV. Specifically, according to humanitarian writer Sebastien Malo, "South Africa has the highest prevalence of HIV worldwide, with 19 percent of its adult population carrying the virus in 2015." The U.S. Department of State reported that HIV-infected patients who currently receive antiretroviral therapy funded by U.S. foreign aid would not stop getting treatments. On the other hand, however, it is estimated that 1.8 million people would die from HIV in South Africa and Ivory Coast within 10 years due to President Trump's HIV foreign aid cuts. According to the Kaiser Family Foundation, if the Trump administration continues to cut funding for HIV-related programs and research, HIV could transform into a pandemic and affect the world. Jacqueline Alemany, White House reporter, indicated that the foreign aid cuts are due to the Trump administration's partiality toward defense and military spending.