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OV We can Borrow Forever

Their will always have an incentive to buy US bonds
a)People and companies buy US bonds to hedge risks off other investments, and countries invest in US debt to do things like peg their currency, i.e China
b)It is still the safest place around the world to invest in and has been so far many years, this is because the US has never had any instance of defaulting or having a fiscal crisis.

https://www.forbes.com/sites/beltway/2013/10/08/actually-the-united-states-has-defaulted-before/#2dc5dde46021

c)people know the US economy is strong enough to service its debt and endure shocks so they will always be willing to invest in debt.

This is why Bloomberg in 2018 finds investment in US bonds will always be there, and has recently reached a ka-whopping 3 year high, **They say the overall percentage has gone down but its just because other buyers are increasing their share in the market, in nominal terms the amount of foreign investment is the same**. Indeed just this month Axios in 2019 finds direct bidders bought the highest amount of bonds since 2015.

Furthermore, bond buying always fluctuates due to economic incentives which is why TE finds that bond buying has statistically fluctuated greatly. Long term trend is that investment always stays generally high.

WSJ-last april bought most since 2016
Seq. bad weighing.

There are 2 reasons why our link into sequestration is more probable

1st, there is no political will to cut government programs as it is very political unpopular, and instead if the budget is strained the most likely thing politicians would do is just keep on borrowing not sequester. However when you start prioritizing reducing the federal debt there is a 100% prob. You start to cut spending.

2nd, is historically we have never cut our budget, for example cbs finds that during the 1990s our interest payments in relation to our relative size were a lot bigger than today, but there was no fiscal crisis due to our strong economy.

This is why the IMF in 2015 finds that in advanced economies with lots of fiscal room, such as the United States, the probability of their being a major fiscal crisis due to debt is just 2.6% every year, this is why they conclude that the welfare costs to benefits for reducing the debt to gdp ratio by 20%, is 10:1.

GO TO PAGE 7 TO SHOW THAT THE US IS IN COMPLETE GREEN SPACE

Empirically, it is difficult to pin down the probability of a crisis—let alone how much that probability falls as debt declines—because sovereign debt crises in advanced economies are rare. A recent database (Baldacci and others [2011]) of negative fiscal "events" (sovereign default, debt restructuring, spike in spreads, or high inflation), however, can help**. For an advanced economy with 120 percent of GDP of debt, the likelihood of a negative event is estimated**

to be about 2.6 percent per year: over a 20 year horizon, the expected number of crises is 0.52, with a very generous estimate of the output cost associated with these events (most of which are not a full blown sovereign debt crisis) being approximately 15 percent of GDP.10 **At debt of 120 percent of GDP, therefore, the expected loss is 7.8 percent of GDP. Suppose debt is lowered to 100 percent of GDP. The corresponding likelihood of an event is 2.4 percent per year, yielding an expected loss of 7.2 percent of GDP.11 In other words, the expected benefit of reducing debt from 120 percent of GDP to 100 percent of GDP is only about 0.4–0.6 percent of GDP—or around onetenth of the welfare cost due to distortionary taxation**.12 The calculation above is very much predicated on the sovereign being sufficiently far from its debt limit (that is, having ample fiscal space). O**bviously, at or very near the debt limit (in the yellow zone, but close to the red zone threshold), there will be enormous gain from reducing debt before a crisis occurs. Thus the conclusion is not that it is never worth reducing debt in order to lower the likelihood of crisis. Indeed, with the precise location of the debt limit uncertain, there is insurance value in keeping fiscal space against the possibility of future shocks that increase the sovereign's debt (this would apply to countries in the yellow zone). But for countries that have ample fiscal space (clearly in the green zone), the benefit of reducing debt is unlikely to exceed the cost of the necessary distortionary taxation.**

A2 Austerity shit

Economic growth pre-reqs any austerity. Forbes in 2018, in a study that studied 6 different advanced countries, concluded that as long as the economic growth levels outpaced debt growth levels, as it does in the squo, then debt isn't a problem and austerity and spending cuts aren't needed. There are two implications:

1) It delinks their entire argument because in the squo to pay back debt we don't need austerity or spending cuts.
2) It turns their entire argument because if economic growth falls then we can't pay back the debt, which is why Forbes concludes that we can borrow as much as we want, as long as we maintain the economic growth rate.

A2 Recession

1. Their ghidardci ev is assuming interest rates continue to rise, and thus the cost of servicing the debt will thus be really high, but that's not what happens in times of recession. In times of recession interest rates plummet, being that we can still borrow a crap ton of money during a recession. This delinks entire contention.
2. The Day in 2018 writes that Trump and the GOP will not pass any stimulus package, no political probability. The Atlantic in 2017 furthers that even if a stimulus package does get by the fiscal hawks, the republicans would push for huge amounts of tax cuts in any bill even though increases in spending are what actually pulled us out of the recession, meaning any bill would be ineffective.
3. All that matters during the recession is if people are willing to invest in US debt because that allows us to pass a stimulus package. This is key because during the recession the US is still comparatively the best investment in the whole entire world because it is still very stable. Indeed CNBC in 2016 finds that US bonds are considered safe and risk free havens for investors furthering that through the past 3 recessions US bonds have still kept up high returns. This means no matter what and especially during a recession people will always find our packages.
4. Infrastructure spending now solves back for the impacts of a recession for 2 reasons
   a). CBS in 2018 writes that before the next recession we need to spend majorly on infrastructure to boost int. Rates higher, so the fed has more room to collapse interest rates during a recession. This pre-reqs their entire impact.
   b)The New York Times in 2012 finds that even though Obama's stimulus package was very helpful it was passed some time after the recession hit and thus the effects took some time to materialize due to the startup times for things like infrastructure, as a result it didn't provide enough of a boost to counteract certain harms. The key implication for this is if we pass a stimulus package now we can see the effects of the infrastructure stimulus, much more immediately and during the recession.

https://www.cigionline.org/sites/default/files/documents/Paper%20no.181web.pdf - still have fiscal room

5.

Fixed income has gotten a bad rap over the last few years, because it barely pays a yield in today's low-interest-rate environment. But when it comes to balancing a down market, this asset has consistently outperformed equities. **According to MFS Investments, global bonds returned 12 percent in 2008. Bonds also did well during the tech crisis, posting above 8 percent returns in 2000, 2001 and 2002.The reason why bonds do well in bad times is that they've always been considered a risk-off asset, said Nathan Thooft, co-head of Global Global Asset Allocation for Manulife Asset Management. U.S. treasuries,**

and especially long-term bonds, are thought of safe, solid investments. America is not going bankrupt even during a recession. “These are safe-haven assets,” he said. “There’s little likelihood of default.”

A/2: FTT

1. Delink. Worstall of Forbes writes that because a FTT has to cut revenues from other taxes, no net revenue will be raised by the tax. If anything, the growth is predicted to be negative as Worstall finds that every 0.1 percent increase in the FTT rate leads to a 1.7 percent drop in GDP in the long term and reduce total revenue collections.
2. Turn. Chilton of Fox Business finds that the FTT causes investments to flee because of regulation which causes job losses and overall less economic growth because less revenue is being collected. Prefer this on probability- Chilton finds that European countries tanked after passing an FTT.
3. Turn. Wilberg of The Financial Times writes the tax would just incentive investors to invest less as now every investment they make will be taxed
4. Logically, decreasing the returns on all investments would incentivize investors to go to investments with the highest return and those often are the most riskiest and create bubbles the most. This is because reducing the profits of low profit stable investments, would reduce the incentive to look their first and rather increase the incentive to speculate more to find more profitable and risky investments.
5. Concerns about excessive speculation and excessive volatility also motivate arguments in favor of financial transaction taxes. However, empirical evidence generally does not support this premise. Consider, for example, real estate markets, in which transaction costs and taxes are very high and make trading very expensive. If high transaction costs discouraged speculation, bubbles in real estate markets would be rare. Regrettably, they are not, as events in the real estate markets in the United States, Ireland, Spain, the United Kingdom, and elsewhere showed all too clearly in the years leading up to the global financial crisis of 2008.
6. https://blogs.cfainstitute.org/investor/2014/02/27/the-financial-economists-roundtable-weighs-in-on-financial-transaction-taxes/

Worstall, Tim. “How Many Times Must We Say This? A Financial Transactions Tax Raises No Revenue.” Forbes, Forbes Magazine, 28 Aug. 2017, www.forbes.com/sites/timworstall/2017/08/28/how-many-times-must-we-say-this-a-financial-transactions-tax-raises-no-revenue/#138e14ad1a7b.

No net revenue will be raised by the specific proposals that have been put forward. The net effect of this is that there will be less revenue in total as a result of an FTT. But of course, do not just take our word for it. That of the European Commission should be sufficient: '**With a tax rate of 0.1% the model shows drops in GDP (-1.76%) in the long-run. I**t should be noted that these strong results are related to the fact that the tax is cumulative and cascading which leads to rather strong economic reactions in the model.' (Vol. 1 (Summary), p. 50) Revenue estimates are as follows: '[A] stylised transaction tax on securities (STT), where it is assumed that all investment in the economy are financed with the help of securities (shares and bonds) at 0.1% is simulated to cause output losses (i.e. deviation of GDP from its longrun baseline level) of up to 1.76% in the long run, while yielding annual revenues of less than 0.1% of GDP.' (Vol. 1 (Summary), p. 33) A reasonable estimate of the marginal rate of taxation for EU countries is 40-50% of any increase in GDP. That is, that from all of the various taxes levied, 40-50% of any increase in GDP ends up as tax revenues to the respective governments. Thus if we have a fall of 1.76% in GDP we have a fall in tax revenues of 0.7-0.9% of GDP. The proposed FTT is a tax which collects 0.1% of GDP while other tax collections fall by 0.7-0.9% of GDP. It is very difficult indeed to describe this as an increase in tax revenue. The underlying insight here is that the Laffer Curve really is true. There're tax rates which, when we go above them, decrease, not increase, total revenue collected. A detail which we need to be aware of being that the peak of the curve is different for different forms and styles of taxation. We can load the tax onto cigarettes because demand is relatively inelastic with respect to price. This is not, as the EU has pointed out, true of stock and other financial trading. Even a tax of 0.01% is above the Laffer Curve peak. A financial transactions tax is a lovely idea but it does have one rather large failure in that it doesn't in fact gain any extra tax revenue, far from it--it reduces total collections.

Chilton, Bart. "Financial Transaction Tax: A Failure In The Making." Fox Business, Fox Business, 9 Feb. 2018, www.foxbusiness.com/markets/financial-transaction-tax-a-failure-in-the-making.
Here's what has actually transpired. Nations, sovereign entities and geographies that have instituted a FTT have lost trading revenue and jobs as their markets migrate to FTT-free zones. With less trading, there are correspondingly less—you guessed it—revenues. There are no magic revenue beans which equates to no additional bucket-o-cash; ergo no free college. If that weren't enough, jobs and economic activity related to trading were lost to other jurisdictions. The third tragic lesson for those in search of seemingly "easy revenue" hits: the trading won't be coming back. Gone, gone, the damage done.

Wiberg, Magnus. "We Tried a Tobin Tax and It Didn't Work." Financial Times, Financial Times, 15 Apr. 2013, www.ft.com/content/b9b40fee-9236-11e2-851f-00144feabdc0.
There are some lessons to be learnt from the Swedish experience. First, on open financial markets it is easy to move transactions to untaxed markets. The intensified use of automatic trading makes it easier to do so, which erodes the tax base. Second, it is legally problematic to determine what constitutes a taxable transaction. This makes tax inspection difficult – and will increase trades in the financial instruments that are untaxed. Third, it is unlikely to make much money. If the tax improves the efficiency of the market, the tax base will shrink as a result of the decline in trading. Even if the volume of transactions is not affected by the tax, the tax may not necessarily generate much since transactions may move to untaxed instruments.

tA2 Increases interest rates

1. Happens indep. We have been having high debt but increases happen because of the econ.
2. the WSJ say the prob. They will spike in 2019 is just 3%, and the prob. They will reduce interest has 3x.
3. Forbes yesterday finds that the fed is laying off its interest hikes in the status quo in fact the status quo the probability of 20 point increase by the end of year is just 20% and a rate reduction has a probability of 50%.
4. Axios in 2018 looks at their bloomberg evi and says its terrible evi for 2 reasons, first is because the US is still paying considerably lower than China so it is not paying premium for its bonds, and second rates do not determine riskiness, Italy which has a terrible credit rating has a .3% interest rate compared to the US's 2.7%, the US is still the safest investment in the whole entire world.

A2 90-120 gdp

1. The original study is literally terrible it misinterpreted excel sheet data, incorrectly averaged data, and excluded data. In fact when researchers went back to the study they found that countries with a gdp to debt ratio of 90% or higher had a growth rate of 2.2%, and had growth rates comparable to countries with debt to gdp ratios between 30 and 90%.

   When we performed accurate calculations using Reinhart-Rogoff's dataset, we found that, when countries' debt-to-GDP ratio exceeds 90%, average growth is 2.2%, not -0.1%. We also found that the relationship between growth and public debt varies widely over time and between countries. For example, for the years 2000 to 2009, the average GDP growth rate for countries carrying public debt levels greater than 90% of GDP was either comparable to or higher than those for countries whose public debt/GDP ratios ranged between 30 and 90% .

https://blog.oup.com/2014/01/public-debt-gdp-growth-austerity-why-reinhart-and-rogoff-are-wrong/

A2 Interest payments

As on overview, any reason why the cuts won't happen right now, is a reason to vote for us because there is a 100% probability that in a world where you reduce the federal debt you but drastic spending cuts.

1. **The CBP in 2015** does the historical analysis on interest payments compared to economic growth, and found that for the past 230 years economic growth has always exceeding interest payments, reducing debt. This is crucial as higher economic growth than interest payments means the debt will be paid back.

   It goes back to the CBO analysis and finds that the CBO analysis is based on long term projections that interest payments will equal economic growth by 2025, and thus lead to debt becoming unsustainable. But the problem with this is that the CBO is underestimating economic growth, and that by 2023 economic growth will again exceed interest rates, meaning the problem of debt isn't as huge as they make it seem.

   In fact CBS in 2018 literally 2 weeks ago talks about how interest rates aren't a big deal, in fact in the 1990s rates were much higher, and nothing happened. Why? Cause we had a really high GDP. thats why the CBS concludes that the interest rates only rise when the economy is doing well, and thus isn't something to be worried off. Econ growth always offsets.

   And The Week in 2018 furthers that proportionately the fraction of the economy going towards interest payments has actually fallen by half since the 1980s
2. Turn, The week in 2013 finds that infrastructure actually reduces the long term costs of social programs, by lifting people out of poverty and unproductive lifestyles through jobs and more efficient methods of transportation. This reduces the need to immediate cut the budget as if we the most expensive parts of the budget interest rates won't trigger some sort of fiscal crisis.
3. Forbes yesterday finds that the fed is laying off its interest hikes in the status quo in fact the status quo the probability of 20 point increase by the end of year is just 20% and a rate reduction has a probability of 50%.
4. Recession is coming, so interest rates will also dramatically drop.
5. the WSJ say the prob. They will spike in 2019 is just 3%, and the prob. They will reduce interest has 3x.

https://www.wsj.com/articles/u-s-government-bonds-rise-as-investors-avoid-risk-11545930244

Fed funds futures, which investors use to bet on the path of monetary policy, show the market sees a 3% probability that policy makers will raise rates twice next year, down from 37% a month ago. At the same time, odds that the Fed will reduce interest rates at least once by the end of the year have risen to 12%, up from 4% a month ago, according to data from CME Group .

We analyze U.S. data for the 223 years since 1792 and find that, on average, economic growth has exceeded interest rates, helping to shrink the burden of existing debt. Economic growth also exceeded interest rates during the economic slump of recent years. The Congressional Budget Office (CBO) projects, however, that the average interest rate on government debt will gradually rise, will equal the economic growth rate by 2025, and will exceed it thereafter. Our own long-term projections, and those of many other analysts, are based on CBO's long-term assumptions about economic growth and interest rates. **If, however, economic growth and interest rates behave more as they have throughout U.S. history, with the former exceeding the latter on average, then — all else being equal — the long-term budget outlook may be somewhat less challenging than we, CBO, and others currently project.**

As Table 2 shows, if interest rates are 0.3 percentage points lower than we assume, so that economic growth exceeds interest rates by an average of 0.2 percent after 2024, the fiscal gap through 2040 falls by one fifth; if economic growth exceeds interest rates by an average of 1.3 percent, the fiscal gap almost disappears.

In short, if the future relationship between economic growth and interest rates more closely aligns with the historical relationship, the long-term budget outlook may be somewhat less challenging than we, CBO, and some others assume.

A2 tax cuts reduce fdi

1) Delink: WSJ 18': difference in cost literally irrelevant bc a) companies were already cheating the tax system and b) the cost in labor difference is still to high, so overall no net inc. in fdi difference
2) Delink: Marketwatch 18': any historical analysis about a decrease in fdi following trump's tax cuts isn't accurate - the money is just an accounting trick, concludes that no true fdi will be cut when tax cuts happen
3) Turn: Laffer 17': GOP tax cuts included exemptions for income taxes earned by foreign subsidies - meaning that foreign investment is more incentivized in world with tax cuts, essentially tax cuts make it easier for companies to pour money into fdi through foreign subsidies
4) Recession--->more of a pull of FDI

A2 90-120 gdp

https://www.garynorth.com/public/7028.cfm

A/2: China can overtake US dollar

1. Forbes in 2018 finds the Dollar will always better than the yaun Because of the fact that the US dollar is still the most dominant liquidated assets in all sectors of the global economy there is little practicality of the yuan becoming the major form of currency, furthermore there has to be some sort of huge geopolitical upheaval to change the form of currency, and this very improbable to happen.
2. The GIM in 2018 finds 2 reasons why China won't become the world's currency
    a) Because they are never going to overpace the US in terms of economic growth and rather its growth will slow
    b) Every single emerging market currency since the 1960 eventually depreciates terribly shocking its currency in fact China is also onto this trend one because of the outpacing supply of yuan and the deterioration of the credit balance.

A/2: China better investment

1. Axios in 2018 looks at their bloomberg evi and says its terrible evi for 2 reasons, first is because the US is still paying considerably lower than China so it is not paying premium for its bonds, and second rates do not determine riskiness, Italy which has a terrible credit rating has a .3% interest rate compared to the US's 2.7%, the US is still the safest investment in the whole entire world.
2. Zero Hedge in 2018 finds investors are actually cutting back chinese bonds over the risk of currency depreciation.
3. Rates were rising because of fed.
4. Read Bloomberg 3 year high in Foreign buying.

A/2: China cutting bonds

1. Axios in 2019 finds that chinese officials verbatim said they won't cut treasury holdings, cause it hurts their econ as well.

A/2: Political Pressure to Reduce Debt

1. USA Today in 2017 writes that there is no political pressure to actually reduce the debt both parties have switched from fiscally conservative platforms in 2013 to now completely ballooning the deficit (tax cuts, social spending) , which is why every president since clinton has drastically increased the debt.
2. Bloomberg in 2018 writes that the deficit is down to number 14 in voter priorities no one really cares about debt.
3. Gallup in 2009 finds the public support for a stimulus package was over 59%, people want things that help the econ.

A2 Capital Flight

1. Read no hikes in the future by the fed.
2. Bloomberg in 2018 writes that are a lot of alternative factors that drive investment into emerging markets independent of just interest rates overwhelming the link. In fact the FRB did a statistical analysis in 2016 and found that the major things driving capital flows even when taking into account US monetary policy, was growth in EMEs and commodity prices. This is why Forbes finds that even when we increased rates during the 80s and recently before the recession capital flows actually increased to emerging markets.
3. The Wall Street Journal in 2018 finds that even though interest rates have risen there has been no significant effect to emerging markets due to the fact that the value of the US dollar has actually fallen in value while EME currencies have gotten stronger. This has two key implications
   a)it means EMEs will not have to increase their interest rates
   b)it also means that investment is still staying in those EMEs because of the rise in their currency value
4. Marketwatch in 2018 writes that the common examples around the world for capital flight Brazil, Argentina, and Turkey all saw their currency plummet in value due to much more significant factors than interest rates such as their own fiscal policy and political turmoil. Even Hungary the country where the US dollar had the most significant effect also had alternative reasons.

https://www.federalreserve.gov/econresdata/notes/ifdp-notes/2016/files/emerging-market-capital-flows-and-us-monetary-policy-20161018.pdf

Accordingly, in this note we analyze the drivers of EME capital flows, focusing in particular on the role of U.S. monetary policy and other potential factors in the decline in capital flows to EMEs since 2010. Our findings suggest that this decline was mainly an endogenous response to waning EME output growth and weakening commodity prices.3 Anticipations of normalization of Federal Reserve policy, including during the taper tantrum when market participants shifted their expectations about the outlook for U.S. monetary policy, appear not to have played a predominant role. Increased concerns about EME creditworthiness, as might be evidenced in widening credit spreads, also appear to have played only

a secondary role in the decline in capital flows. Consistent with this finding, there have been relatively few EME financial crises of late, which stands in stark contrast to the widespread surges in credit spreads and financial turbulence that brought previous EME credit and economic expansions to an end.

A2 Bonds decrease investment in EMEs

1. An increase in bonds does not affect the amount of capital flow into that country, the reason why investment was falling in 2018 was not due to the fact that we put a lot of bonds onto the market it was due to numerous alternative factors such as a strong US dollar. The internal warrant as to why there is no tradeoff between the two markets, is because US investors buy bonds for stability reasons while investment in emerging markets is for risk/profit purposes.
2. The Financial Times in 2019 finds investment into developing markets has increased by 27.8 billion reversing the acute flows of capital we saw last year, the trend is reversing right now.
3. Internal link is just interest rates only buy if the bond is more appealing, so group them together.

A2 Crowd out private spending

1. What drives private investment is fluctuations in the economy, such as things like how well or productive certain sectors, not just the bond market, if a certain sector is doing bad just removing bonds won't magically increase investment there.
2. Turn it Whenever there is a spike in bond buying that incentivizes a spike in private investment because investors are able to hedge off risky investments by using the stability of US bonds.
3. The status quo should be seeing low levels of investment but it isn't in fact Marketwatch in 2018 finds private sector investment in intellectual property is growing at the fastest rate in 12 years.
4. Just throwing money at the private sector does not help the poorest of the poorest but rather just entrenches inequality. The ITTP in 2016 finds that the growing private sector and privatization has drastically increased income inequality in the US by raising prices for essential goods and services locking out low income populations and by slashing jobs and wages in order to cut costs. This push of the private sector just benefits the top the most and keeps people at the bottom forever. This is why the ITTP finds that the government itself must fund things like infrastructure that has high economic and social returns and are actually targeted to help the poor the most.
5. We are literally reaching full employment right now in the status quo obvi. , the WSJ finds that wages are literally increasing right now Their link isn't true we should be having really low employment levels.
6. The DC in 2013 writes that government borrowing does not compete with private borrowing whatsoever, in fact in 91'92', and 08-12 there were dramatic increases in the deficits but interest rates actually dropped on private investment, meaning they were not trying to attract lost investors.

A2 Overheating

1. The WSJ in 2018 writes that in the status quo we are not close to overheating a)because we still creating more jobs than the available labor supply indicating that we are still in the recovery phase and b)wages have not skyrocketed yet, this is why they conclude we still have room to grow in terms of our economy.
2. CNBC in 2019 finds that the FED is literally stopping interest hikes because there is no risk of overheating as the economy is expected to slow soon. This is because Marketwatch in 2019 finds that due to the sharp decrease in consumer spending that occurred last December inflation has fallen from 3% to 1.9% They conclude that because of this there is little need to increase interest rates and worry about overheating.
3. Historically recessions have never been caused by overheating, they have either been caused by the FED being too proactive and hiking rates too drastically to stop inflation or because of bubbles in certain sectors. Never happened before why now?
4. The Fed. just raises rates with any accompanied increase in growth.

--End of File-