## 1AC

### 1AC — Plan

#### The Board of Governors of the United States Federal Reserve should substantially invest in transportation infrastructure in the United States.

### 1AC — Economic Growth Advantage

#### Advantage One: Economic Growth

#### First, the Fed’s bond-buying has pumped 3 trillion into the economy and will continue indefinitely — no disad to Fed action or stimulus is unique.

Reuters 1/30 — Reuters, 2013 (“Fed keeps stimulus in place as U.S. economy "paused",” Byline Alister Bull and Pedro da Costa, January 30th, Available Online at <http://articles.chicagotribune.com/2013-01-30/business/sns-rt-us-usa-fedbre90t0tf-20130130_1_dual-mandate-policy-accommodation-monetary-policy>, Accessed 02-04-2013)

The Federal Reserve on Wednesday left in place its monthly $85 billion bond-buying stimulus plan, arguing the support was needed to lower unemployment even as it indicated a recent stall in U.S. economic growth was likely temporary.

The U.S. central bank predicted that the nation's job market would continue to improve at a modest pace, and repeated a pledge to keep purchasing securities until the outlook for employment "improves substantially."

"Growth in economic activity paused in recent months, in large part because of weather-related disruptions and other transitory factors," the Fed said after a two-day meeting.

A report on Wednesday showed the U.S. economy unexpectedly contracted in the fourth quarter as inventory investment slowed and government spending plunged. Analysts said superstorm Sandy, which slammed into a large swath of the U.S. East Coast in late October, also disrupted the recovery.

The Fed has kept overnight interest rates near zero since late 2008 and tripled its balance sheet to about $3 trillion through purchases of securities, which are aimed at pushing longer-term borrowing costs lower.

While the recovery from the 2007-2009 recession has been stubbornly tepid, the Fed's policy panel voiced confidence it would remain on track with continued help from monetary policy.

"The committee expects that, with appropriate policy accommodation, economic growth will proceed at a moderate pace and the unemployment rate will gradually decline toward levels the committee judges consistent with its dual mandate," it said.

That was cautiously more optimistic than the Fed had sounded in December, when it emphasized it was "concerned" the economy would not deliver stronger hiring without policy support.

"The changes to the policy rationale were tilted to sound more affirmative in nature," JPMorgan economist Michael Feroli wrote in a note to clients.

A report on Friday is expected to show the U.S. jobless rate remained stuck at 7.8 percent for a third straight month in January. The Fed repeated that it would keep overnight rates near zero until the unemployment rate hits 6.5 percent, as long as inflation does not threaten to exceed 2.5 percent.

"It's a message that policy is steady as she goes," said Julia Coronado, an economist at BNP Paribas in New York.

By and large, the statement was widely as anticipated, and U.S. stocks, government bonds and the dollar were little changed after the news.

STILL LOOKING FOR LABOR MARKET IMPROVEMENT

The Fed noted that consumer spending and business investment had picked up and the housing sector had shown further improvement. It also acknowledged calmer financial conditions in Europe, omitting a December warning that these posed a significant threat, although it said downside risks remained.

Kansas City Federal Reserve Bank President Esther George, in her first policy vote, dissented against continued Fed stimulus, picking up the mantle left behind by Richmond Fed chief Jeffrey Lacker, who dissented at every policy meeting last year.

The Fed's bond-buying program, under which it currently purchases $40 billion of mortgage-backed bonds and $45 billion of longer-dated Treasuries a month, is part of the central bank's unprecedented effort to spark a stronger recovery and drive down unemployment.

Most analysts do not expect the outlook for the labor market to show the substantial improvement the Fed wants to see this year, keeping it on track for further bond buying.

#### Second, the economy is weak—losing jobs now

Irwin 4/5 — Neil Irwin, a Washington Post columnist and the economics editor of Wonkblog; a Knight-Bagehot Fellow in Economic and Business Journalism at Columbia University, 2013 4/5/13 (“Today’s jobs report is a disaster. But why?,” WonkBlog, The Washington Post, April 5th, Available Online at <http://www.washingtonpost.com/blogs/wonkblog/wp/2013/04/05/todays-jobs-report-is-a-disaster-but-why/>, Accessed on April 6, 2013)]

This is a terrible, horrible, no-good, very bad jobs report.

The 88,000 net jobs added in March, if that or a similar figure holds up through revisions, is a tragedy: Nearly four years into the economic recovery, with the unemployment rate still close to 8 percent, the nation recorded a month in which too few jobs were added to keep up with the growing American workforce (that number is more like 125,000). The headline read that the unemployment rate fell to 7.6 percent from 7.7 percent, but it was almost entirely for bad reasons. A whopping 496,000 people dropped out of the labor force, and 206,000 fewer people reported having a job, meaning that the proportion of Americans currently working actually ticked down, not up.

Sigh. The summer swoon came early this year. (Nicholas Kamm/AFP/Getty Images)

Sure, there are a couple of silver linings: Revisions to previous months’ tallies added 61,000 more added jobs in 2013, and worker pay rose 0.5 percent, with both more hours worked and higher wages. But the overall thrust is this: The economy hasn’t been as strong this year as it had appeared to be just a few days ago.

So, what is the culprit? March was the month that the policy of sequestration, across-the-board government spending cuts went into effect. But the patterns of what sectors added and lost jobs doesn’t match what you would expect if this was the major driver of the weakness. The professional and business services sector, which includes many contractors, actually added 51,000 jobs, consistent with its recent results. The federal government excluding the U.S. Postal Service shed 2,200 jobs, which amounts to a rounding error across the whole of the American labor market. It’s not that the sequester won’t have some negative effects on the economy eventually, but you have to squint awfully hard to see them in this report.

The more plausible case is that the increase in payroll taxes that took place in January, lopping 2 percent off of most workers paychecks, is damaging the retail sector. Retailers shed 24,000 jobs, with the steepest losses among sellers of building materials and garden supplies and of clothing and clothing accessories. It makes sense that it would have taken two or three months for less cash in customers’ pockets to translate into retailers keeping fewer cashiers and sales clerks on staff. That said, consumer spending data and reports from retailers themselves has held up reasonably well in 2013 despite the payroll tax, so it’s hard to assign too much confidence the idea that the drop in retail jobs is a consequence of fiscal austerity as opposed to a routine statistical blip.

Which leaves us with this overarching conclusion: This economy isn’t as strong as we thought it was. What had seemed to be a nice winter acceleration in activity may be, as it has been for the last three years, undermined by a spring-summer swoon.

#### Fortunately, the plan boosts growth — we’ll isolate three internal links.

#### First, jobs — current bond-buying won’t stimulate the real economy — the plan is crucial to increase aggregate demand, GDP, and employment in every state.

Lau 12 — Lawrence J. Lau, Kwoh-Ting Li Professor of Economic Development in the Department of Economics at Stanford University, Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong, former vice-chancellor of the Chinese University of Hong Kong, holds a Ph.D. in Economics from the University of California-Berkeley, 2012 (“What should the Fed do to jump-start US economy?,” *China Daily*, August 17th, Available Online at <http://www.chinadaily.com.cn/hkedition/2012-08/17/content_15682382.htm>, Accessed 10-17-2012)

The world economy has already experienced both "Quantitative Easing I (QE-I)" and "Quantitative Easing II (QE-II)" operations by the US Federal Reserve Board (Fed). However, these operations did not seem to have done the US real economy much good. Much of the excess liquidity generated went overseas, driving up exchange rates and asset prices elsewhere. If the US had some form of capital control, so that the excess liquidity had to be kept and used within the US, it might perhaps have driven up some US asset prices and led to some additional domestic investment. However, that has not been the case.

At this point, only an expansion of real aggregate demand can serve as an effective signal for a change in expectations. However, it does not appear likely that the US Congress will authorize a fiscal expansion, even though that is exactly what is needed. There is ample excess capacity in the US economy, especially in the construction sector and the building materials sector. What the US government should undertake is an expansion of capital expenditures focused on public infrastructure on the one hand and a reduction in recurrent expenditures on the other. It should be supporting growth and imposing austerity at the same time.

How can this be done, especially with a Congress that is unwilling to authorize any increase in expenditures, whether capital or recurrent?

One possibility is for the Fed, in its next round of bond buying, to purchase new long-term bonds, issued by the individual states and earmarked for public infrastructure in the respective states. For example, the Fed can offer to purchase a total of $600 billion worth of new state bonds from the individual states, roughly in proportion to the population of each state, with the proviso that the proceeds must be used for infrastructural projects - either new construction or maintenance and upgrading of existing infrastructure - and cannot be used to pay for the recurrent expenditures of the state (e.g., salaries of the state government employees) per se.

These infrastructural projects may include roads, highways, railroads, airports, seaports, bridges, dams, and even hospitals and schools, etc. This will increase aggregate demand, GDP, and employment in every state, and will be utilizing basically the excess capacity in the construction sector and the building materials sector and hence are unlikely to be inflationary. Moreover, such investments will turn out to be socially productive, given the current deteriorated state of US public infrastructure, by enhancing the rates of return of past, present and future private investment.

In addition, these expenditures on infrastructural projects will not increase the federal budget deficit; on the contrary, because of the GDP and employment that they will create in every state, they may actually help to reduce the federal as well as state budget deficits.

Of course, the individual states will have to pay the interest on the bonds and eventually repay the principal. However, the long-term rate of interest is at a record low and state revenues will benefit directly from the increased GDP and employment in the states. In addition, the states can take a long period, say 30 years, to repay the bonds, during which time the state economies will have recovered sufficiently. I believe all 50 states will support such a bond purchase plan. (In fact, a similar plan can be used for Greece, so that while Greece needs to reduce its recurrent government expenditures, it can still undertake some capital projects so as to maintain some economic growth and prevent unemployment from becoming too high.)

#### Second, investment — the plan spurs private investment in infrastructure — it’s crucial to get conservative investors off the sidelines.

Greider 11/7 — William Greider, National Affairs Correspondent for *The Nation*, former reporter and editor at the *Washington Post*, holds a degree from Princeton University, 2012 (“Can the Federal Reserve Help Prevent a Second Recession?,” *The Nation*, November 7th, Available Online at [http://www.thenation.com/article/171126/can-federal-reserve-help-prevent-second-recession#](http://www.thenation.com/article/171126/can-federal-reserve-help-prevent-second-recession), Accessed 01-23-2013)

Stephen Sleigh, a labor economist and director of the national pension fund for the International Association of Machinists and Aerospace Workers union, has similar ideas about how the Fed can persuade private capital investment to finance major infrastructure projects. “Part of Bernanke’s strategy of pushing down interest rates, both short-term and long-term, is to force conservative money into investments like construction,” Sleigh observed. “That makes perfect sense, but the capital is not flowing. It’s still on the sidelines. I would love to see the Fed start talking about infrastructure. The Fed needs to be working on new tools and find ways to get the conservative money off the sidelines and start rebuilding the American economy.”

Conservative investors like pension funds and insurance companies lost an important source of income when the Fed lowered interest rates drastically. Sleigh explained: “As a pension fund manager, I need investments that are going to provide reliable, steady income that can sustain our long-term assumptions. Traditionally, the ten-year Treasury bond was a way to pay the bills, but it doesn’t do that anymore, because it is trading now at less than 2 percent.”

A solution Sleigh envisions would involve bond borrowing for public-private infrastructure projects that would be “labor-intensive and great for long-term economic growth and would absolutely help us meet our obligations, because these bonds are going to yield 6 to 8 percent on our investments.” The Federal Reserve’s blessing and its willingness to accept the infrastructure bonds as collateral on the Fed’s lending could be a powerful lure for capital investors—including China, which owns a mountain of low-yielding US Treasuries.

“Wouldn’t that be an amazing story,” Sleigh said, “if the Chinese, instead of holding Treasury notes, invested $100 billion in building high-speed rail in the United States?” These ideas sound farfetched to the usual experts who dominate monetary politics. But stay tuned. As Bernanke surely understands, the economic crisis is not over. We are still at risk of things turning worse. If that occurs, these and other proposals for action will become highly relevant.

#### That’s crucial to economic recovery — traditional stimulus fails.

Carew 12 — Diana G. Carew, Economist at the Progressive Policy Institute, formerly served as policy analyst at the Export-Import Bank of the U.S. and as an economist at the Bureau of Labor Statistics, holds an M.A. in Applied Economics from Johns Hopkins University, 2012 (“Move Over Demand, Make Room for Investment,” *The Progressive Fix*, August 3rd, Available Online at [http://www.progressivepolicy.org/2012/08/move-over-demand-make-room-for-investment/](http://www.progressivepolicy.org/2012/08/move-over-demand-make-room-for-investment/?utm_source=rss&utm_medium=rss&utm_campaign=move-over-demand-make-room-for-investment), Accessed 08-24-2012)

It’s become conventional wisdom: when the economy falters, it’s because people aren’t spending. Give people money and they will spend their troubles away (and our troubles, thanks to the money multiplier). Everyone is a winner. This advice is at the top of campaign trail talking points. It has been given by economists ranging from Bruce Bartlett and Paul Krugman to Ben Bernanke.

But what if that isn’t the whole story – the government has spent hundreds of billions in a series of stimulus measures aimed at consumers and it hasn’t been enough. Growth is painfully slow and today’s jobs report shows we are still not creating enough jobs–163,000 in July–to absorb recessionary losses. So what’s going on – was the stimulus too little? Is demand being unusually stubborn?

We’re missing something: it’s not only about demand; it’s also about investment. And the July 2012 annual revision to GDP confirms we are in an investment drought. The graph below tells the story.

[Graph Omitted]

Halfway into 2012, real nonresidential private investment is still 7% below its pre-recessionary level. And after initially increasing, real government investment is now almost 10% below its pre-recession level – and falling. Meanwhile, demand appears to be doing fine. Both real personal consumption expenditures (PCE) and real retail sales, two commonly used measures of consumer demand, have fully recovered from the recession – and then some.

Low investment is bad news for jobseekers and Americans struggling to make ends meet. Investment buys us growth in output and in jobs through production expansion. It also buys us wage increases through gains in productivity. It buys future innovation. Economic success begins with investment.

That’s why we must focus more on stimulating investment and less on stimulating demand. And that’s why PPI recently published a list of the top 25 “Investment Heroes,” defined as U.S. based companies ranked by their U.S. investment. We wanted to highlight those companies that continue to invest heavily in America, and explore what we can do to encourage more.

That means policies aimed at stimulating consumer demand will not have the intended effect. While many economists argue the stimulus from the ARRA was not big enough, perhaps the real issue is there was not enough stimulus aimed at investment. Perhaps the drop-off in real government investment was too soon.

Yet politicians, economists, and journalists alike continue to blame our current economic woes solely on weak demand. We hardly ever hear about the dearth in private investment. Instead they continue to develop policies aimed at getting money to consumers. But until they realize that aim misses the mark we will continue to take the slow, winding road forward.

#### Third, infrastructure — the plan is crucial to revitalize transportation infrastructure — its deterioration crushes the economy.

Galston 1/23 — William A. Galston, Senior Fellow and Ezra Zilkha Chair in the the Governance Studies Program at the Brookings Institution, College Park Professor at the University of Maryland, former Saul Stern Professor and Acting Dean at the School of Public Policy at the University of Maryland, former Director of the Institute for Philosophy and Public Policy, winner of the American Political Science Association’s Hubert H. Humphrey Award, holds a Ph.D. in Political Science from the University of Chicago, 2013 (“Crumbling Infrastructure Has Real and Enduring Costs,” *Up Front*—a Brookings Institution blog, January 23rd, Available Online at <http://www.brookings.edu/blogs/up-front/posts/2013/01/23-crumbling-infrastructure-galston>, Accessed 04-03-2013)

Anyone who travels abroad can see that the United States no longer has a world-class infrastructure. And there’s hard evidence to back up that impression. The World Economic Forum compiles a massive annual “Global Competitiveness Report.” The 2012-2013 edition finds that the United States has fallen well behind many members of the European Union, Canada, and Asian countries such as Singapore, Japan, and South Korea in the overall quality of its infrastructure. We rank 18th in railroads, 19th in ports, 20th in roads, 30th in airports, and 33rd in the quality of our electrical system.

An outstanding new report from the Building America’s Future Educational Fund explains why this has happened. Relative to our economic competitors, we have no national infrastructure planning, we systematically underfund infrastructure investments, and we fail to use rigorous measures of evaluation and accountability for the projects we do manage to fund. This makes for a drag on our economy. One example: in 2010, Americans spent a total of 4.8 billion hours stuck in traffic, wasting 1.9 billion gallons of fuel, at a total cost of $101 billion.

And it will only get worse. According to the Building America’s Future report, by 2020, every American port will be struggling to cope with at least twice the tonnage it was designed to handle. While a projected 94 percent of the nation’s economic growth will occur in metropolitan areas, these jurisdictions are already home to “the most congested highways, the oldest roads and bridges, and the most overburdened transit systems,” with no relief in sight. The report warns that “if we don’t create a transportation system that functions reliably and cost-effectively in the 21st century, companies operating in this globalized world can simply choose to do their business elsewhere.”

But before it comes to that, the American economy will pay a steep price. Another report, from the American Society of Civil Engineers, lays out the projected costs, sector by sector. Here’s the bottom line: by 2020, if the mounting investment gap in infrastructure is not addressed, “the economy is expected to lose almost $1 trillion in business sales, resulting in a loss of 3.5 million jobs . . . the cumulative cost to the U.S. economy will be more than $3.1 trillion in GDP and $1.1 trillion in total trade.”

These numbers would appear large enough to arrest the attention of even the most jaded policy makers. This has not happened. Instead, current fiscal trends and policies portend a long-term squeeze on domestic discretionary spending—the pool of funds from which federal infrastructure investment is drawn. Innovative plans for federal government partnerships with the private sector to leverage scarce public resources have not gone forward in some instances and have fallen well short of adequate scope in others. While things have gone better at the state and metropolitan levels, aggregate investment continues to fall far short of needs—by an estimated $1.1 trillion between now and 2020, according to ASCE projections.

#### Only the plan solves — no disad is unique.

Peterson 13 — Eric C. Peterson, Transportation Policy Consultant at the Eno Center for Transportation—a neutral, non-partisan think-tank that promotes policy innovation, former Staff Member for U.S. Senator John Warner (R-Va), former Deputy Administrator for the U. S. Department of Transportation’s Research and Innovative Technology Administration, 2013 (“Is Quantitative Easing an Option for Infrastructure Financing?,” *Eno Brief Newsletter*—a publication of the Eno Center for Transportation, January, Available Online at <http://www.enotrans.org/eno-brief/is-quantitative-easing-an-option-for-infrastructure-financing>, Accessed 02-20-2013)

Over the past four years, in an effort to stimulate employment and stabilize the national economy, the Federal Reserve has carried out three exercises it referred to as “Quantitative Easing.” Through these exercises the Fed bought Treasury notes and poured hundreds of billions of dollars into the market. In mid-December, the Fed announced a fourth round of Quantitative Easing that will continue until either the unemployment rate reaches 6.5 percent, or inflation rises to 2.5 percent. Under this new round the Fed will buy $45 billion in Treasury notes monthly and will direct $40 billion monthly to the mortgage market in order to encourage bankers to help improve conditions in the housing sector.

Also occurring over the past several years has been considerable discussion over the notion of the United States establishing an infrastructure investment bank similar to the one established by the European Union. Through this facility, it is suggested, infrastructure projects like roads, airports, public transit and railroads could receive low-cost, long-term financing that could give confidence to investors, contractors, and suppliers in their decisions on both bidding for and providing materials to these vital initiatives.

The challenge in the U.S. is that the Executive and Legislative branches insist on treating infrastructure in the budgetary and appropriations process of the federal government the same way they treat the purchase of office supplies and equipment or government workers’ salaries. The commitment is mostly annual in nature with little guarantee that the next Congress, or the next administration, will honor the commitment of the current Congress or administration. There is little long-range planning or contracting. As a result, the cost of materials, human resources and financing these projects are highly distorted… much more expensive and less effective than they should or could be.

If the U.S. had an infrastructure bank, or better yet, if the Federal Reserve were to direct its quantitative easing resources toward infrastructure projects, the massive inventory of needed and planned transportation infrastructure projects could be addressed quickly, securing both a brighter future for America’s workforce, a better future for America’s competitive position in the world, and brighter prospects for improving the mobility of the nation while redressing the environmental impacts that the nation’s current transportation produces.

This may sound like a revolutionary strategy for the United States, but both Britain and Japan are currently using a similar approach to address their transportation infrastructure needs. If the Fed were to make a portion, say one-third of the monthly amount of easing that it announced in early December, available to transportation infrastructure – approximately $28 billion per month – it is conceivable that within a year millions of jobs could be created, and major progress could be made in fixing roads, building new rail and aviation capacity, and addressing other transportation infrastructure-related needs without stressing the Congressional imposed debt limit, or otherwise affecting the government’s budgetary balance.

In fact such a move would have a beneficial impact on government budgets at all levels.

New and/or improved transportation would improve the mobility of workers and travelers, improve the efficiency by which goods flow to the domestic and international markets, help generate new economic activity that would ultimately generate new revenue with which to pay for other government services, as well as service the long-term debt of infrastructure construction, operation and maintenance.

Over the past two years, the House Transportation and Infrastructure Committee held a series of hearings, all aimed at making the case for private investment in the nation’s re-emerging intercity passenger rail service. The majority party on the committee is most interested in having the Northeast corridor taken over by a private-sector organization that would not require any form of subsidy from the Federal government.

At the final hearing in the committee’s series, Perry Offutt, Managing Director, Morgan Stanley, informed Committee Chair John Mica (R-Fla.), that: A) the private-sector has never attempted to undertake such a massive project on its own, and thus has no experience; B) while he could imagine the possibility of the private-sector becoming involved, it would only come about if the Federal government were also involved and willing to guarantee protection for the private-sector’s investment; C) the amount of investment the private-sector might be willing to make would probably be no more than 15 percent of the total project; and D) the private-sector would expect a rate of return on their investment of between 11 percent and 15 percent.

If nothing else, Mr. Offutt sent a clear message that from the private sector’s perspective there is an expectation and an obligation for the Federal government to accept and fulfill its role in insuring the vitality of the nation’s transportation infrastructure. Further, if there is no money at the present time that would allow the Federal government to address this responsibility, the private sector will continue to sit on the sidelines or invest its funds in more attractive opportunities. Without some sense of long-term commitment from the Federal government, there will be no long-term commitment from the private-sector investment community.

So what are the alternatives? It would appear there are three.

The first alternative is for Congress and the Administration to muster the courage to raise and provide adequate levels of funding that will allow for both the backlog of projects and the development of new projects to be addressed.

The second alternative is for Congress and the Administration to continue doing little or nothing, thus allowing the nation’s competitiveness to continue to deteriorate, extending the possibility of high unemployment and slow economic growth.

The third, and perhaps most pragmatic and efficient alternative, would be for the Federal Reserve to redirect a portion of its fourth round of Quantitative Easing to rehabilitate and further develop that nation’s infrastructure.

Working with the U.S. Department of Transportation and other Federal agencies with oversight for the nation’s transportation system and other infrastructure systems, the Federal Reserve could provide long-term low-cost/no-cost financing that could help hold down the cost of fixing the nation’s infrastructure, bring down unemployment, stimulate economic growth, and provide private investors the confidence to be constructive partners in the rebuilding of America.

In the 1860s, the Federal government put the United States on track to be a world leader by committing to the long-term development of the transcontinental railroad. Nearly 100 years later, the Federal government renewed that commitment to world leadership by building the interstate highway system. Now, fully a half-century later, that infrastructure, as well as other elements of the nation’s transportation system is in grave need of renovation and improvement.

While the call for austerity in government seems to be the political currency of the day, it cannot and must not be the obstacle to infrastructure repair, improvement and maintenance. To end this situation, the Federal Reserve should pursue its twin missions of fighting unemployment and stabilizing the economy by dedicating a portion of the fourth round of Quantitative Easing to the nation’s transportation infrastructure. In both the long-term and the short-term such a move could be highly beneficial and transformative.

#### And, growth is the controlling internal-link—even small growth-rate differentials produce large fiscal impacts

Swanson 11 — Bret Swanson, President of Entropy Economics—a research firm focused on technology and the global economy, President of Entropy Capital—a venture firm that invests in early-stage technology companies, Visiting Fellow at Digital Society, Fellow at the National Chamber Foundation, former Senior Fellow and Director of the Center for Global Innovation at The Progress & Freedom Foundation, 2011 (“The Growth Imperative,” *Forbes*, May 27th, Available Online at http://www.forbes.com/sites/bretswanson/2011/05/27/the-growth-imperative/, Accessed 08-29-2012)

The central factor in America’s fiscal future is hardly being discussed. In most conversations of deficits, entitlements, debt ceilings, and bond markets, economic growth goes unmentioned. In recent days, a few smart policy makers finally whispered it, yet not with the needed volume and specificity.

Perhaps the paltry 1.8% first quarter GDP figure, when our recovery should be generating 5% numbers, will get the nation’s attention. Growth today is our biggest problem – but also our biggest opportunity.

We’ve all seen the budget charts with steeply sloping outlays and trillion dollar deficits stretching over the horizon, leading inevitably to skyrocketing debt. The responsible people, like those gathered at Pete Peterson’s Fiscal Summit this week, tell us the only solution is to “cut spending and raise taxes” – in dramatic amounts. And of course less spending and more revenue are essential. But the partisan divide between the spending cutters and tax raisers is unlikely to yield a helpful policy path – more likely a muddle of growth killing taxes and out-year NIMTO (not in my term of office) spending cuts.

Economic growth, on the other hand, swamps every spending cut and tax rate increase. In 2010, U.S. GDP was $14.66 trillion. Today’s 2% growth rate, over the long-term, would yield output of $17.9 trillion in 2020, $21.8 trillion in 2030, $26.6 trillion in 2040, and $32.4 trillion in 2050.

But what if America committed to a bold long range growth goal? I’m no budget expert, but for a presentation to the National Chamber Foundation on May 24, I offered a few simple charts that tell the story. A 4% growth rate would mean almost $4 trillion in additional output in the year 2020, $10 trillion more in 2030, $21 trillion more in 2040, and an astounding $38 trillion more in 2050, when the economy would be more than twice as large had we kept growing at 2%. Over this period, with an arbitrarily chosen 20% tax-to-GDP ratio, a 4% growth rate would generate $109 trillion more revenue than a 2% growth rate.

But 4% is wildly optimistic, you say. Perhaps. The consensus long range projection is just 2.5%. Fine, what if we could bump growth to a measly 3%? We would still generate an additional $25 trillion in tax revenue over the 40-year period. Didn’t the Medicare actuary just tell us the program’s unfunded liability is $24.6 trillion?

Boosting the share of the economy we collect in taxes doesn’t do any good if the economy lags. Collecting 20% or 25% of GDP in taxes, as some propose, doesn’t get us anywhere close to balance if we grow just 2% or 2.5%. On the other hand, 4% growth with the historical 18% tax-GDP ratio keeps up with even our current profligate spending path. The power of compound growth towers over every other consideration.

Rapid economic growth should thus be our chief national objective. We should measure every policy – extant and proposed – against this goal. Do our tax, regulatory, trade, immigration, and social policies help maximize economic growth? Or do they risk depressing our potential growth rate even just a bit? Compound growth is so powerful, no policy that imperils it should be tolerated.

This Growth Test should inform and shape every debate. Economic growth helps federal, state, and local budgets, sure, but more importantly creates opportunity for generations of Americans, particularly those whose outlook today seems bleakest.

#### The impact is large: economic growth is crucial to address all global challenges.

Silk 93 — Leonard Silk, Distinguished Professor of Economics at Pace University, Senior Research Fellow at the Ralph Bunche Institute on the United Nations at the Graduate Center of the City University of New York, and former Economics Columnist with the *New York Times*, 1993 (“Dangers of Slow Growth,” *Foreign Affairs*, Available Online to Subscribing Institutions via Lexis-Nexis)

Like the Great Depression, the current economic slump has fanned the firs of nationalist, ethnic and religious hatred around the world. Economic hardship is not the only cause of these social and political pathologies, but it aggravates all of them, and in turn they feed back on economic development. They also undermine efforts to deal with such global problems as environmental pollution, the production and trafficking of drugs, crime, sickness, famine, AIDS and other plagues.

Growth will not solve all those problems by itself. But economic growth – and growth alone – creates the additional resources that make it possible to achieve such fundamental goals as higher living standards, national and collective security, a healthier environment, and more liberal and open economies and societies.

#### And, economic decline increases the risk of war—*strong statistical support*.

Royal 10 — Jedidiah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, M.Phil. Candidate at the University of New South Wales, 2010 (“Economic Integration, Economic Signalling and the Problem of Economic Crises,” *Economics of War and Peace: Economic, Legal and Political Perspectives*, Edited by Ben Goldsmith and Jurgen Brauer, Published by Emerald Group Publishing, ISBN 0857240048, p. 213-215)

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow.

First, on the systemic level, Pollins (2008) advances Modelski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Feaver, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown.

Second, on a dyadic level, Copeland's (1996, 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult [end page 213] to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4

Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write,

The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other. (Blomberg & Hess, 2002. p. 89)

Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions.

Furthermore, crises generally reduce the popularity of a sitting government. “Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force.

In summary, recent economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels.5 This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict, such as those mentioned in the first paragraph of this chapter. [end page 214] Those studies tend to focus on dyadic interdependence instead of global interdependence and do not specifically consider the occurrence of and conditions created by economic crises. As such, the view presented here should be considered ancillary to those views.

#### Finally, alternatives to growth kill hundreds of millions and cause global conflict—we can’t “*turn off*” the economy.

Barnhizer 6 — David R. Barnhizer, Emeritus Professor at Cleveland State University’s Cleveland-Marshall College of Law, 2006 (“Waking from Sustainability's "Impossible Dream": The Decisionmaking Realities of Business and Government,” *Georgetown International Environmental Law Review* (18 Geo. Int'l Envtl. L. Rev. 595), Available Online to Subscribing Institutions via Lexis-Nexis)

The scale of social needs, including the need for expanded productive activity, has grown so large that it cannot be shut off at all, and certainly not abruptly. It cannot even be ratcheted down in any significant fashion without producing serious harms to human societies and hundreds of millions of people. Even if it were possible to shift back to systems of local self-sufficiency, the consequences of the transition process would be catastrophic for many people and even deadly to the point of continual conflict, resource wars, increased poverty, and strife. What are needed are concrete, workable, and pragmatic strategies that produce effective and intelligently designed economic activity in specific contexts and, while seeking efficiency and conservation, place economic and social justice high on a list of priorities. n60

The imperative of economic growth applies not only to the needs and expectations of people in economically developed societies but also to people living in nations that are currently economically underdeveloped. Opportunities must be created, jobs must be generated in huge numbers, and economic resources expanded to address the tragedies of poverty and inequality. Unfortunately, natural systems must be exploited to achieve this; we cannot return to Eden. The question is not how to achieve a static state but how to achieve what is needed to advance social justice while avoiding and mitigating the most destructive consequences of our behavior.

### 1AC — Chinese Foreign Direct Investment Advantage

#### Advantage Two: Chinese Foreign Direct Investment

#### First, Chinese direct investment in the United States is on the brink — failure to improve access will force China to invest elsewhere.

Hanemann 12/28 — Thilo Hanemann, Research Director at the Rhodium Group where he specializes in Chinese Foreign Direct Investment, 2012 (“Chinese FDI in the U.S. in 2012: A Record Year Amid A Gloomy FDI Environment,” *China Economic Watch*—a publication of the Peterson Institute for International Economics, December 28th, Available Online at http://www.piie.com/blogs/china/?p=2147, Accessed 01-29-2013)

Developments in 2012 also underscored the political hurdles in the process of China becoming a major source of FDI for the US. Compared to other emerging FDI exporters in the past like Japan or Korea, China is not a military ally of the United States but sees itself balancing U.S. hegemony. This puts Chinese investors in the spotlight for a range of existing national security concerns related to foreign ownership, among them ownership of critical infrastructure, political and industrial espionage and ownership and proliferation of defense-relevant technologies. In addition to national security risks there are specific concerns about the economic impacts of Chinese investment due to the role of the government in China’s economy and existing asymmetries in market access between China and the United States.

Unfortunately the past year was a step back for the political debate on these issues. 2012 saw little progress on substance but instead a lot of political games and populist rhetoric, for example a report by two members of the U.S. House Intelligence Committee attacking Chinese telecommunications firms while at the same time dismissing any mitigation options, or efforts from lawmakers and lobbyists to undermine a series of Chinese technology acquisitions, including Wanxiang’s purchase of A123 Systems and BGI Shenzhen’s bid for Complete Genomics. The negative headlines from such politicization are damaging the perception of the U.S. as an investment destination in China, despite U.S. openness and the hard work that is done by governors, mayors and other local officials to promote inward investment. Political games are also a distraction from advancing the debate on important questions such as the risks from Chinese investment in infrastructure or competitive neutrality of state-owned enterprises.

If the United States wants to maximize benefits from China’s beginning outward FDI boom, policymakers need to stop beating the drums and instead focus on solutions that allow the US to maintain an open investment environment while addressing real concerns. Otherwise Chinese investors will carry their cash elsewhere, for the example Europe, where Chinese FDI has topped $10 billion for the second year in a row, almost double of what the United States received over the past two years (Figure 4). Europe’s greater attraction can mostly be explained by commercial opportunities including privatization programs and troubled industrial assets, but different national security sensitivities and the perception that Europe is more welcoming to Chinese investment than the United States did play a role too. It is too early to declare Europe the winner in the race for Chinese investment, but it is time for Washington to move past politics, emphasize openness and tackle structural reforms to ensure the United States remains a top destination for FDI from China and elsewhere.

#### Second, infrastructure investment is vital — the status quo is insufficient.

Caijing 12/18 — Caijing—an independent Beijing-based magazine about finance and economics, 2012 (“Chinese Investment to the U.S. Speeds Up,” Byline Jin Yan and Wang Yanchun, December 18th, Available Online at <http://english.caijing.com.cn/2012-12-18/112372718.html>, Accessed 01-29-2013)

With accelerating investment in the United States already a consensus among the Chinese business community, attention has now turned to specific areas for investment. To some extent, infrastructure projects can provide China with a more practical breakthrough point to increase investment in the United States. Not only is infrastructure construction China's specialty, these types of projects also meet U.S. demand for capital and infrastructure upgrades.

But no matter how strong the policy winds have blown or how intense entrepreneurs' desire has been, for many years there has been no substantial improvement in Sino-U.S. infrastructure investment and cooperation.

From the U.S. perspective, David Marchick told Caijing that the field of infrastructure in the United States is actually a rather complex investment area. The U.S. government needs to determine the market boundaries and balance power between the private sector and government departments. Without these boundaries, it will be difficult to make substantial investment progress, he added.

Chinese companies often complain that certain investment areas in the United States, especially utilities and infrastructure sectors, are not fully open. They also argue that the U.S. government implements regulatory controls on technology exports and the security review process of foreign mergers and acquisitions lacks transparency.

Those issues aside, the consensus between the two sides is that if the misunderstandings and current obstacles cannot be overcome, a major opportunity for both sides will be squandered.

#### Third, the plan solves — it spurs Chinese direct investment in U.S. infrastructure.

Greider 11/7 — William Greider, National Affairs Correspondent for *The Nation*, former reporter and editor at the *Washington Post*, holds a degree from Princeton University, 2012 (“Can the Federal Reserve Help Prevent a Second Recession?,” *The Nation*, November 7th, Available Online at [http://www.thenation.com/article/171126/can-federal-reserve-help-prevent-second-recession#](http://www.thenation.com/article/171126/can-federal-reserve-help-prevent-second-recession), Accessed 01-23-2013)

A solution Sleigh envisions would involve bond borrowing for public-private infrastructure projects that would be “labor-intensive and great for long-term economic growth and would absolutely help us meet our obligations, because these bonds are going to yield 6 to 8 percent on our investments.” The Federal Reserve’s blessing and its willingness to accept the infrastructure bonds as collateral on the Fed’s lending could be a powerful lure for capital investors—including China, which owns a mountain of low-yielding US Treasuries.

“Wouldn’t that be an amazing story,” Sleigh said, “if the Chinese, instead of holding Treasury notes, invested $100 billion in building high-speed rail in the United States?” These ideas sound farfetched to the usual experts who dominate monetary politics. But stay tuned. As Bernanke surely understands, the economic crisis is not over. We are still at risk of things turning worse. If that occurs, these and other proposals for action will become highly relevant.

#### Forth, foreign direct investment improves U.S.-China economic relations — that’s the foundation for overall cooperation

Hills 12/19 — Carla A. Hills, Co-chairman of the Council on Foreign Relations, Chair of the National Committee on United States-China Relations, served as United States Secretary of Housing and Urban Development under President and as a U.S. Trade Representative under President Bush, 2012 (“China's investment in the US benefits both,” *China Daily*, December 19th, Available Online at http://www.chinadaily.com.cn/opinion/2012-12/19/content\_16030764.htm, Accessed 01-29-2013)

Leaders of the United States and China have repeatedly stated that the bilateral relationship between the world's two largest economies will shape the 21st century. When Vice-President Xi Jinping visited Washington D.C. in February, he was quoted as saying that the economic relationship between the two nations constitutes the "ballast and propeller" for bilateral ties.

The opportunities for the two countries to interact economically are substantial. Since China joined the World Trade Organization a little more than a decade ago, it has opened to the outside world and as a result has become the world's second-largest economy and its largest exporter. During that period US exports to China have increased more than 500 percent, by far the fastest export growth the US has experienced with any of its trading partners, and the benefits have been felt nationwide. Forty-eight states report that their exports to China have tripled in that period.

As a result of its market openings, China has also become the world's second-largest recipient, behind the US, of foreign direct investment. China benefits substantially from US investment in China which today is more than $60 billion. US investors in China also benefit. A majority of US companies responding to a 2011 survey conducted by the US China Business Council reported double digit revenue growth for the year.

China has invested overseas as well. Initially its foreign direct investment focused on gaining access to natural resources in developing countries. However, in recent years China's growth model has begun to shift from one based on domestic investment and exports to encouraging movement up the value chain into services and advanced manufacturing. China is now looking at the benefits of investing in developed countries such as the US.

China's investment in the US offers substantial benefits to both countries. The Chinese and US economies are highly complementary. China's huge market of 1.3 billion people is in the midst of rapid urbanization; its businesses benefit from interaction with entrepreneurs in the US who have technology, management and marketing skills that can facilitate China's continued economic advancement.

The US is beginning to experience the positive effects of Chinese investment. Ten years ago China's investments in the US were small and grew slowly. However in the last couple of years, China's investment in the US has increased rapidly. According to Rhodium Group estimates, Chinese investments in the US which averaged less than $1 billion a year before 2008, grew to $5 billion for the year 2010, and are projected to reach $8 billion this year, with forecasts of higher and more rapid growth to come.

Today Chinese firms are operating in 37 states across a broad range of US industries, including banking, clean energy, steel, and entertainment. The size of Chinese investments is growing at an impressive rate. This year Dalian Wanda Group invested $2.6 billion to purchase AMC Entertainment Holdings, American's second largest movie theater company, and a $5 billion solar project has been proposed by ENN Mojave Energy Corp in Nevada.

The increased diversity of Chinese investments is also significant. Illustrative are the recent announcements that the Chinese-owned auto-parts manufacturer Wanxiang America Corp filed the winning bid of $256.6 million in a bankruptcy auction in Chicago for A123 Systems Inc, a US battery maker, and Golden Dragon Precise Copper Tube Group's proposed $100 million investment in a copper tubing plant in Alabama.

China's investment in the US is good for China and good for the US. China's entrepreneurs benefit from the large consumer market, creative and diverse workforce, management skills, strong global brands, and the attractive business and investment climate found in the US.

The US benefits from an increase in needed tax revenues and jobs generated by Chinese investments. Most calculations put the number of US jobs currently associated with Chinese investments in the US above 27,000 and growing, which does not account for the jobs created during construction or generated for suppliers.

Successful Chinese investment in the US will encourage further investment, which will generate still more benefits. And as Chinese investors prosper in the US' rules-based market economy, China will be encouraged to adopt similar rules.

As important as these economic benefits are in advancing prosperity in both countries, the most important benefit flowing from increased economic interactions may well be the increase in mutual understanding that will surely occur. That will help increase the "ballast" for the overall Sino-US relationship.

In short, Chinese investment in the US is a win-win proposition for America and for China and should be encouraged by both sides.

#### Fifth, U.S.-China cooperation is the controlling impact — it provides a foundation for resolving every global challenge.

Dunn et al. 3/1 — Lewis A. Dunn, Senior Vice President at Science Applications International Corporation—an American defense company that works with government agencies including the Departments of Defense and Homeland Security, formerly served as assistant director of the U.S. Arms Control and Disarmament Agency and ambassador for the nuclear Nonproliferation Treaty in the Reagan administration, Ralph Cossa, President of the Pacific Forum of the Center for Strategic and International Studies, holds a B.A. in international relations from Syracuse University, an M.B.A. from Pepperdine University, and an M.S. in strategic studies from the Defense Intelligence College, and Li Hong, Secretary General of the China Arms Control and Disarmament Association, 2013 (“5 Ways to Build a Stable U.S.-China Strategic Relationship,” *Flashpoints*—a *Diplomat* blog, March 1st, Available Online at http://thediplomat.com/flashpoints-blog/2013/03/01/5-ways-to-build-a-stable-u-s-china-strategic-relationship/?all=true, Accessed 03-06-2013)

The relationship between the United States and China, one country an established power, the other a rising power, will decisively shape the 21st century world. Of the many aspects of this relationship, one of the most important is the strategic relationship, with “strategic” meaning the many ways that the two countries’ plans, doctrines, capabilities, postures, and actions interact across the nuclear offensive and defensive, outer space, and cyber realms.

Building a stable and cooperative “win-win” strategic relationship serves the interests of both the United States and China. It would contribute to both countries’ security interests, not least by avoiding dangerous military competition, confrontation, or even conflict between our two countries in the years ahead. A cooperative strategic relationship would also provide a foundation for action to address global political, security, and economic challenges. It would allow scarce leadership attention, political capital, and economic resources in both countries to be used to address pressing domestic, economic, social, and other priorities.

#### Sixth, expanding FDI is vital to close relations — Japan proves.

Katz and Puentes 12 — Bruce Katz, Vice President at the Brookings Institution, Founder and Co-director of the Brookings Metropolitan Policy Program, Leader of the Brookings-Rockefeller Project on State and Metropolitan Innovation, and Robert Puentes, Senior Fellow at the Brookings Institution's Metropolitan Policy Program, 2012 (“The Future of U.S. Redevelopment Financing: China?,” *The Atlantic Cities*, July 18th, Available Online at http://www.theatlanticcities.com/jobs-and-economy/2012/07/future-us-redevelopment-financing-china/2619/, Accessed 01-29-2013)

Yet, the Hunters Point project shows there is significant potential for reciprocated benefit if reservations can be overcome and deals structured in ways that address the genuine needs of both sides.

Organized labor, which supports the project, and important local hiring provisions are addressed through contractual provisions. Plus, an $83 million agreement outlining benefits such as workforce development, community facilities, scholarships, and housing funds remains part of the deal.

If China can find a way to work in San Francisco — where community and labor rights are important priorities — the possibilities for the rest of the country are self-evident. Further integration of the Chinese and U.S. economies could also help alleviate tensions and improve relations. In the past three decades, the U.S. and Japan overcame similar (though not identical) suspicions, with that nation now a trusted foreign direct investor in the U.S. economy.

#### Seven, relations are critical to making economic interdependence effective—solves miscalculation and escalation.

Bremmer and Gordon 12 — Ian Bremmer, Adjunct Professor of International and Public Affairs at Columbia University, President of Eurasia Group, holds a Ph.D. in Political Science from Stanford University, and David Gordon, Head of Research at Eurasia Group, Former Director of Policy Planning at the State Department, 2012 (“Where Commerce and Politics Collide,” *New York Times*, October 7th, Available Online at <http://www.nytimes.com/2012/10/08/opinion/08iht-edbremmer08.html?_r=0&pagewanted=print>, Accessed 02-08-2013)

But macro-economic interdependence brings with it a whole range of tactical tensions — over exchange rates, intellectual property, investment rules and standard-setting. Yet there is also a more strategic downside to mutually assured economic destruction, because neither side has perfect control over events that might undermine the relationship, and because reduced risk of all-out conflict lets them feel freer to play with fire.

There are a growing number of security risks around the world. In Asia, an expanding U.S. security and commercial presence has China’s next generation of leaders on edge, and Beijing finds itself in various forms of direct conflict with many of its neighbors, some of whom are America’s strategic allies. In the Middle East, a variety of new actors with competing agendas are jostling to fill emerging power vacuums. In Europe, Germany has taken a leadership role in what is sure to emerge as a quite different continent. In Russia’s sphere of influence, a government that faces rising risks at home may well respond more aggressively abroad.

In the past, these sorts of tectonic geopolitical shifts and the uncertainty they create might well have provoked war. But today, the economic dimension is at least as important as military muscle in shaping the balance of power. That makes for more complicated international relationships.

Look more closely at the contradictions. A military rivalry is a zero-sum relationship; what’s good for one side is bad for the other. But economic security is good for both. America and China both need oil to flow smoothly from the Middle East and for peace to prevail in the South China Sea. Deepening trade relations give each side a stake in the other’s success.

As China and Japan bicker over territorial disputes, both sides are trying to exploit local resentments for political gain. But they share an overriding incentive to protect a deepening economic partnership that reinforces stability at home by enriching them both. Similarly, Turkey and Iran are backing different sides in Syria, but neither will let their bilateral relationship deteriorate too sharply; Iran needs Turkey to go easy on enforcement of sanctions, and Turkey needs Iran to continue selling its natural gas.

However, there are two important reasons why this is not as good as it appears. First, the assurance that all-out war has become so unlikely encourages governments to flirt with economically damaging lower-level conflicts.

If U.S.-China trade relations spiral into various forms of confrontation, the risk of proxy battles in cyberspace will rise sharply, and a more aggressive Chinese approach to territorial disputes with Vietnam, the Philippines and others could draw Washington into fights it hopes to avoid.

If Iran tries to undermine Turkey’s opposition to Syria’s government by offering clandestine support for Kurdish separatists inside Turkey, the trouble between Ankara and Tehran could escalate to levels that neither can manage. Regional war in Asia or the Middle East remains extremely unlikely, but a constant state of tension will have an economic impact.

Second, conflicts can take on a life of their own. Beijing may discover over time that it’s becoming much more difficult to keep a lid on the crowds it riles up for geopolitical advantage, and Japanese leaders may talk themselves into conflicts from which they can’t easily back down. Arab world animosities may grow beyond the ability of inexperienced new governments to control.

Governments around the world face much more complicated challenges than the Cold War could offer, and economic interdependence can create joint vulnerability. The risk of superpower nuclear war is much lower, but there is little to protect one side’s security from volatility on the other.

Following the leadership transition in Beijing and the presidential election in America, both China and the United States need to reinvigorate their top-level dialogue, and pay more attention to ensuring that domestic politics does not overcome the incentives for conflict avoidance that mutually assured economic destruction has created.

#### Finally, that prevents nuclear war and extinction.

Wittner 11 — Lawrence S. Wittner, Emeritus Professor of History at the State University of New York at Albany, holds a Ph.D. in History from Columbia University, 2011 (“Is a Nuclear War with China Possible?,” *Huntington News*, November 28th, Available Online at http://www.huntingtonnews.net/14446, Accessed 02-07-2013)

While nuclear weapons exist, there remains a danger that they will be used. After all, for centuries national conflicts have led to wars, with nations employing their deadliest weapons. The current deterioration of U.S. relations with China might end up providing us with yet another example of this phenomenon.

The gathering tension between the United States and China is clear enough. Disturbed by China’s growing economic and military strength, the U.S. government recently challenged China’s claims in the South China Sea, increased the U.S. military presence in Australia, and deepened U.S. military ties with other nations in the Pacific region. According to Secretary of State Hillary Clinton, the United States was “asserting our own position as a Pacific power.”

But need this lead to nuclear war?

Not necessarily. And yet, there are signs that it could. After all, both the United States and China possess large numbers of nuclear weapons. The U.S. government threatened to attack China with nuclear weapons during the Korean War and, later, during the conflict over the future of China’s offshore islands, Quemoy and Matsu. In the midst of the latter confrontation, President Dwight Eisenhower declared publicly, and chillingly, that U.S. nuclear weapons would “be used just exactly as you would use a bullet or anything else.”

Of course, China didn’t have nuclear weapons then. Now that it does, perhaps the behavior of national leaders will be more temperate. But the loose nuclear threats of U.S. and Soviet government officials during the Cold War, when both nations had vast nuclear arsenals, should convince us that, even as the military ante is raised, nuclear saber-rattling persists.

Some pundits argue that nuclear weapons prevent wars between nuclear-armed nations; and, admittedly, there haven’t been very many—at least not yet. But the Kargil War of 1999, between nuclear-armed India and nuclear-armed Pakistan, should convince us that such wars can occur. Indeed, in that case, the conflict almost slipped into a nuclear war. Pakistan’s foreign secretary threatened that, if the war escalated, his country felt free to use “any weapon” in its arsenal. During the conflict, Pakistan did move nuclear weapons toward its border, while India, it is claimed, readied its own nuclear missiles for an attack on Pakistan.

At the least, though, don’t nuclear weapons deter a nuclear attack? Do they? Obviously, NATO leaders didn’t feel deterred, for, throughout the Cold War, NATO’s strategy was to respond to a Soviet conventional military attack on Western Europe by launching a Western nuclear attack on the nuclear-armed Soviet Union. Furthermore, if U.S. government officials really believed that nuclear deterrence worked, they would not have resorted to championing “Star Wars” and its modern variant, national missile defense. Why are these vastly expensive—and probably unworkable—military defense systems needed if other nuclear powers are deterred from attacking by U.S. nuclear might?

Of course, the bottom line for those Americans convinced that nuclear weapons safeguard them from a Chinese nuclear attack might be that the U.S. nuclear arsenal is far greater than its Chinese counterpart. Today, it is estimated that the U.S. government possesses over five thousand nuclear warheads, while the Chinese government has a total inventory of roughly three hundred. Moreover, only about forty of these Chinese nuclear weapons can reach the United States. Surely the United States would “win” any nuclear war with China.

But what would that “victory” entail? A nuclear attack by China would immediately slaughter at least 10 million Americans in a great storm of blast and fire, while leaving many more dying horribly of sickness and radiation poisoning. The Chinese death toll in a nuclear war would be far higher. Both nations would be reduced to smoldering, radioactive wastelands. Also, radioactive debris sent aloft by the nuclear explosions would blot out the sun and bring on a “nuclear winter” around the globe—destroying agriculture, creating worldwide famine, and generating chaos and destruction.

Moreover, in another decade the extent of this catastrophe would be far worse. The Chinese government is currently expanding its nuclear arsenal, and by the year 2020 it is expected to more than double its number of nuclear weapons that can hit the United States. The U.S. government, in turn, has plans to spend hundreds of billions of dollars “modernizing” its nuclear weapons and nuclear production facilities over the next decade.

To avert the enormous disaster of a U.S.-China nuclear war, there are two obvious actions that can be taken. The first is to get rid of nuclear weapons, as the nuclear powers have agreed to do but thus far have resisted doing. The second, conducted while the nuclear disarmament process is occurring, is to improve U.S.-China relations. If the American and Chinese people are interested in ensuring their survival and that of the world, they should be working to encourage these policies.