# Wiki Doc Neg R3

## 1NC

### 1NC – States CP

#### The 50 state governments and relevant sub-federal territories, in coordination through the National Association of Attorneys General’s, should adopt the principle of separating platforms from commerce for platforms in the private sector and state that, if preempted, the states will withhold cooperation with federal initiatives.

#### The United States federal government should not preempt it.

#### It solves

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Prior to the enactment of the first federal antitrust law – the Sherman Act – in 1890, state antitrust enforcement was quite robust in the United States because at least 26 states had already enacted some form of antitrust prohibition.[2] In addition, state enforcers had often used general corporation law and common law restraint of trade principles to regulate anticompetitive business practices and transactions.[3] This well-established state antitrust enforcement infrastructure – coupled with the fact that the Antitrust Division and FTC had only recently been created – permitted state attorneys general to continue playing a leading enforcement role for the first 30 years after the Sherman Act’s passage.[4] Indeed, state attorneys general successfully prosecuted a number of the most consequential antitrust enforcement actions during this period.[5]

In the early 1920s, however, state antitrust enforcers began playing a less prominent role because ‘the national dimension of the most important trusts, . . . as well as their ability to restructure in order to evade problematic state laws’, made clear that the federal government needed to step forward in order to adequately protect consumers and the competitive process.[6] As a result, the DOJ and FTC – whose national jurisdiction and greater resources enabled them to tackle the most pressing competition issues of the time – displaced state attorneys general as the primary source of government antitrust enforcement within the United States.[7] This largely remained true until the mid-1970s when Congress, in response to the DOJ and FTC’s perceived inactivity, passed two laws that expanded the authority of state attorneys general to enforce the federal antitrust laws and provided them with financial resources to do so.[8]

In 1976, Congress passed the Hart-Scott-Rodino Antitrust Improvement Act, which, among other things, authorised state attorneys general to bring *parens patriae* suits (i.e., legal actions brought on behalf of natural persons residing within their states) seeking monetary (treble damages) and injunctive relief for Sherman Act violations.[9] Congress also passed the Crime Control Act of 1976, which, among other things, provided state attorneys general with tens of millions in federal grants as ‘seed money’ for the creation of antitrust bureaus within their offices.[10] These laws had their intended effect of reinvigorating state antitrust enforcement.

During the 1980s, for example, state attorneys general once again emerged as vigorous antitrust enforcers, especially with respect to the prosecution of resale price maintenance practices and other vertical restraints.[11] The rise in the level and prominence of state antitrust enforcement during this period was largely due to a perceived enforcement void at the federal level, where the DOJ and FTC had mostly limited their focus to ‘prohibiting cartels and large horizontal mergers’.[12] No longer content with ceding antitrust enforcement to federal enforcers, state attorneys general expanded their antitrust dockets from prosecuting purely ‘local matters, such as bid-rigging on state contracts’, to actively investigating and litigating matters with multistate and national implications.[13] To help ensure that they had a larger seat at the antitrust enforcement table, state attorneys general also increased the coordination of their enforcement efforts and competition advocacy through organisations such as the National Association of Attorneys General (NAAG), which created a Multistate Antitrust Task Force and issued state Vertical Restraints and Horizontal Merger Guidelines during this period.[14]

Since the reawakening of state antitrust enforcement nearly 30 years ago, state attorneys general have continued to play an important role in the enforcement of both state and federal antitrust laws. During periods of lax federal antitrust enforcement, state attorneys general have often ramped up their enforcement activity in order to protect consumers from anticompetitive transactions and business practices.[15] During periods of vigorous federal antitrust enforcement, they have often served as strong partners for the DOJ and FTC by, among other things, offering valuable insights about competitive dynamics in local markets, assisting with obtaining information from key market participants (including state governmental entities that are direct purchasers of goods and services), and helping develop and implement litigation strategies for cases being tried before federal judges presiding in their states.[16]

Since January 2017, state attorneys general have increasingly played a leading and independent antitrust enforcement role. State antitrust enforcers have significantly increased their enforcement activity and willingness to act separately from their federal counterparts because many of them believe that there has been ‘under-enforcement’ by the DOJ and FTC.[17] State antitrust enforcers have also been able to enhance their influence over key competition policy issues and the antitrust enforcement agenda within the United States because there appears to have been a significant decline in the coordination and relationship between the DOJ and FTC.[18]

In once again flexing their enforcement muscle, state attorneys general have shown a willingness to publicly disagree with the DOJ and FTC on both policy and enforcement decisions, and have also sought to pressure their federal counterparts into more aggressively policing certain industries. Recent examples of the increased independence and assertiveness of state antitrust enforcers include:

* The DOJ, FTC and several state attorneys general have been actively investigating and prosecuting ‘no-poach’ agreements (i.e., where competitors for employees agree not to recruit or hire each other’s employees) in recent years. However, the DOJ and state attorneys general have taken directly opposing positions in private litigation challenging the legality of ‘no-poach’ clauses in corporate franchise agreements. The DOJ has argued that courts should review these clauses under the rule of reason whereas various state attorneys general have argued that these clauses should be deemed per se unlawful.[24]
* In their joint investigation into the T-Mobile/Sprint merger, nearly 20 state attorneys general sued to block the transaction in September 2019 even though the DOJ, along with seven state attorneys general, approved the deal after securing certain structural and behavioural remedies.[19] After the DOJ announced its proposed settlement with the companies, the Attorney General for New York, who led the states’ challenge to the merger, issued a press release dismissing the adequacy of the remedies negotiated by the DOJ: ‘The promises made by [the divestiture buyer] and [the merging companies] in this deal are the kinds of promises only robust competition can guarantee. We have serious concerns that cobbling together this new fourth mobile [phone] player, with the government picking winners and losers, will not address the merger’s harm to consumers, workers, and innovation.’[20] Thereafter, the DOJ opposed the states’ enforcement action by, among other things, moving to disqualify the private counsel hired by the states to represent them[21] and filing submissions that argued against the states’ requested injunction.[22] Ultimately, the state attorneys general were unsuccessful in their bid to block the deal.[23]
* None of the more than 20 state attorney general offices that actively investigated the AT&T/Time Warner merger joined the DOJ’s unsuccessful challenge to the transaction despite the DOJ’s concerted effort to secure their support.[25] In fact, nine state attorneys general filed an amicus brief opposing the DOJ’s appeal of the trial court’s decision.[26]
* After the FTC declined to seek any Colorado-related remedies in connection with Optum’s acquisition of DaVita Medical Group, the Attorney General for Colorado required the merging companies to lift the exclusivity provisions in contracts with certain healthcare providers and to extend their existing contracts with certain health insurers. In announcing this settlement, the Colorado Attorney General stated: ‘I recognize that this case marks an important step in state antitrust enforcement . . . . I am committed to protecting all Coloradans from anticompetitive consolidation and practices, and will do so whether or not the federal government acts to protect Coloradans.’[27]

After voicing displeasure with federal antitrust enforcement in the technology sector, numerous state attorneys general launched their independent investigations into ‘Big Tech’ companies even though the DOJ and FTC have ongoing investigations into these companies.[28]

### 1NC – T

#### The FTC already has the authority under section 5.

Zeisler 14 [Royce Zeisler, J.D. Candidate 2014, Columbia Law School; B.S., B.A. 2012, University of British Columbia, "CHEVRON DEFERENCE AND THE FTC: HOW AND WHY THE FTC SHOULD USE CHEVRON TO IMPROVE ANTITRUST ENFORCEMENT", Columbia Business Law Review, 2014, HeinOnline]

The FTC and antitrust law began to expand radically in post-war America. The Court grounded this expansion in a wide range of economic and social considerations. In service of these heterogeneous goals, the FTC brought-and the Supreme Court decided-antitrust cases premised purely on section 5 grounds, sometimes with no explicit reference to the Sherman Act.40 Brown Shoe exemplifies the Court's understanding.4' There, the Court found that section 5 was a key tool for stopping "incipient" trade practices and that the "[b]road power of the Commission is particularly well established with regard to trade practices which conflict with the basic policies of the Sherman and Clayton Acts even though such practices may not actually violate these laws. 42 Similarly, in the consumer protection case Sperry & Hutchinson Co., the Court concluded that the powers contained in section 5 were broad, ambiguous, and unique to the FTC.43

\*\*footnote 43 begins\*\*

While Sperry is a consumer protection case, it is also the Court's final extended examination of the scope of the section 5 antitrust mandate. See FTC v. Sperry & Hutchinson Co., 405 U.S. 233, 239-40 (1972) ("First, does [section] 5 empower the Commission to define and proscribe an unfair competitive practice, even though the practice does not infringe either the letter or the spirit of the antitrust laws? Second, does [section] 5 empower the Commission to proscribe practices as unfair or deceptive in their effect upon consumers regardless of their nature or quality as competitive practices or their effect on competition? We think the statute, its legislative history, and prior cases compel an affirmative answer to both questions. When Congress created the Federal Trade Commission in 1914 and charted its power and responsibility under [section] 5, it explicitly considered, and rejected, the notion that it reduce the ambiguity of the phrase 'unfair methods of competition' by tying the concept of unfairness to a common-law or statutory standard or by enumerating the particular practices to which it was intended to apply.")

\*\*footnote 43 ends\*\*

#### That doesn’t expand the scope

**Federal Register: Rules and Regulations - ‘9**

Federal Trade Commission - *16 Code of Federal Regulations*- 255 Guides Concerning the Use of Endorsements and Testimonials in Advertising Federal Acquisition Regulation; *Final Rule* - “Rules and Regulations” - Federal Register - Vol. 74, No. 198 - Thursday, October 15, 2009 - #E&F - https://www.ftc.gov/sites/default/files/documents/federal\_register\_notices/guides-concerning-use-endorsements-and-testimonials-advertising-16-cfr-part-255/091015guidesconcerningtestimonials.pdf

The Commission’s inclusion of examples using these new media is not inconsistent with the staff’s 2006 statement that it would determine on a case-by-case basis whether law enforcement investigations of ‘‘buzz marketing’’ were appropriate.95 All Commission law enforcement decisions are, and will continue to be, made on a case-by-case basis, evaluating the specific facts at hand. Moreover, as noted above, the Guides **do not expand the scope** of liability **under Section 5**; they simply provide guidance as to how the Commission intends **to apply** governing **law** **to** various **facts**. **In other words**, the Commission ***could*** challenge the dissemination **of deceptive representations made via these media** **regardless of whether the Guides contain these examples**; thus, not including the new examples would simply deprive advertisers of guidance they otherwise could use in planning their marketing activities.96

#### Vote neg for limits and ground – allowing affs to enforce existing statutes in greater or different capacity allows thousands of tiny affs based on any law review or court case and short circuits core neg ground AND link uniqueness which makes it impossible to be neg

### 1NC – Advantage CP

#### The United States federal government should:

* Substantially increase development aid for digital business capabilities in the developing nations, including national digital infrastructure
* Establish a Guaranteed Basic Income program
* Provide research and development funding for small and medium enterprises
* Increase international cooperation with NATO member states and the Quad on international technology norms
* Set federal cybersecurity standards for the electrical grid, including resilience measures
* Require nuclear power plants to maintain backup generators for power outages
* Establish a national innovation policy, to oversee procurement reform, incentives for research and development, and workforce training
* create a democratic alliance for norms governing emerging technologies.

#### Plank 1 solves digital inequity

1AC Gurumurthy ’20 [Anita et al; Executive Director of IfTC and Expert Advisor for the UN Secretary General; “Unskewing the Data Value Chain: A Policy Research Agenda for Equitable Platform Economies”; (September 1, 2020); Available at SSRN: <https://ssrn.com/abstract=3872492>]

Without endogenous capacities to process data and generate digital intelligence and thereby move into the high value segments of data value chains, most developing countries can only realize the “first-order benefits” of accessing global digital trade markets (UNCTAD, 2019). Investments in domestic digital and data infrastructure are hence vital to bridge the “digital capability gap” between domestic firms (in digital and other sectors) and transnational corporations, and to leverage the “second-order benefits” of productivity, wealth and well-being that the data revolution brings (UNIDO, 2020; UNCTAD, 2019). Official Development Assistance (ODA) has an important role to play in bridging this gap. But as current studies of the nexus between ODA, digital economies and sustainable development suggest, not enough attention has been paid to the potential downsides of ODA projects in the digital sector: harmful concentration and monopoly, rising inequality, or state and corporate use of digital technologies to control rather than empower citizens (Bennett, 2019). As a response to this deficit in global development cooperation, the UNCTAD has been advocating for stronger South-South cooperation in digital industrialization: development of public broadband and connectivity programs, investment in cloud infrastructure, and creation of regional level single digital markets that can contribute to the strategic integration of non-personal data flows for development of regional AI capacity (Banga & Kozul-Wright, 2018).

#### Guaranteed Income plank 2 solves inequality

Holder 21 [Sarah Holder and Brentin Mock, "What a National Guaranteed Income Could Look Like", 7/8/21, https://www.bloomberg.com/news/articles/2021-07-08/what-a-national-guaranteed-income-could-look-like]

Researchers behind the Guaranteed Income for the 21st Century proposal estimate that it could elevate the nearly 14 million U.S. households who lived in poverty before the pandemic above the federal poverty line. It claims even more profound effects on Black households, which are disproportionately represented under the poverty line.

“We know that poverty is not race-neutral. We know that employment interactions are not race-neutral,” said Hamilton. By structuring the tax to benefit those with the fewest resources, it “will have heroic effects on addressing some racial inequities,” he said. “We know that there are dramatically disproportionate shares of Black and white people in poverty, particularly Black children. So what this does is say, well, we're going to eliminate it in its entirety.”

A negative income tax has been proposed in the past, most famously by conservative economist Milton Friedman during the Nixon administration. “A negative income tax has always been something supported by both sides of the political spectrum,” said William Lee, the chief economist for the Milken Institute. “The way it’s often proposed that gets the broadest support is to say we need a complete replacement of the existing benefits program in the U.S. with a basic minimum level of income.”

That’s where this proposal diverges from past iterations: It wouldn’t be a replacement of other elements of the social safety net, or an answer to calls for reparations or universal health insurance. Instead, it would flip the existing tax code — which is designed for “poverty maintenance, rather than income mobility, or income maintenance, rather than income mobility,” Hamilton says. Because the plan is linked to the median income of the country, indexing such support structurally would mean that “in perpetuity, we are trending families towards the middle class.”

#### Plank 3 solves slow growth—supports SMEs, gives them a leg up over platform companies

#### Plank 4 solves digital authoritarianism—coordinates US allies around tech challenges

#### Planks 5 and 6 solve grid collapse and meltdowns—ensure security and resiliency!

Lewis ’20 [James Andrew; 8/17/20; senior vice president and director of the Strategic Technologies Program at the Center for Strategic and International Studies; "Dismissing Cyber Catastrophe," https://www.csis.org/analysis/dismissing-cyber-catastrophe]

One major failing of catastrophe scenarios is that they discount the robustness and resilience of modern economies. These economies present multiple targets and configurations; they are harder to damage through cyberattack than they look, given the growing (albeit incomplete) attention to cybersecurity; and experience shows that people compensate for damage and quickly repair or rebuild. This was one of the counterintuitive lessons of the Strategic Bombing Survey. Pre-war planning assumed that civilian morale and production would crumple under aerial bombardment. In fact, the opposite occurred. Resistance hardened and production was restored.1

#### Plank 7 solves slow growth

Sadat ’20 [Mir; November 22; former Policy Director leading interagency coordination on defense and space policy issues, including at the Department of Defense and National Security Council, Ph.D. from Claremont Graduate University; The Hill, “Why innovation is so important to America's global leadership,” <https://thehill.com/opinion/technology/526535-why-innovation-is-so-important-to-americas-global-leadership>]

The U.S. government must mitigate the harm to America’s innovation base. So far, the government has yet to craft a national innovation policy and stand up a true national innovation council to modernize government; coordinate between the government, industry and academia; transform monopolistic or oligopolistic markets into competitive sectors; and ensure that America regains global economic leadership through foreign partnerships. Reform of American innovation is necessary for several reasons.

First, to harness the untapped potential of exponential technologies, the government must democratize its requirements processes that have advantaged legacy systems and traditional technology providers. The government must evolve its industrial age procurement policies, practices and beneficiaries to the digital age by placing innovation at the core of its activities. The innovation base needs public and private investment capital, scaled to the risk and importance of the invention, to level the playing field for startups and scale-ups, and to increase competitiveness. In short, the government must increase funding and incentives for Apollo-scale research and development (R&D) programs.

Second, to create exponential technologies in an era of unprecedented disruption, America’s workforce requires continuous training and education. The “lone innovator” is a myth because every American invention is a mix of persistence, genius, teamwork, business model and resource management. The government must establish whole-of-nation policies that stimulate world-class innovators in the areas of science, technology, engineering and mathematics (STEM); support nationwide STEM access and diversity; promote R&D and economic growth in technologically underserved areas using economic opportunity zones; and improve mentorship programs for underrepresented persons.

Third, individual innovators and their teams are challenged to achieve successful outcomes because of the high costs and risks, the uncertainty and gaps in funding, and the vicissitudes of the market’s readiness. America’s innovators are strewn across the federal enterprise, the national security establishment, state and local governments, startups and established corporations, universities and research institutions, and other consortiums. Innovators must collaborate by leveraging innovation multipliers such as diversity of effort, thought and demographics.

Fourth, if rules-based, free-market innovation is to compete economically and demonstrate American leadership, then the government must create and enhance opportunities for innovators to compete in international markets and garner global funding. Innovation is the global competition that transcends borders. We must be the first to disrupt our markets, rather than others who could render particular industries potentially obsolete.

#### Last plank solves tech leadership.

Jain **’20** [Ash; 2020; Senior fellow with the Scowcroft Center for Strategy and Security; Strategic Studies Quarterly; “Present at the Re-Creation: A Global Strategy for Revitalizing, Adapting, and Defending a Rules-Based International System,” <https://www.atlanticcouncil.org/wp-content/uploads/2019/10/Present-at-the-Recreation.pdf>]

The United States and its democratic allies need to work with other major powers to develop a framework for harnessing emerging technology in a way that maximizes its upside potential, while mitigating against its downside risks, and also contributing to the maintenance of global stability. The existing international order contains a wide range of agreements for harnessing the technologies of the twentieth century, but they need to be updated for the twenty-first century. The world needs an entire new set of arms-control, nonproliferation, export-control, and other agreements to exploit new technology while mitigating downside risk. These agreements should seek to maintain global strategic stability among the major powers, and prevent the proliferation of dangerous weapons systems to hostile and revisionist states.

A new technology committee established under the auspices of a revamped D10 could serve as a forum for the democratic core to converge on common standards for the protection of privacy, individual rights, and liberal values amid rapid technological change. It is also imperative that the United States and its democratic allies maintain their innovation edge. This means cultivating their traditional advantages in this area, including in education, research and development, openness to immigration, and strong capital markets. It could discuss the creation of formal norms and standards to guide the ethical uses of technology, from AI to genetic engineering to “killer robots.” This D10 Technology Norms Committee could also serve as a platform to coordinate on strategies to ensure that the United States and its democratic allies maintain their innovation edge in areas of critically sensitive technology, and forge agreements to address threats posed by adversaries. It also means properly understanding the threat posed by Chinese technology. China’s 5G investments in Europe, for example, are not about business, but about Chinese Communist Party (CCP) control. The democratic core should counter China’s industrial policies that violate international trading standards, and defend against the national security threat posed by the penetration of Chinese technology into their societies.

### 1NC – FDI DA

#### The plan decks FDI – risk aversion, information asymmetries, protectionist application

Clougherty 21 [Joseph A. Clougherty, Gies College of Business, University of Illinois at Urbana-Champaign, Nan Zhang College of Business Administration, California State University Stanislaus, "Foreign investor reactions to risk and uncertainty in antitrust: U.S. merger policy investigations and the deterrence of foreign acquirer presence", April 2021, Journal of International Business Studies, https://experts.illinois.edu/en/publications/foreign-investor-reactions-to-risk-and-uncertainty-in-antitrust-u]

The concept of risk goes back to Knight’s (1921) fundamental insights, where he considered risk to be a known probability distribution over a set of events; for example, flipping a coin involves risk, but with known odds. In moving from the concept of risk to its application in IB political risk, Kobrin (1979) observes that risk is at play when managers have knowledge regarding the possibility and probability of different political outcomes via either calculations or past experience statistics. While the relevant information is available with political risk, and observers generally agree with respect to the probabilities of different outcomes, foreign investors are often considered to be at a disadvantage as compared to domestic investors due in part to inherent information asymmetries (Gehrig, 1993; Gordon & Bovenberg, 1996; Liesch et al., 2011). As Gehrig (1993: 98) makes clear, “information may have to be interpreted in the light of the legal conventions and business culture of a particular community, which may be difficult for foreigners to assess”. Thus, domestic investors are better informed and better able to interpret the relevant probabilities as compared to foreign investors, and, as a result, foreign managers tend to overestimate the risks and underestimate the benefits involved with host-country investment activities (Liesch et al., 2011). Simply put, the lack of information, knowledge, and experience with respect to the intricacies of host-country activities accentuates the perceptions of risk when considering foreign investments. A great deal of the political risk literature accordingly focuses on the probabilistic estimates of different policy outcomes and how increased risk leads to decreased foreign investment activities. With the above as a backdrop, we consider how the policy risk involved with merger control might disproportionately affect foreign investors considering participating in the local markets for corporate control.

First, the presence of a host-country merger policy involves transaction costs that foreign investors must factor when deciding upon whether – and to what extent – to make a cross-border acquisition. Navigating the host-nation’s merger review process also involves several direct costs – e.g., legal, transaction filing, and advisory services fees – in order to clear the transaction (Hemphill, 2010). In addition, acquiring firms face internal organizational costs that require in-house legal expertise as well as managerial time and commitment due to the presence of host-nation merger policies. Importantly, the direct costs and transaction costs involved with the merger review process are particularly salient for foreign acquirers as compared to domestic acquirers. For one, foreign investors will be generally unfamiliar with the institutions, values, norms, and networks that are embedded within the host-nation’s antitrust institutional environment (Jorde & Teece, 1990). For example, General Electric exhibited unfamiliarity with European Commission (EC) regulatory procedures in offering concessions to EC officials for the proposed Honeywell acquisition that would have been more appropriate in the U.S. institutional context (Desai, Villalonga, & Veblen, 2005; The Economist, 2001). As such, acquiring firms often enter negotiations with antitrust officials in order to come to a negotiated settlement with respect to the conditions and remedial actions necessary for successful resolution of antitrust concerns (Farrell, 2003). Yet, as Grosse and Behrman (1992) highlight, multinational firms are at a distinct bargaining disadvantage when the host-country institutions are strong and when the multinational lacks salient information about the institutional environment. As a result, the policy risk involved with greater degrees of merger policy enforcement will lead to disproportionate deterrence of foreign acquirer activities as compared to domestic acquirer activities, due to foreign acquirers being more likely to incur costly and inappropriate regulatory efforts that do not ultimately deliver successful antitrust approval.

Second, foreign acquirers will tend to be more risk averse as compared to domestic acquirers when factoring the costs involved with greater degrees of merger policy risk. As George, Chattopadhyay, Sitkin, and Barden (2006) point out, risky behavior is more likely when managers perceive a sense of mastery or control over a particular domain; thus, higher degrees of merger policy risk will not be experienced by foreign investors with the same sense of control over the review process as experienced by domestic investors. In fact, Kobrin (1979) highlights that perceptions of risk are a function of the available information and previous experiences – qualities which are both less likely to characterize foreign acquirers as compared to domestic acquirers. Liesch et al. (2011: 856) summarize the above well when they state “many firms have been found to be lacking in information and knowledge about, and experience in … the practicalities of international activity” thereby accentuating perceptions of political risk. As a result, the policy risk involved with greater degrees of merger policy enforcement will lead to disproportionate deterrence of foreign acquirer activities as compared to domestic acquirer activities due to the inherent differences in risk tolerance exhibited by foreign and domestic investors.

Third, the application of merger policy might disproportionately target the acquisitions undertaken by foreign investors as compared to the acquisitions undertaken by domestic investors. Vadlamannati (2012: 115) outlines how a substantial amount of political risk derives from the fact that governments often “buckle under lobbying pressure from local firms seeking preferential treatment vis-à-vis the foreign firms”. Antitrust agencies are ostensibly independent from political influence; yet, in very few instances are such institutions fully independent of politics. In fact, a number of scholars (e.g., Coate, Higgins, & McChesney, 1990; Faith, Leavens, & Tollison, 1982; Mehta, Srinivasan, & Zhao, 2020; Neven, Papandropoulos, & Seabright, 1998) consider antitrust outcomes to be – at least partially – subject to political pressure. Yet, foreign firms suffer from a liability of foreignness when attempting to influence national authorities, as they are simply less capable and legitimate as compared to domestic firms in terms of employing the political economic mechanisms that yield privileges via corporate political strategy (Boddewyn, 1988; Grosse, 2005; Hymer, 1976 [1960]; Kindleberger, 1969; Zaheer, 1995). Accordingly, antitrust authorities face political pressure to provide some leniency that favors domestic investors (Rodriguez & Menon, 2010). In line with these priors, the Chinese (Horton, 2016; Zhang & Zhang, 2010) and EC antitrust authorities (Aktas et al., 2007; Dinc & Erel, 2013) have been reported to protect indigenous firms by treating domestic acquisitions more leniently than foreign acquisitions. As a result, the policy risk involved with greater degrees of merger policy enforcement will lead to disproportionate deterrence of foreign acquirer as compared to domestic acquirer activities due to foreign acquirers receiving greater antitrust scrutiny.

Summarizing the above, merger policy risk likely involves a larger deterrence effect with respect to foreign acquirer activities as compared to domestic acquirer activities in local M&A markets due to the presence of three mechanisms. First, merger policy involves costs that acquiring firms must incur while navigating the merger review process, and foreign investors disproportionately experience these costs due to their inherent liabilities and information asymmetries. Second, foreign investors tend to be more risk averse as compared to domestic investors which in turn generates more cautious investment behavior. Third, antitrust agencies potentially scrutinize the acquisition activities undertaken by foreign investors more than the acquisition activities undertaken by domestic investors. These three mechanisms negatively impact foreign acquisitions of indigenous firms and deter future foreign investors who refrain from cross-border acquisitions due to the presence of these realities (Dinc & Erel, 2013). Based on the above reasoning, our first theoretical prior can be formulated as follows:

#### Great power war

Bussman 10 [Margit Bussman, Professor of International Relations, University of Greifswald. “Foreign direct investment and militarized international conflict.” March 2010. https://www.jstor.org/stable/25654551]

Abstract

Liberals claim that countries avoid conflict in order not to disrupt economically beneficial exchange. The statement that economic integration reduces the likelihood of conflict is largely based on the effects of trade. A similar rationale can be applied to economic interdependence in the form of international capital exchange. A state is expected to avoid political risk, especially severe forms such as militarized disputes, in order not to deter investors. This study tests, on the dyadic and monadic levels of analyses, whether the liberal peace proposition holds when economic integration is operationalized as foreign direct investment (FDI) stocks, inflows, and outflows. The results for the years 1980-2000 indicate that inflows and stock of foreign investment reduce the risk of an outbreak of a fatal dispute, regardless of whether they are tested in a single equation or a simultaneous equation model. Thus, reverse causality does not bias the pacifying effect of foreign investment inflows and stock. The results also support the underlying notion of the commercial peace that militarized conflicts inhibit foreign investment. The onset of a fatal conflict reduces FDI inflows, and, if tested in a two-stage instrumental variable approach, FDI stock, the most complete measure of economic integration through foreign investment. Accounting for endogeneity seems particularly important when analyzing the link between the onset of fatal disputes and the outflow of FDI.

Introduction

The notion that economically integrated states are less likely to be involved in militarized disputes attracts widespread attention in the peace research community. However, the focus is on one aspect of economic integration: trade of goods. Other forms of economic exchange do not receive the same consideration. This is a shortcoming, especially with regard to the growing nature of the exchange of international production. From 1980 to 2002, foreign direct investment (FDI) stock increased tenfold, with a particularly drastic rise in developing countries in the 1990s, when the growth of FDI stock exceeded the growth of world exports (UNCTAD, 1995, 2003). As with trade, foreign investment could be an important factor in promoting peace. States might avoid violent conflict in order not to deter foreign investors.

In turn, the presence or anticipation of armed conflicts plays a potentially crucial role in disrupting not just trade flows (Long, 2008) but also foreign investment. Location decisions of investors are driven not only by the economic policy of the host country but also by the political risk involved. There are several providers that offer political risk assessments to governments and private companies, such as the Economist Intelligent Unit or the Political Risk Services Group that account, among others, for international disputes as a risk factor in the political environment. The importance of war for foreign investment decisions is also reflected in various national investment guarantee programs that insure against political risk. For example, the US government, through the Overseas Private Investment Corporation, or the German government, through PwC Deutsche Revision, permit coverage against expropriation risk, currency inconvertibility risk, and war risk (Wells, 1998). War risk includes hostile actions taken by national or international forces, civil war, revolution, insurrection, or terrorism. By avoiding conflicts and ensuring political stability, host countries can thus create an environment that is favourable to FDI. This study tests whether the liberal peace proposition holds when economic interdependence is operationalized as foreign direct investment inflows, outflows, and stock.

The results indicate that FDI inflows and stock reduce the risk of an onset of a fatal dispute. Endogeneity does not seem to bias this finding. Instead, reverse causality might impede the analysis of the effect of conflict on FDI. The finding that the onset of a fatal conflict reduces FDI inflows, outflows, and stock is significantly supported only if we estimate the relationship in a two-stage model. The results underline the importance of properly accounting for endogeneity when testing the relationship of conflict and economic integration. The endogenous character seems especially crucial for the analysis of the link between outflowing capital and conflict.

Economic interdependence and international conflict

Classical liberal theory states that the existence and spread of free trade regimes reduce the likelihood of conflict. Economically interdependent states are reluctant to become involved in militarized disputes out of fear that conflict disrupts trade and foreign investment and thus induces costs on the opponents. Suspending trade and investment would decrease the income for many industries and reduce economic growth. By creating higher interdependence among countries, mutually beneficial trade encourages states to look for peaceful solutions to conflicts. It is not in a country's interest to go to war with a state with which its private economic agents maintain an extensive exchange of goods and capital (Russett & Oneal, 2001). Hence, the cost-benefit calculations keep states from getting involved in a militarized conflict out of fear of deterring foreign investment. Companies invest in a foreign country because they want to earn higher profits. Benefits depend largely on the size of the market and its potential for development (e.g. Schneider & Frey, 1985). An additional component in the cost-benefit calculations of enterprises is the assessment of economic and political risks. Militarized disputes are such a political risk that investors take into account. If the costs associated with this risk are higher than the expected benefits, corporations might decide against the investment, unless the country is affected by conflict to a small extent so that the risk for investors is minor or non-existent.

Recent theoretical developments qualify the cost-benefit calculations of trade and introduce information as an important component in the explanation of the pacifying aspect of economic interdependence. Through trade and other forms of economic interaction, states reveal information, and thus relations become more transparent and reduce uncertainty. Increased interdependence not only raises the costs of a conflict, but also improves the information about the estimated costs a conflict might impose on its opponents and how these costs are distributed (Reed, 2003). If informational asymmetry is an important cause of conflict, methods, other than war, that reduce uncertainty by sending costly signals can promote peace (Fearon, 1995). Globalization facilitates costly signaling by making communication credible and talk costly. It becomes more difficult for leaders to act politically without considering the economic costs. Thus, global markets act as a forum to signal resolve (Gartzke & Li, 2003; Gartzke, Li & Boehmer, 2001).

### 1NC – EU CP

#### The European Commission should

* adopt the principle of separating platforms from commerce for platforms in the private sector.
* prevent companies that violate the rule extraterritorially from accessing the EU market

#### The Brussels effect solves certainty and ensures spillover, but unilateralism is key to maintain influence

Bradford 12 [Anu, International Trade Law Professor @ Columbia Law School, Adam S. Chilton, Professor @ University of Chicago Law School, Katerina Linos, Professor @ University of California, Berkeley. Alex Weaver, Linklaters Law Prof. “The Brussels Effect” p. 44-45 https://scholarship.law.columbia.edu/cgi/viewcontent.cgi?article=1275&context=faculty\_scholarship]

The strictest antitrust laws prevail in situations where conflict exists among different regulators. If lenient antitrust jurisdiction A and stringent antitrust jurisdiction B investigate the same transaction, B's standard will prevail. A company seeking to merge that would be rejected by State B has two options: abandon the merger or abandon State B. If State B's market is relatively insignificant, the company might choose the latter. However, if State B's market is large, abandoning it is not often a realistic option.74 At the international level, the EU antitrust laws are, indeed, often the most stringent." The EU also consists of a consumer market that is too large and important to abandon. For this reason, the EU antitrust laws have often become the de facto global antitrust standards, to which the more permissive U.S. antitrust laws must yield.76 The reasons for the U.S.-EU difference in antitrust enforcement are manifold. At the most basic level, the EU antitrust authorities remain suspicious of the market's ability to deliver efficient outcomes and are therefore more inclined to intervene through a regulatory process." While the EU is more fearful of the harmful effects of nonintervention (so called "false negatives," anti-competitive practices that the EU fails to regulate), the U.S. authorities are often more mindful of the detrimental effects of inefficient intervention (so called "false positives," pro-competitive practices that the United States erroneously restricts)." Yet given the logic of unilateral regulatory globalization, it is the EU approach that determines the outcome. One of the most famous examples of the EU's global regulatory clout was its decision to prohibit the $42 billion proposed acquisition of Honeywell International by General Electric." When the EU blocked this transaction involving two U.S. companies, it was irrelevant that the U.S. antitrust authorities had previously cleared the transaction: the acquisition was banned worldwide because it was legally impossible to let the merger proceed in one market and prohibit it in another. In this sense, merger decisions are legally nondivisible.so The GE/Honeywell case is emblematic 20 107:1 (2012) The Brussels Effect of a difference in the antitrust regulatory approaches of the EU and the United States. The U.S. authorities considered the merger to be efficient and hence welfare enhancing. In contrast, the EU was concerned that any efficiencies that resulted from the transaction, including a short-term decrease in price, would later drive out competitors and result in a longterm increase in price." While GE/Honeywell is the most famous international antitrust enforcement conflict, it does not stand alone.82 The EU similarly threatened to block a merger between two U.S. companies, Boeing and McDonnell Douglas, even though the deal was already cleared by the U.S. authorities without conditions." In the end, the EU let the merger proceed subject to extensive commitments.84 These included abandoning Boeing's exclusive dealing contracts with various U.S. carriers." Similarly, the EU often gets to dictate the code of conduct for dominant companies worldwide. For example, the EU has imposed record-high fines and behavioral remedies against dominant U.S. companies, including Microsoft and Intel. 6 The global nature of antitrust remedies is not unusual. The EU has frequently extracted commitments that require parties to modify their behavior globally or restructure assets in foreign countries." However, the United States has similarly restructured deals where parties' productive assets are located offshore. Both the U.S. and EU agencies are vested with 21 NORTHWESTERN UNIVERSITY LAW REVIEW extraterritorial regulatory capacity." Both recognize their authority to apply laws to foreign companies as long as anticompetitive "effects" are felt on their markets. It is thus not the regulatory capacity as such but the EU's sustained preference to impose more frequent and more invasive remedies that has made it the world's de facto antitrust enforcer. In some respect, however, the EU Commission has an even greater regulatory capacity than its U.S. counterparts: the Commission is empowered to prohibit mergers and impose behavioral and structural remedies without first obtaining a court judgment." Administrative delegation does not reach this far in the United States, where the agencies need federal court endorsement to enjoin a merger.90

### 1NC – FTC DA

#### The FTC has shifted from tech mergers to gas consolidation---that solves energy concentration and hikes.

Botts ‘9/1/21 [Baker Botts is an international law firm of approximately 700 lawyers practicing throughout a network of 13 offices around the globe. Based on our experience and knowledge of our clients' industries, we are recognized as a leading firm in the technology, energy, and life sciences sectors. "FTC Chair Turns Antitrust Attention to Energy Industry." https://www.bakerbotts.com/thought-leadership/publications/2021/september/ftc-chair-turns-antitrust-attention-to-energy-industry]

For the energy sector, one silver lining of the increasingly aggressive rhetoric from antitrust regulators has been their singular focus on “big tech.” It seemed, for a time, that oil & gas had finally abdicated its long-held position as the industry most likely to be on the receiving end of heightened antitrust scrutiny. Any such hope evaporated last week, when Lina Khan, the new chair of the Federal Trade Commission, sent a letter to the White House, making clear that she has the energy industry squarely within her sights.

This renewed focus on the energy industry comes at an already sensitive time. If gas prices rise in the wake of Ida, there will be loud calls for an investigation, as was the case after Hurricanes Katrina and Rita in 2005. Similar to those storms, Ida amounted to a direct hit on the industry, barreling through the Gulf Coast and Louisiana, leaving more than 1 million without power. While it remains to be seen what will ultimately happen with fuel prices, there were already calls for an investigation after prices rose through the summer, even before the hurricane was on the horizon.

I. Ms. Khan’s Letter

The letter, sent on August 25, came in response to a request from Brian Deese, Director of the National Economic Council, for the FTC to investigate elevated gas prices. In his August 11 letter, Deese noted, “During this summer driving season, there have been divergences between oil prices and the cost of gasoline at the pump.” He asked the FTC to investigate. Khan’s response went far beyond Deese’s straightforward request, outlining a three-part enforcement plan, tightly focused on the energy industry.

First, Khan stated, she plans to “identify additional legal theories” to challenge retail fuel station mergers “where dominant players are buying up family-run businesses.” This remarkably specific initiative, possibly untethered to traditional concerns about customer impacts, could mean longer and less predictable reviews for deals involving the sale of independent gas stations.

Second, Khan indicated she would be “taking steps to deter unlawful mergers in the oil and gas industry.” While she again made clear that she is focused on retail fuel deals, she clearly left the door open for a broader industry focus. Specifically, Khan referred to a July decision to rescind a prior FTC policy that limited requirements for parties to any merger ultimately deemed unlawful to obtain prior approval from the agency for any future transactions. In her letter from last week, Khan stated: “we will impose ‘prior approval’ requirements to deter those who propose illegal mergers, including in retail gas markets.”

Finally, Khan wrote that she “will be asking our staff to investigate abuses in the franchise market.” She hypothesized that “large national chains” might be forcing their “franchisees to sell gasoline at higher prices, benefitting the chain at the expense of the franchisee’s convenience store operations.” Khan then signed off, stating, “I will continue to assess how the FTC can use its tools to police unlawful business practices in oil and gas markets.”

All of this adds up to a notably focused promise to create new hurdles for proposed transactions in the energy industry and to find new reasons to investigate a variety of conduct.

II. Pricing Investigations

Whether triggered by Hurricane Ida or by letters from concerned officials such as Mr. Deese, any FTC gas pricing investigation would bring significant discovery burdens for industry participants. The post-Katrina report, released in May 2006, explained: “Since August 2005, the Commission has expended substantial resources on this investigation, including the full-time commitment of a significant number of attorneys, economists, financial analysts, paralegals, research analysts, and other support personnel with specialized expertise in the petroleum industry.” Specifically, FTC staff conducted 65 interviews, issued 139 Civil Investigative Demands (similar to subpoenas), and 99 orders seeking profitability and tax expenditure information. Staff identified more than 105 retailers accused of price gouging.

Despite the deep dive, the Commission uncovered very little evidence of wrongdoing. While finding that seven refiners, two wholesalers, and 24 single-location retailers had higher average gasoline prices that were not substantially attributable to higher costs during the relevant period, the report ultimately concluded: “additional analysis…showed that other factors, such as regional or local market trends, appeared to explain the pricing of these firms in nearly all cases.”

This prior failure to find illegal conduct is unlikely to dissuade the current slate of enforcers from pursuing a similar investigation. Aggressive antitrust enforcement has rapidly become a central cause of the current administration. Biden’s antitrust appointees, including Khan, are clearly intent on implementing an elevated level of antitrust scrutiny.

#### The plan causes case cutting---it overburdens the agency.

Hoofnagle, et al, 19—Adjunct Professor of Information and Law, University of California, Berkeley (Chris, with Woodrow Hartzog, Professor of Law and Computer Science, Northeastern University, and Daniel J. Solove, John Marshall Harlan Research Professor of Law, George Washington University Law School, “The FTC can rise to the privacy challenge, but not without help from Congress,” <https://www.brookings.edu/blog/techtank/2019/08/08/the-ftc-can-rise-to-the-privacy-challenge-but-not-without-help-from-congress/>, dml)

Resources are the FTC’s greatest constraint. It is a small agency charged with a broad mission in competition and consumer protection. It carries out this mission with a budget of just over $300 million and a total staff of about 1,100, of whom no more than 50 are tasked with privacy. In comparison, the U.K.’s Information Commissioner’s Office (ICO) has over 700 employees and a £38 million budget for a mission focused entirely on privacy and data protection. In addition, for much of modern history, Congress has kept the FTC on a short leash. In 1980, Congress punished the agency for being too aggressive, causing it to shut down twice. Congress has held authorization over the agency’s head and used oversight power to scrutinize what members of Congress perceive as the expansive use of FTC legal authority, including its interpretation of privacy harm.

Given these constraints, FTC attorneys make pragmatic choices in their case selection. At any given time, line attorneys are investigating many companies and weighing decisions on where to target limited enforcement resources. The FTC can only bring actions against a small fraction of infringers, and it has chosen cases wisely to make loud statements to industry about how to protect privacy.

#### Extinction.

Koranyi ’16 [David; 2016; Chief Advisor of City Diplomacy for the Mayor of Budapest, former Director of the Atlantic Council's Eurasian Energy Futures Initiative; Atlantic Council Strategy Paper, “A US Strategy for Sustainable Energy Security,” <https://espas.secure.europarl.europa.eu/orbis/sites/default/files/generated/document/en/AC_SP_Energy.pdf>]

The United States should work toward a global energy system that is characterized by the reduction of excessive price volatility on global energy markets and the minimization of the impact of geopolitical upheavals. This requires the introduction of more competition, transparency, liquidity, better rules and regulations for energy trade, and the stabilization of global energy trading routes in concert with other key stakeholders. The liberalized global energy trade would be coupled with transparent and efficiently functioning global and regional markets. This necessitates energy market integration and interconnections in Europe, Asia, Africa, and Latin America alike to enhance regional synergies and create markets. This integration process should be supported by US experience and technical assistance.

It is of utmost importance to ensure that competition is not distorted, with special regard to cartelization in the regional and global gas markets. The United States should promote global principles for competition in the energy markets to reduce the risk of cartelization and price setting, cripple the disruptive ability of irresponsible players on the market, enhance security of supplies, and promote open and efficiently functioning markets.

Monitoring the implementation of global and regional climate agreements; promoting dialogue and cooperation between consumer and producer countries; introducing and enhancing dispute resolution mechanisms; increasing transparency and reducing volatility on the international energy markets; and devising international standards of physical and cyber energy infrastructure protection will be at the center of the US international energy governance agenda. Therefore, international institutions that serve US national interests need to be strengthened further with special regard to the International Energy Agency (IEA), the United Nations Sustainable Energy for All Initiative (SE4All,) the International Renewable Energy Agency (IRENA), and the Energy Charter Treaty. In particular, the IEA’s mandate, organization, and budget should be reinforced to allow the organization to conduct a global energy dialogue with all key stakeholders, and to play a robust role in facilitating the exchange of best practices in green technology deployment, energy efficiency, and other key issues in the context of the Paris Climate Agreement.

As the energy sector undergoes a fundamental transformation, new global actors emerge and play a decisive role in how to produce and consume energy and control the climate. The new ‘lateral energy regime’ vastly widens the circle of interested and invested actors and influencers.58 This new paradigm requires a fundamentally different approach to governance on all levels: local, national, and international. The United States should invest in the empowerment and inclusion of constructive new actors to co-govern the energy space, while depowering spoiler actors, such as terrorist organizations that target energy infrastructure. Designing a new model for public-private-people-partnerships (PPPP) is essential to managing the complex interplay between the traditional and new producers, transporters, and consumers of energy—municipal and regional governments and civil society actors.

Conclusion

The first of the Atlantic Council Strategy Paper Series, Dynamic Stability: US Strategy for a World in Transition, identified the protection of global commons by the United States as critically important for both material and moral reasons. It rightly argued that “it is important to include climate in the definition of global commons.”59 That paper defined ‘dynamic stability’ as the key conceptual framework to deal with a fast-changing ‘Westphalian-Plus’ world and argued for “harnessing change to preserve the liberal international order.”60

Harnessing change in the energy sector expeditiously is an existential issue for all humanity. Dynamic stability in the US energy sector would mean leveraging the unique natural bounty and technological prowess of the United States and using the very momentum created by the unconventional hydrocarbon revolution to gradually pivot away from fossil fuels. Leaving the current system unreformed and unmodernized will threaten the security and well-being of American citizens, hurt the US economy at home, and isolate the United States internationally. By compromising on market-friendly public policy measures and leveraging the low oil price environment, the United States can introduce the right incentives into the energy system to shepherd an accelerated energy transition into a more modern, low-carbon energy era that still relies heavily on natural gas—particularly during the transition—and nuclear power to provide baseload generation and counter seasonal intermittency.

### 1NC – Biz Con DA

#### Corporate optimism will drive self-sustaining recovery.

Van der Welle ’21 [Peter; July 7; Strategist within the Global Macro team, M.A. in Economics from Tilburg University; Robeco, “How capex holds the key to a self-sustaining economic recovery,” <https://www.robeco.com/latam/en/insights/2021/07/how-capex-holds-the-key-to-a-self-sustaining-economic-recovery.html>]

Title:

How capex holds the key to a self-sustaining economic recovery.

Capital expenditure to fix supply shortages and meet burgeoning demand is seen figuring strongly in the post-Covid recovery.

[Author and summary omitted].

Companies are expected to invest heavily in new equipment and capacity as they seek to meet the pent-up demand released from economic reopening.

“The world is emerging from the pandemic, and much of the focus has been on the release of huge pent-up demand for goods and services that have been inaccessible for much of the past year,” says Peter Van der Welle, strategist with Robeco’s multi-asset team.

“But there is a bigger issue regarding the ability of companies to supply these goods and services, due to the supply side constraints that have emerged through economic reopening. We believe this is powering a resurgence in capital expenditure by companies, and those which are investing in new equipment to meet greater demand will be the more sought after stocks.”

Capex intentions

Van der Welle says this trend can already be seen in the US Federal Reserve’s Capex Intentions Index, which shows that steep year-on-year increases in capital expenditures are planned.

“So, that's promising for a near-term rebound in the capex cycle,” he says. “The market has already picked up on that theme because you can see a clear outperformance of capex-intensive stocks compared to the broader market year to date.”

Fiscal dominance

Van der Welle says five elements support the multi-asset team’s view that capex will rise from here onwards. “The first is the overarching macroeconomic picture in that we are increasingly moving towards an environment of fiscal dominance and away from one that has been monetary-led via quantitative easing,” he says.

“Central banks have pursued very easy monetary policies, but they have hit the nominal lower bounds with regard to policy rates.”

“This is a hard constraint because real rates are difficult for central banks to push even lower than they are nowadays, given the strong consensus among both central bankers and market participants that inflation is transitory.”

Big spending plans

For stimulus, fiscal policy is better suited to address the negative supply shock that Covid-19 has posed. Fiscal dominance can be seen in the huge infrastructure spending planned in the US, with the USD 1.9 trillion American Rescue Plan already in motion, and the USD 2 trillion American Jobs Plan going through Congress. In Europe, the disbursement of the EUR 750 billion EU Recovery Fund is due to start later in July.

“An era of fiscal dominance is able to say goodbye to the secular stagnation thesis, which holds that the economy is suffering from under-investment,” says Van der Welle. “Under-investment due to insufficient demand, which was the biggest problem after the global financial crisis, has become less likely.”

“We saw very subdued consumption growth both in the US and elsewhere between 2009 and 2019. That story is reversing in the US. Households’ income has been supported by fiscal policy during the Covid-19 recession, while burgeoning consumer demand in the reopening phase could prove to be more sticky as employment prospects continue to improve in the medium term.”

Tobin’s Q looks good

A third reason to expect higher capex is driven by ‘Tobin’s Q’ – the market value of a company divided by its assets' replacement cost. If this ratio is above one, then corporates have an incentive to invest directly in the underlying assets rather than buying another company at market value to acquire the same assets.

The Tobin’s Q ratio is currently at 1.7 for the US. “So it's very expensive to do M&A, and it is wiser for corporates to invest in the underlying capital goods themselves,” Van der Welle says.

“We should therefore expect a gradual move away from M&A activity towards companies making direct investments in capital goods.”

Supply-side constraints

The fourth element is the severe supply-side constraints seen in the global economy, as capacity shut down during the pandemic.

“This is reflected in the ISM Prices Paid Index, which reached an all-time high in June in reflection of rampant shortages of raw materials and labor,” says Van der Welle.

“Clearly the issue today following the pandemic is not demand related, but supply related. This will also trigger more awareness to push the productivity frontier and incentivize capital expenditure.”

Less reliance on labor

The fifth element is the partial substitution from labor to capital in the US against the backdrop of lingering labor shortages.

“A decline in the labor force participation rate shows that people are not quickly returning to the labor force, as they have been disincentivized by the subsidies and pay checks they have gained from the stimulus plans, and/or structural changes in their work/life balance due to the pandemic,” says Van der Welle.

“When the cost of labor becomes more expensive, substituting labor with capital becomes more attractive for employers. Typically, the inflection point for capex intentions becoming positive is when unit labor costs rise by more than 2% year on year, which is the case today.”

Capex will lengthen the earnings cycle

Regarding earnings, there is a significant relationship between capex intentions and productivity, though the lag from intending to invest to actually getting a realized productivity gain is quite long – up to several years.

Higher capex that eventually brings higher productivity growth will sustain the earnings cycle, Van der Welle says. Higher productivity gives corporates more pricing power because they suppress unit labor costs, and that means profit margins can stay elevated for longer.

#### Changing the legal standards of antitrust spills over to crush otherwise surging growth.

Thierer ’21 [Adam; February 25; Senior Research Fellow with the Mercatus Center at George Mason University; The Hill, “Open-ended antitrust is an innovation killer,” <https://thehill.com/opinion/technology/540391-open-ended-antitrust-is-an-innovation-killer>]

Unfortunately, the calls for more bureaucracy and regulation emanating from all corners of the political world could have an unintended consequence: discouraging the sort of vibrant innovation and consumer choice that made America’s tech companies household names across the globe.

Sen. [Amy Klobuchar](https://thehill.com/people/amy-klobuchar) (D-Minn.) is leading one charge. Klobuchar, who chairs the Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights, [recently introduced](https://www.klobuchar.senate.gov/public/_cache/files/e/1/e171ac94-edaf-42bc-95ba-85c985a89200/375AF2AEA4F2AF97FB96DBC6A2A839F9.sil21191.pdf) the “Competition and Antitrust Law Enforcement Reform Act.” This sweeping measure seeks to expand the powers and budgets of antitrust regulators at the Federal Trade Commission and the Department of Justice. It also includes new filing requirements and potentially hefty civil fines.

The most important feature is the proposed change to the legal standard by which regulators approve business deals. It would allow the government to stop any deal that creates an “appreciable risk of materially lessening competition,” and it also defines exclusionary behavior as, “conduct that materially disadvantages one or more actual or potential competitors.”

These may sound like simple, semantic tweaks, but – much like some of the other policy ideas currently circulating – they would upend decades of settled law and create a sea change in U.S. antitrust enforcement. This change could undermine business dynamism, innovation and investment in ways that inhibit the global competitiveness of U.S. businesses.

Critics of merger and acquisition (M&A) activity by large tech firms include not only Sen. Klobuchar but also Republicans such as Sen. [Josh Hawley](https://thehill.com/people/joshua-josh-hawley) (R-Mo.). Hawley recent [offered an amendment](https://www.axios.com/josh-hawley-big-tech-merger-ban-1467081d-216c-45a2-9d09-9416dfbde330.html) to a budget bill that would preemptively prohibit mergers and acquisitions by dominant online firms. Klobuchar and Hawley believe that M&A skews the market in favor of today’s largest firms, entrenching their market power and discouraging innovation.

History teaches a different lesson. Consider DirecTV and Skype, both once considered innovative market leaders in their respective fields of satellite TV and internet telephony. Both firms stumbled, however, and they might not even be with us today without creative business deals. DirecTV has been partially or fully controlled by Hughes Electronics, News Corp., Liberty Media and now AT&T. Skype has swapped hands multiple times, moving from eBay, to a private investment firm and now to Microsoft.

These were complex deals, and some didn’t work, leading to divestitures. But each was a learning experience that illustrated how dynamic media and technology markets can be with firms constantly searching for value-added arrangements that serve their customers and shareholders. If we make this type of activity presumptively illegal, we’re imagining that government bureaucrats are better suited to make these calls than businesspeople and the consumers who choose whether or not to buy the product.

Worse yet, legal tests like those Klobuchar proposes – “conduct that materially disadvantages potential competitors” – are remarkably open-ended and could be easily abused. The system will be gamed by opponents of deals for business reasons. They will claim that their own failure to attract investors or customers must all be the fault of more creative rivals. That’s a recipe for cronyism and economic stagnation.

Those who worry about today’s largest tech giants becoming supposedly unassailable monopolies should consider how similar fears were expressed not so long ago about other tech titans, many of which we laugh about today. Just 14 years ago, headlines [proclaimed](https://www.technewsworld.com/story/55185.html) that “MySpace Is a Natural Monopoly,” and [asked](https://www.theguardian.com/technology/2007/feb/08/business.comment), “Will MySpace Ever Lose Its Monopoly?” We all know how that “monopoly” ceased to exist.

At the same time, pundits [insisted](https://www.marketwatch.com/story/apple-should-pull-the-plug-on-the-iphone) “Apple should pull the plug on the iPhone,” since “there is no likelihood that Apple can be successful in a business this competitive.” The smartphone market of that era was viewed as completely under the control of BlackBerry, Palm, Motorola and Nokia. A few years prior to that, critics lambasted the merger of AOL and TimeWarner as a new [corporate “Big Brother”](http://www.ojr.org/ojr/workplace/1017966109.php?__cf_chl_jschl_tk__=67a5f6a101935b8e3586ca48216d31ba6d4e03de-1612467283-0-AXvbGCtUx-p_N4T-8_2m8OHezQUhQ9kelg9-pVuD6IzKvFfXrllJujU9ERvjqjyIsAeCovUw9bfZqq75_NYasBM87SnQT_027hDJOhjXeowzK1QQH_7vcmr1tS4XgCGC_NNx6UGbAvVgcJNFhSkqkVKKeRJ-BjdDA7Vus-gwmr7wQXcS7KKfTtHyqxdRfureL9alpZHU2IJcbbdYaZpTjTrfcJHCKa8pIZcdiScjaRJmON9X1Ip20Vuv7tyDHbZSvcrn88WrY_9N_qBpKvZhQ4PAe90w5Fx5iHjjNIzoNMKSpToTFGLbPdqawgge9PVubSQbkS7xXDXxCBMA2Sh-Y_U) that would decimate digital diversity and online competition.

Today, we know these tales of the apocalypse ended up instead becoming case studies in the continuing power of “creative destruction.” New innovations and players emerged from many unexpected quarters, decimating whatever dreams of continued domination the old giants once had.

Today’s biggest players face similar pressures, and it’s better to let rivalry and innovation emerge organically, not through the wrecking ball of heavy-handed antitrust regulation.

#### Extinction---recovery caps numerous geopolitical crises.

Baird ’20 [Zoe; October 2020; C.E.O. and President of the Markle Foundation, Member of the Aspen Strategy Group and former Trustee at the Council on Foreign Relations, J.D. and A.B. from the University of California at Berkeley; Domestic and International (Dis)order: A Strategic Response, “Equitable Economic Recovery is a National Security Imperative,” Ch. 13]

A strong and inclusive economy is essential for American national security and global leadership. As the nation seeks to return from a historic economic crisis, the national security community should support an equitable recovery that helps every worker adapt to the seismic shifts underway in our economy.

Broadly shared economic prosperity is a bedrock of America’s economic and political strength—both domestically and in the international arena. A strong and equitable recovery from the economic crisis created by COVID-19 would be a powerful testament to the resilience of the American system and its ability to create prosperity at a time of seismic change and persistent global crisis. Such a recovery could attack the profound economic inequities that have developed over the past several decades. Without bold action to help all workers access good jobs as the economy returns, the United States risks undermining the legitimacy of its institutions and its international standing. The outcome will be a key determinant of America’s national security for years to come.

An equitable recovery requires a national commitment to help all workers obtain good jobs—particularly the two-thirds of adults without a bachelor’s degree and people of color who have been most affected by the crisis and were denied opportunity before it. As the nation engages in a historic debate about how to accelerate economic recovery, ambitious public investment is necessary to put Americans back to work with dignity and opportunity. We need an intentional effort to make sure that the jobs that come back are good jobs with decent wages, benefits, and mobility and to empower workers to access these opportunities in a profoundly changed labor market.

To achieve these goals, American policy makers need to establish job growth strategies that address urgent public needs through major programs in green energy, infrastructure, and health. Alongside these job growth strategies, we need to recognize and develop the talents of workers by creating an adult learning system that meets workers’ needs and develops skills for the digital economy. The national security community must lend its support to this cause. And as it does so, it can bring home the lessons from the advances made in these areas in other countries, particularly our European allies, and consider this a realm of international cooperation and international engagement.

Shared Economic Prosperity Is a National Security Asset

A strong economy is essential to America’s security and diplomatic strategy. Economic strength increases our influence on the global stage, expands markets, and funds a strong and agile military and national defense. Yet it is not enough for America’s economy to be strong for some—prosperity must be broadly shared. Widespread belief in the ability of the American economic system to create economic security and mobility for all—the American Dream— creates credibility and legitimacy for America’s values, governance, and alliances around the world.

After World War II, the United States grew the middle class to historic size and strength. This achievement made America the model of the free world—setting the stage for decades of American political and economic leadership. Domestically, broad participation in the economy is core to the legitimacy of our democracy and the strength of our political institutions. A belief that the economic system works for millions is an important part of creating trust in a democratic government’s ability to meet the needs of the people.

The COVID-19 Crisis Puts Millions of American Workers at Risk

For the last several decades, the American Dream has been on the wane. Opportunity has been increasingly concentrated in the hands of a small share of workers able to access the knowledge economy. Too many Americans, particularly those without four-year degrees, experienced stagnant wages, less stability, and fewer opportunities for advancement.

Since COVID-19 hit, millions have lost their jobs or income and are struggling to meet their basic needs—including food, housing, and medical care.1 The crisis has impacted sectors like hospitality, leisure, and retail, which employ a large share of America’s most economically vulnerable workers, resulting in alarming disparities in unemployment rates along education and racial lines. In August, the unemployment rate for those with a high school degree or less was more than double the rate for those with a bachelor’s degree.2 Black and Hispanic Americans are experiencing disproportionately high unemployment, with the gulf widening as the crisis continues.3

The experience of the Great Recession shows that without intentional effort to drive an inclusive recovery, inequality may get worse: while workers with a high school education or less experienced the majority of job losses, nearly all new jobs went to workers with postsecondary education. Inequalities across racial lines also increased as workers of color worked in the hardest-hit sectors and were slower to recover earnings and income than White workers.4

The Case for an Inclusive Recovery

A recovery that promotes broad economic participation, renewed opportunity, and equity will strengthen American moral and political authority around the world. It will send a strong message about the strength and resilience of democratic government and the American people’s ability to adapt to a changing global economic landscape. An inclusive recovery will reaffirm American leadership as core to the success of our most critical international alliances, which are rooted in the notion of shared destiny and interdependence. For example, NATO, which has been a cornerstone of U.S. foreign policy and a force of global stability for decades, has suffered from American disengagement in recent years. A strong American recovery—coupled with a renewed openness to international collaboration—is core to NATO’s ability to solve shared geopolitical and security challenges. A renewed partnership with our European allies from a position of economic strength will enable us to address global crises such as climate change, global pandemics, and refugees. Together, the United States and Europe can pursue a commitment to investing in workers for shared economic competitiveness, innovation, and long-term prosperity.

The U.S. has unique advantages that give it the tools to emerge from the crisis with tremendous economic strength— including an entrepreneurial spirit and the technological and scientific infrastructure to lead global efforts in developing industries like green energy and biosciences that will shape the international economy for decades to come.

## Dynamism

### 1NC—FTC Bad

#### Turn – Backlash –

#### Industry persuades Congressional circumvention – durable fiat doesn’t solve

Darren Bush Fall, 2016 [Leonard B. Rosenberg College Professor of Law, University of Houston Law Center “Out Of The DOJ Ashes Rises The FTC Phoenix: How To Enhance Antitrust Enforcement By Eliminating An Antitrust Enforcement Agency” Willamette Law Review, 53, 33. <https://advance-lexis-com.libproxy.berkeley.edu/api/document?collection=analytical-materials&id=urn:contentItem:5NSX-DKH0-00CV-B14S-00000-00&context=1516831>]

The largest threats to the FTC come from outside its walls. While courts have not significantly limited the authority of the FTC, particularly with respect to investigations, they do serve as a limitation on the ultimate ability of the FTC to successfully adjudicate matters that result from an investigation. To successfully swing the pendulum back in favor of court deference to FTC outcomes, the agency must be fully unchained. The following subsections describe both appropriate and inappropriate chaining of the FTC.

Constitutionally, Congress is an appropriate constraint upon agency power. It was an act of Congress that gave the agency life, and certainly that power could be used to terminate an agency acting beyond the will of Congress. Within that delegation of authority from Congress is the ability of the agency to use the twin weapons of rulemaking and adjudication, backed with its expertise. However, such appropriate Congressional oversight can be misused to constrain an agency, particularly when a large and power corporation or industry perceives itself as being unfairly under FTC scrutiny.

First, aggrieved industries or corporations could seek express immunity for the antitrust laws. Numerous industries already enjoy immunity from section 5 of the FTC Act, including "banks, savings and loan institutions … federal credit unions … common carriers subject to the Acts to regulate commerce, air carriers and foreign air carriers subject to the Federal Aviation Act of 1958, and persons, partnerships, or corporations insofar as they are subject to the Packers and Stockyards Act … ." 70 More broadly, statutory immunity from the antitrust laws is all too common. Congress has enacted at least twenty-nine statutory immunities that completely immunize industries or conduct from the antitrust laws, or at least limit the scope of antitrust within those realms. 71

[\*54] The FTC itself has been the impetus of several of these statutory immunities. For example, Congress passed the Soft Drink Interbrand Competition Act in reaction to the FTC's strong position against non-price vertical restraints. 72 The FTC had challenged the industry's distribution system following a controversial Supreme Court decision in United States v. Arnold, Schwinn & Co. 73 Soft drink bottlers lobbied for and won immunity designed to protect local bottlers from the vertical integration of syrup manufacturers. 74

Alternatively, Congress may create a modified standard with respect to a particular type of conduct, as it did with the Standards Development Organization Advancement Act. 75 The SDOAA requires that the rule of reason analysis to standard setting bodies and limits the ability of private plaintiffs to obtain attorneys' fees. Registered standard development organizations are also protected from treble damages. This legislation too is a response to FTC antitrust enforcement. The FTC had investigated Dell's, 76 Rambus's, 77 and Unocal's 78 participation and conduct within particular standard-setting organizations. While members of the standard-setting body still face liability, there is somewhat of a shield effect arising from the standard development organization's immunity. This threat is particularly poignant when a single party controls both Houses of Congress, or when there is a veto-proof majority. On the bright side, this type of immunity applies equally to both the FTC and the DOJ, so in theory it is immaterial whether or not there is a single antitrust enforcement agency or two. The result would be the same: the antitrust laws would be limited in those instances.

Beyond outright barring investigation and enforcement of the antitrust laws in a particular industry, Congress can severely hamstring the agency. For example, rather than passage of an unpopular statutory immunity, it might be easier for Congress to curtail directly the FTC's authority to enforce or even investigate anticompetitive conduct within an industry by directly barring FTC authority within its organic statute. Congress has done so numerous times. For example, Congress limited the FTC's power to engage in rulemaking for the purpose of consumer protection when it passed the Federal Trade Commission Improvements Act of 1980. 79 This limitation arose from industry backlash after the FTC engaged in rulemaking concerning children's advertising. 80 The amendments also make the FTC an adversary in its own rulemaking proceedings by importing adjudicatory norms. For example, the provisions call for a presiding officer with independence from staff influence, protected by ex parte communications. 81 The 1980 amendments thus severely impede the agency to engage in any effective rulemaking.

Another method Congress has employed to curtail the FTC's authority is to evaluate the anticompetitive effects of particular conduct. In 1994, Congress sought to confine the Agency's interpretation of unfair methods of competition by requiring what is essentially a rule of reason plus criteria. In particular, the amendment bars the FTC from declaring unlawful any act or practice the FTC determines to be unfair, unless the "the act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition." 82 It is equally plausible for Congress to deploy other requirements into the Agency's calculus of unfair methods of competition.

Even if an industry or company is unable to convince Congress that it should receive a coveted immunity, Congress still has other means at its disposal to "check" the FTC. In particularly, public posturing by companies and Congressional allies might be sufficient to heel the FTC.

Nor is Congress immune from attempting to influence agency decisions. Often times Congress holds hearings regarding particular agency investigations and actions. As a recent example, take the [\*56] DOJ's one hundred eighty degree reversal in U.S. v. American Airlines. The DOJ had originally challenged the merger of American Airlines. The complaint alleged in sweeping terms harm to nonstop competition, competition in connect markets, and competition across networks. Then, just as quickly, the bold complaint was no more, as the DOJ and the parties settled. According to a ProPublica piece, 83 a full-on blitz was in play to convince the DOJ to change its mind. While internal deliberations within the DOJ are barred from sunlight, there was a stark "before and after" picture of the effects of such a lobby.

It could be argued that the FTC would be more immune from such a lobbying campaign due to its independence from the Executive Branch, but that does not preclude intervention by Congress. As a former Chair of the FTC has pointed out, "Congress intended the FTC to be largely independent from the Executive Branch in its day-to-day operations, despite the provision authorizing the President to direct the agency to undertake specific investigations. But Congress intended far less independence from itself." 84

As an example, when the DOJ and the FTC agreed to a different clearance process between the agencies in 2002, Congress balked. One of the first threats Congress made was reducing agency funding, 85 apart from calling for the hide of Chairman Tim Muris. It was not the first time Congress (or a member of Congress) had threatened an antitrust enforcement agency via the budget. The DOJ received backlash as a result of its antitrust challenge against Microsoft. Because of this antitrust challenge, Microsoft started to engage in political activity, making campaign contributions to both parties and targeting state Attorneys General who had joined the suit. When the DOJ brought its antitrust challenge against Microsoft in a series of cases, 86 it received backlash once Microsoft awoke from its [\*57] slumber and started to engage in political activity, 87 making campaign contributions to both parties 88 as well as targeting state Attorneys General who had joined the suit. 89

#### Courts roll it back

Darren Bush Fall, 2016 [Leonard B. Rosenberg College Professor of Law, University of Houston Law Center “Out Of The DOJ Ashes Rises The FTC Phoenix: How To Enhance Antitrust Enforcement By Eliminating An Antitrust Enforcement Agency” Willamette Law Review, 53, 33. <https://advance-lexis-com.libproxy.berkeley.edu/api/document?collection=analytical-materials&id=urn:contentItem:5NSX-DKH0-00CV-B14S-00000-00&context=1516831>]

The FTC receives almost no deference with respect to cases it brings under the "unfair methods of competition" prong of the Federal Trade Commission Act. In contrast, the FTC usually receives Chevron deference 57 when it acts under the "unfair or deceptive trade [\*48] acts or practices" prong of section 5 of the FTC Act. Theories abound as to why this is so.

The most obvious theory is that the dual enforcement scheme clouds the ability of the courts to offer the FTC any deference. Unlike with the FTC's "unfair methods of competition" actions, the courts do not face a non-agency duplicate that appears in the bulk of cases before the courts regarding "unfair or deceptive trade acts or practices." 58 The FTC and DOJ both enforce the Clayton Act, and while the Sherman Act is exclusively within the confines of the DOJ, the FTC cases, to the courts, are parallel actions. 59 With an "ugly stepsister" in the midst, it is difficult for the FTC to make a claim of deference successfully. 60

One way around this issue would be for the FTC to engage in rulemaking. 61 However, there are serious risks to rulemaking, as will be discussed later. Moreover, such an action would cause the FTC to run squarely into a second theory of why it is not afforded deference; namely, that it is engaged in the creation of a pseudo "common law" that is extracted away from Article III courts. 62 At the very least, it would be "high stakes rulemaking" that would likely trigger additional scrutiny from the courts. 63

[\*49] Suffice to say for the moment that it is unlikely that even a promulgated rule would survive in courts that typically view the antitrust laws as strongly within their own domain. 64 A second way to eliminate the issue is to place the antitrust laws in the exclusive jurisdiction of the FTC. This may eliminate the redundancy, but, unfortunately, undermines the will of Congress to have multiple antitrust enforcers to serve as checks against the courts and the DOJ. The proposal discussed later seeks a middle position by establishing the FTC as the sole federal enforcement agency, excluding criminal enforcement.

### 1NC – AT: Slow Growth

#### It’s inevitable AND has no impact.

Dietrich Vollrath 20, Professor of economics at the University of Houston, "Slow economic growth is a sign of success," USAPP, 02/22/2020, https://blogs.lse.ac.uk/usappblog/2020/02/22/slow-economic-growth-is-a-sign-of-success/.

We’re accustomed to looking at the growth rate of GDP to evaluate the health of our economy. Which is why the recent slowdown in growth appears so troubling. In the US, GDP growth for 2019 was 2.3%, meaning it has been nineteen years since growth hit 4%, and nearly as long since it touched 3%. For the UK the story is similar, as it has been fifteen years since growth hit 3%. In the Eurozone as a whole, growth last came close to 4% in 2000. These slowdowns across developed economies predates the financial crisis, and leads to natural questions: what went wrong with the economy, and how do we fix it?

But the slowdown we’re observing isn’t something we can fix – or that we would want to fix – because the slowdown was never a consequence of things that went wrong. Instead, as I show my new book, the slowdown is a consequence of things that went right.

From a simple accounting perspective, there are two main factors behind slower growth: the fall in fertility during the 20th century, and the shift of our expenditures away from goods and towards services. And both of those explanations can be traced back to economic success.

The fall in fertility had a significant impact on economic growth for decades, particularly in the US. The baby boom generated a one-time wave of human capital that hit the economy during the middle of the 20th century. As those new workers hit the workforce, the proportion of workers to population rose substantially, as evidenced by the fall in the youth dependency ratio between 1960 and 1980 (see Figure 1). Combined with the relatively high educational attainment of the baby boomers compared to prior generations, this provided a substantial boost to the growth rate, increasing it around 1.25 percentage points in 1990 compared to immediately after World War II.

As that wave of human capital receded, so did the growth rate. Starting in the early 2000s, the old age dependency ratio started to rise (see Figure 1) the inevitable consequence of the drop in youth dependency back in the 1960s and 1970s. As workers aged out of the workforce – and continue to do so – this dragged down the growth rate of the aggregate economy. That 1.25 percentage point boost during the 20th century disappeared in the 21st, explaining most of the slowdown in the US.

But why should we see these demographic shifts as a success? The drop in fertility after the baby boom which explains the shifts was driven by several successes. Expanded access to college education pushed back the age at which people were willing to marry. The opening up of many professions to women, along with growth in overall wages, meant that it made sense for many women to delay marriage. Finally, advances in contraceptive technology meant it was possible for women to take advantage of the new educational and professional opportunities that arose. The growth slowdown today is a consequence of family decisions made decades ago in response to rising living standards and the expansion of women’s rights.

The second source of the slowdown, the shift from goods towards services, was also driven by success. In the past one hundred years we became incredibly efficient at producing goods like clothes, food, furniture, and computers. The consequence was a steady reduction in the price of those goods relative to services. We could have used that reduction to buy even more goods than we did, but instead we took advantage of the savings to purchase more services like education, healthcare, and travel. Therefore the composition of our expenditures shifted away from goods and towards services (see Figure 2). We still consume more goods than before; it is just that they got so cheap that their share of our total expenditure fell relative to services.

This had a consequence for overall economic growth, however. Productivity growth in services is lower than for goods. That wasn’t a failure of services in the last few years. It appears to be an inherent quality noted by economist William Baumol in the 1960s. If a restaurant — a service — tried to operate with half their normal staff, you’d complain about the slow service and lack of attention. In comparison, if a manufacturer produced a laptop – a good – with half as much labour, you’d never know. This makes productivity growth harder for services than for goods. As we shifted expenditures towards services, aggregate productivity growth was thus bound to fall. Between the middle of the 20th century and today, that probably shaved another 0.2 to 0.25 percentage points off of the growth rate. But note that this only happened because of the productivity growth we experienced in the first place, a success.

Relative to the successes in the demographic shifts and spending shifts, the usual suspects are not capable of explaining the growth slowdown. Tax rates fell right as the slowdown started, and evidence from across states and industries shows that, if anything, more regulation was associated with faster growth, not slower. Trade with China exploded in the last twenty years, but evidence suggests that this had little effect on growth for the economy as a whole, even though individual regions and industries saw booms or busts. Economy-wide measures of the mark-up of price over cost rose, but it turns out that this didn’t lower growth. The shift of activity to high mark-up industries kept economic growth rates from falling even further than they did, as it meant we produced more valuable products.

If you’re still uncertain that the growth slowdown is a consequence of success, ask yourself what you’d give up to bring growth back to 4%. We could destroy half of all our goods: cars, couches, TVs, laptops, houses, trampolines, and so on. That would lead to a massive shift of spending towards goods as we scrambled to replace everything, and we’d see a jump in productivity growth. Alternatively, we could roll back contraceptive rights and women’s participation in the workforce in the hopes of starting a new baby boom. Wait twenty years and we’d have another surge of human capital into the economy. Would either of those be worth it just to see growth hit 4% again, perhaps not until 2040? Assuming the answer is “no”, that tells us the growth slowdown happened because of things that went right, things we would not sacrifice.

### 1NC—AT: Digital Authoritarianism

#### China rise is peaceful

Shifrinson 19 [Joshua Shifrinson is an Assistant Professor of International Relations with the Pardee School of Global Affairs at Boston University. Should the United States Fear China’s Rise? Winter 2019. www.bu.edu/pardeeschool/files/2019/01/Winter-2019\_Shifrinson\_0.pdf]

In short, limited predation—not an overt and outright push to overtake and challenge the United States—is the name of China’s current and highly rational game. As significantly, it appears Chinese leaders are aware of the structural logic of the situation. Despite ongoing debate over the extent to which China has departed from its long-standing “hide strength, bide time” strategy first formulated by Deng Xiaoping in favor a more assertive course seeking to increase Chinese influence in world affairs, Chinese leaders and China watchers have been at pains to point out that Chinese strategy still seeks to avoid provoking conflict with the United States.49 As one analyst notes, China’s decision to carve out a more prominent role for itself in world politics has been coupled with an effort to reassure and engage the United States so as to avoid unneeded competition while facilitating stability.50 Chinese leaders echo these themes, with one senior official noting in 2014 that Chinese policy focused on “properly addressing] conflicts and differences through dialogue and cooperation instead of confrontational approaches.”51 Xi Jinping himself has underlined these currents, arguing even before taking office that U.S.-Chinese relations should be premised on “preventing conflict and confrontation,” and more recently vowing that “China will promote coordination and cooperation with other major countries.”52 Ultimately, as one scholar observes, there is “hardly evidence that [... China has] begun to focus on hegemonic competition.”53 Put another way, China’s leaders appear aware of the risks of taking an overly confrontational stance toward a still-potent United States and have scoped Chinese ambitions accordingly.

## Systemic Risk

### 1NC—Solvency

#### Khan is about banks – they don’t solve it. Cal is blue

Khan ’19 [Lina; Chairperson @ Federal Trade Commission, JD @ Yale Law School; “The Separations of Platforms and Commerce,” *Columbia Law Review* 119(4), p. 973-1098; AS]

Preserving System Resiliency

Another justification that recurs is promoting the resiliency of systems. Because several of the entities subject to structural separations serve an “infrastructural” role—structuring access to markets or to an essential good or service—the public has a strong interest in maintaining their stability and shielding them from disruption.497 Crashes that cripple these infrastructural services can have an outsized effect on economic activity, and involvement in multiple lines of business can increase the likelihood of system crashes. For this reason, policymakers treated strict limits on entry and exit as one way to shield critical services from undue risk.498 Structural separations in banking and telephony, too, were partly justified on grounds of promoting system stability.499

Precisely because banking services constitute a critical good, ensuring the soundness and stability of banking is a central goal of banking policy. Lawmakers and regulators have argued that preventing banks from expanding into commercial activities may help insulate banks from the vagaries of other sectors.500 This line of argument is premised on the idea that exposing banks to manufacturing, physical trading, or other commercial activities “increases the vulnerability of the banking and payments systems, the federal deposit insurance fund, and thereby the broader economy.”501 A question frequently raised during the 2013 debates around banks’ expansion into physical commodity trading was: What would happen if Morgan Stanley repeated the BP oil spill? Would taxpayers be on the line for the $61.2 billion in damages? In this way, a structural separation helps eliminate the risk that instability or disruption in commercial markets could necessitate a financial bailout.502 To be sure, not all commercial activities are inherently more risky than financial activity—and, some might argue, expanding into these spheres may help banks diversify risk. That said, it is true that some commercial activities—like drilling oil or mining—pose particularly expensive risks to which federally insured depository institutions should not be exposed.503

Concerns about system stability and resiliency also informed the FCC’s Computer Inquiries. The carriers argued that, in order to promote efficiency, they should be permitted to use excess capacity for data processing.504 The Commission stated, first, that “the potential abuses inherent” in the system far outweighed any purported efficiencies,505 and, second, the carriers should have a “‘back-up’ system” that “should be designed to meet foreseeable breakdowns of equipment dedicated to public service” and “should be available instantly for that purpose without the conflicting claims of other users.”506 In other words, the FCC privileged redundancy over efficiency, recognizing that the former would serve the public by helping to ensure the stability of communications services and networks. Although expanding into data processing wouldn’t necessarily heighten the risk of a crash, keeping that capacity for backup would enable the system to absorb any shocks, helping promote resiliency.

### 1NC—AT: ILs

#### Systemic risk from cyber is wrong---infrastructure isn’t interconnected

Jeremy **Rabkin &** John **Yoo 17**. Rabkin is a Professor of Law at the Antonin Scalia Law School, George Mason University; Yoo is currently the Emanuel S. Heller Professor of Law at the University of California, Berkeley. 09/12/2017. “CHAPTER 6 Cyber Weapons.” Striking Power: How Cyber, Robots, and Space Weapons Change the Rules for War, Encounter Books.

Some writers, however, dwell on the fear that cyber attacks and retaliation could spark a spiral of uncontrolled escalation that unleashes mass destruction. The underlying thought seems to be that cyber attacks always risk harm to unintended targets because of their unforeseen consequences.40 The Stuxnet virus, for example, did not just cause Iranian nuclear centrifuges to crash, it also found its way into thousands of computers around the world. Hence, cyber weapons are likely to generate more harm than originally intended. The concern is exaggerated. The rhetoric used to describe cyber attacks may heighten the sense of the risk, such as when analysts speak of computers as “infected” with a “virus.” The biological metaphor is misleading. Humans have similar physical structures, which is not generally true of electronic control programs. A virus that interferes with respiration in one person is likely to restrict lung function for a great many others. But all computer systems do not possess the same “physiology” with slight variations. Systems are custom designed to do different things in different settings. A virus that successfully disrupts or redirects one network will not likely have the same effects against others. Researchers in Europe, analyzing software oddities circulating there, discovered the Stuxnet virus used to “infect” the Iranian nuclear program.41 But the virus seems to have done no serious harm to anything other than the Iranian nuclear program. Its engineers specifically designed Stuxnet to disrupt specific machines controlled by German computer software. Stuxnet’s sharp focus on the Iranian centrifuges rendered it harmless to other computer networks.

### 1NC—Grid Cyber D

#### No cyber impact.

Lewis ’20 [James Andrew; 8/17/20; senior vice president and director of the Strategic Technologies Program at the Center for Strategic and International Studies; "Dismissing Cyber Catastrophe," https://www.csis.org/analysis/dismissing-cyber-catastrophe]

More importantly, there are powerful strategic constraints on those who have the ability to launch catastrophe attacks. We have more than two decades of experience with the use of cyber techniques and operations for coercive and criminal purposes and have a clear understanding of motives, capabilities, and intentions. We can be guided by the methods of the Strategic Bombing Survey, which used interviews and observation (rather than hypotheses) to determine effect. These methods apply equally to cyberattacks. The conclusions we can draw from this are:

Nonstate actors and most states lack the capability to launch attacks that cause physical damage at any level, much less a catastrophe. There have been regular predictions every year for over a decade that nonstate actors will acquire these high-end cyber capabilities in two or three years in what has become a cycle of repetition. The monetary return is negligible, which dissuades the skilled cybercriminals (mostly Russian speaking) who might have the necessary skills. One mystery is why these groups have not been used as mercenaries, and this may reflect either a degree of control by the Russian state (if it has forbidden mercenary acts) or a degree of caution by criminals.

There is enough uncertainty among potential attackers about the United States’ ability to attribute that they are unwilling to risk massive retaliation in response to a catastrophic attack. (They are perfectly willing to take the risk of attribution for espionage and coercive cyber actions.)

No one has ever died from a cyberattack, and only a handful of these attacks have produced physical damage. A cyberattack is not a nuclear weapon, and it is intellectually lazy to equate them to nuclear weapons. Using a tactical nuclear weapon against an urban center would produce several hundred thousand casualties, while a strategic nuclear exchange would cause tens of millions of casualties and immense physical destruction. These are catastrophes that some hack cannot duplicate. The shadow of nuclear war distorts discussion of cyber warfare.

State use of cyber operations is consistent with their broad national strategies and interests. Their primary emphasis is on espionage and political coercion. The United States has opponents and is in conflict with them, but they have no interest in launching a catastrophic cyberattack since it would certainly produce an equally catastrophic retaliation. Their goal is to stay below the “use-of-force” threshold and undertake damaging cyber actions against the United States, not start a war.

This has implications for the discussion of inadvertent escalation, something that has also never occurred. The concern over escalation deserves a longer discussion, as there are both technological and strategic constraints that shape and limit risk in cyber operations, and the absence of inadvertent escalation suggests a high degree of control for cyber capabilities by advanced states. Attackers, particularly among the United States’ major opponents for whom cyber is just one of the tools for confrontation, seek to avoid actions that could trigger escalation.

The United States has two opponents (China and Russia) who are capable of damaging cyberattacks. Russia has demonstrated its attack skills on the Ukrainian power grid, but neither Russia nor China would be well served by a similar attack on the United States. Iran is improving and may reach the point where it could use cyberattacks to cause major damage, but it would only do so when it has decided to engage in a major armed conflict with the United States. Iran might attack targets outside the United States and its allies with less risk and continues to experiment with cyberattacks against Israeli critical infrastructure. North Korea has not yet developed this kind of capability.

### 1NC—Internet D

#### No internet collapse – self-correcting – its hype

Finnie 14 {Matthew, Chief Technology Officer for Interoute, degrees in electrical and electronic engineering, regular advisor to the European Commission on ICT research and innovation and a member of the CONNECT Advisory Forum, “Is the Internet Really Going to Collapse -- Again?,” Wired, 6/2, http://insights.wired.com/profiles/blogs/is-the-internet-really-going-to-collapse-again#axzz3EeAfWS5k# }

Every couple of months a major report is released that foretells the demise of the things we hold dear in the digital world. These are usually produced in an effort to shock people into reading the report and then promote the author’s solution to the problem. A recent example of this comes from storage behemoth EMC which cited that by 2019 the internet would collapse under the weight of content being relentlessly generated. The general theme of EMC’s report is that our desire to consume and share is ever present. In fact, the accepted assumption now is that if you’re an organisation, you want the content you create to spread globally. By doing that, combined with all you can eat storage offers from the likes of Dropbox and Microsoft, we are all heading for a technological apocalypse as our data centre infrastructure crumbles under the pressure of our storage needs. But actually, that’s just not the case. Technology has a knack of relentlessly improving its capacity to support our insatiable demand. Gordon Moore could be the father of the modern global economy when in 1965 he analysed the density with which you can put transistors onto a silicon wafer. The paper he wrote, called, ‘Cramming more components onto integrated circuits’, Electronics Magazine 19 April 1965, noted that the number of components in integrated circuits had doubled every year from the invention of the integrated circuit in 1958 until 1965. The paper concluded saying that that there was no reason this consistent ‘upgrade’ would ever stop. . What is striking is that the paper was right. The hard disk you bought 10 years ago cost the same, but the volume is 1000 times more. The networks we use are 100 times cheaper and bigger in both direction. The shift to cloud computing is as much about efficiently using silicon as convenience for the customer. Whether it’s to make financial trading faster, take photos with millions of pixels or watch TV on the train, we simply want to do everything everywhere all the time, faster. Technology simply looks at what’s hindering us and removes it. Making technology the ultimate convenience enabler. So will technology just keeping on improving, enabling us to keep up with demand? It might, but there’s a second powerful factor to consider, and that’s our fickle nature as human beings. Our love of convenience feeds our impatience. So if, a great social media site gets overly exploited by people trying to sell to you, or your inbox gets rammed full of promotions we simply switch off and move on to the new thing. Despite all the choice available to us in the big wide digital world, we end up selecting what works for us and leaving what doesn’t to fade away on the digital scrap heap. In essence, we are self correcting our consumption. So will the party carry on forever? Most likely, through a combination of technology-enabling convenience to keep up with demand and humans simply discarding what’s not needed.

### 1NC – I/D – Meltdowns

#### Nuclear plants are resilient

* New reactor technology is resilient
* NERC concluded shut downs for power plants are possible during a major EMP event

Conca 19 [James Conca, pHd, expert on energy, nuclear and dirty bombs, a planetary geologist, and a professional speaker, “Can Nuclear Power Plants Resist Attacks Of Electromagnetic Pulse (EMP)?”, 1/3/19, <https://www.forbes.com/sites/jamesconca/2019/01/03/can-nuclear-power-plants-resist-attacks-of-electromagnetic-pulse-emp/#689dec8270cb>]

Yes. Specifically, the small modular nuclear reactor company, NuScale, out of Oregon, has made their reactor resistant to electromagnetic pulses (EMP) and most other reactor designs should follow.

EMPs are one of those things that many people think is fake, or over-blown, or a conspiracy theorist’s dream. But they are real. EMPs can be either natural, from things like extreme solar geomagnetic disturbances, or man-made like a large thermonuclear detonation or a cyberattack. If they are coordinated with physical attacks then things can get real dicey real fast.

As the U.S. Commission to Assess the Threat to the United States from EMP Attack points out, “the physical and social fabric of the United States is sustained by a system of systems - a complex and dynamic network of interlocking and interdependent infrastructures whose harmonious functioning enables the myriad actions, transactions, and information flow that undergird the orderly conduct of civil society.”

According to the Commission, EMP effects represent arguably the largest-scale common-cause failure events that could affect our electric power grid and undermine our society, leaving it vulnerable on many fronts. High-voltage control cables and large transformers that control the grid are particularly vulnerable. Transformers weigh 400 tons, take two years to build, and cost $7 million apiece. We are already way behind in having backup transformers ready, so if many go out at once, we have a big problem powering our country.

So can we do anything about it?

The phenomenon of a large electromagnetic pulse is not new. The first human-caused EMP occurred in 1962 when the 1.4 megaton Starfish Prime thermonuclear weapon detonated 400 km above the Pacific Ocean.

One hundred times bigger than what we dropped on Hiroshima, Starfish Prime resulted in an EMP which caused electrical damage nearly 900 miles away in Hawaii. It knocked out about 300 streetlights, set off numerous burglar alarms, and damaged a telephone company microwave link that shut down telephone calls from Kauai to the other Hawaiian islands.

And that was from 900 miles away.

On the natural side, in 1989, an unexpected geomagnetic storm triggered an event on the Hydro-Québec power system that resulted in its complete collapse within 92 seconds, leaving six million customers without power. The storm resulted from the Sun ejecting a trillion-cubic-mile plume of superheated plasma, or ionized gas.

It took two days for this cloud to smash into the Earth’s magnetosphere overwhelming its normal ability to throw off charged cosmic particles, triggering hundreds of incidents across the globe and causing undulating, multicolored auroras to spread as far south as Texas and Cuba.

Such storms occur every 60 years or so, and in 1989, we weren't anywhere near as electrified and electronically interconnected as we are today, or as we will be in 30 years.

This is the most likely EMP to occur.

A new 2018 study by the U.S. Air Force Electromagnetic Defense Task Force addresses direct EMP threats to the United States and its allies. While some issues have existed for decades, the window of opportunity to mitigate some of these threats is closing. Meanwhile, many existing threats have gained prominence because of the almost universal integration of vulnerable silica-based technologies into all aspects of modern technology and society.

In 2008, the Commission to Assess the Threat to the United States from Electromagnetic Pulse Attack made a compelling case for protecting critical infrastructures against EMP and solar geomagnetic disturbances. To avert long term outages, the U.S. must assure the availability of survivable power sources with long-term, readily accessible and continuous fuel supplies to blackstart the grid, sustain emergency life-support services, and reconstitute local, state, and national infrastructures. Long term outages are defined as the interruption of electricity for months to years over large geographic regions.

An eye-level point-of-view rendering from inside the NuScale plant visitor’s center looking toward the plant facilities. The plant design guards against EMPs, meltdowns and cyberattacks, and can provide energy continuously through any disaster.NUSCALE

The Nuclear Regulatory Commission tracks this issue closely, and has been examining these issues for more than 30 years, starting in the late 1970s when the agency studied how EMP could affect nuclear power plant safe-shutdown systems. The agency concluded as recently as two years ago that nuclear power plants can safely shut down following an EMP event. NRC drafted a rule last year on maintaining key plant safety functions after a severe event, particularly on how to keep spent fuel pools cool.

## Dependency Trap

### 1NC—AT: LIO

#### Flaherty’s a critique of globalization—it’s inevitable and breaking up big tech won’t end or reverse it. Only one line mentions “superstar firms”, but those are not just big tech—walmart’s an alt cause. Cal’s blue!

Flaherty ’21 [Thomas; PhD Candidate and NSF Graduate Fellow @ University of California – San Diego; and Ronald Rogowski; Distinguished Professor of Political Science @ University of California – Los Angeles, Weatherhead Scholar @ Harvard University; “Rising Inequality as a Threat to the Liberal International Order,” *International Organization* 75(2), p. 495-523; AS]

Presiding over the November 2016 meeting of the International Political Economy Society, which followed that year’s US presidential election by only three days, David Lake began by saying, “To our theories, this result unfortunately comes as no surprise.” And indeed the field at large has believed that the growing “populist”1 backlash against the Liberal International Order (LIO)—not just the Trump victory but Brexit, the election of illiberal governments in Hungary, Poland, Turkey, the Philippines, and Brazil (to name only a few), and growing support for anti-immigrant and illiberal parties and candidates in many other democracies—has followed almost inevitably from the very changes the LIO has wrought, including of course increased trade and migration but also one major concomitant, rising economic inequality within states. According to our traditional economic theories,2 advanced and even middle-income countries are abundantly endowed with human capital, and poorly endowed with low-skill labor. And it is a rudimentary implication of international economics that, in those countries, expanded trade—or, even more, immigration of low-skill workers—will benefit the highly skilled and harm the less educated. Inequality will rise, and—perhaps the most prescient conclusion of the traditional analysis—partisanship will correlate increasingly with possession of human capital: opposition to the LIO will be strongest among the least educated and will decrease monotonically with more years of schooling.

The evidence, which we survey briefly, admits of no doubt that in almost all of the wealthier (and not a few semiwealthy) countries, inequality has risen, often quite sharply; returns on education3 have risen markedly; and education, even more than occupational status, has emerged as one of the most important predictors of electoral support for antiglobalization parties. What our theories however did not anticipate, and so far cannot explain, may well prove to have been even more important:

1. Not all who are well endowed in human capital, but chiefly a very thin upper layer—the top 1 percent, or even 0.1 percent—have harvested most of the gains from globalization.

2. The antiglobalization movements we observe • adopt a populist rhetoric that often excoriates not just globalization or immigration but also allegedly nefarious elites, who conspire, both domestically and across borders, to enrich each other at the expense of their fellow citizens;4 • benefit chiefly parties of the radical Right; and • have in important cases attracted non-negligible support among university-educated segments of the electorate, albeit far less than among the less skilled.5

We suggest that the extreme inequality and the anomalies are related, and that some insights from recent work in international economics may help explain them. Three advances in trade theory predict extreme inequality. “New new” trade theory (NNTT), with its emphasis on superstar firms, offers a natural framework. So too does an “enriched” neo-H-O-S-S (Heckscher-Ohlin-Stolper-Samuelson) perspective that explores how superstar workers arise in the context of heterogeneous talent.6 Finally, economic geography, explored thoroughly by Broz, Frieden, and Weymouth in this issue, shows how globalization gives rise to superstar cities.7 These three trade theories predict top-heavy inequality primarily by allowing for unit heterogeneity—an assumption that the actors our traditional theories treated as identical actually differ in important ways. Firms within sectors differ in productivity, workers within a factor class differ in innate talents, and regions within countries differ in agglomeration economies.

None of this suggests, of course, that rising inequality is the only, or even necessarily the most important, cause of the growing popular backlash against the LIO. Skill-biased technological innovation and resistance to cultural change also matter, as we discuss more fully later. We do find, however, at least from a cursory analysis of European elections, that backlash against shocks from immigration and imports is conditional on high inequality, disappearing where inequality is low; and we suspect that rising “top-heavy” inequality is related to a particularly prominent strain, within the antiglobalization movements, of anti-elite and anti-expert sentiment.

We go on to suggest why rising inequality matters, not only as a source of opposition to the LIO but as an impediment to economic growth and an exacerbant of domestic polarization and international conflict.

We assess the implications of top-heavy inequality for the LIO. What remedies have been proposed? And if they lack sufficient political support, what sources of resilience can sustain the LIO under top-heavy inequality? Relatedly, we return to the question of why antiglobalization sentiment has benefited the political Right more than the Left. Finally, we chart a course for future research on models of top-heavy inequality, and discuss how they illuminate “blind spots” in the literature on international political economy.

First, however, we survey briefly the extent of growing economic inequality in advanced economies and its seeming relation, chiefly through a human-capital channel, to antiglobalization and anti-elite attitudes and voting.

Convergence Across Countries, Divergence Within Them

The triumph of the LIO in the 1980s and 1990s—the collapse of Communism, the dismantling of trade barriers, the strengthening of institutions of international governance—coupled with, and facilitated by, breakthrough innovations in transport, communication, and finance, affected economic inequality in two ways that standard factor-endowment theories predicted: inequality declined significantly between countries, thus beginning to erode three centuries of the Great Divergence between rich and poor nations; but inequality within countries, especially among the advanced economies, increased almost as sharply.

• Between countries. As late as 1990, the richest 10 percent of the world’s population earned on average over ninety times what the poorest decile received; only twenty years later, that ratio had fallen to sixty-five times,8 or only slightly more than the within-country ratio of Brazil, where in 2008 the average income of the richest decile was about fifty times that of the poorest.9

• Within countries. Beginning even earlier, inequality of incomes, whether measured as the Gini index or the share of total income accruing to the top decile, has risen in virtually all of the advanced economies,10 and indeed in many of the middle-income ones.11 Bourguignon notes that the collapse of the Soviet empire and the opening of China, India, and Latin America injected roughly “a billion workers, for the most part unskilled, into international competition.”12 That will have drastically lowered the global capital-labor ratio and hence further raised returns on human and physical capital, while reducing those on low-skill labor, in virtually all but the poorest, most labor-abundant countries. In short, across much of the globe, the enormous overall gains from trade have benefited the highly skilled, the inventive entrepreneurs, and the owners of capital; the incomes of the less skilled and the capital-poor have risen more slowly, stagnated, or actually declined—exactly the development whose early manifestations alarmed Dani Rodrik two decades ago.13

Surely not all of the rise in inequality stems from globalization.14 Many analyses attribute much of the widening within-country gap—in the US, perhaps as much as four-fifths15—not to globalization but to skill-biased technological innovation.16 Bourguignon contends, to be sure, that innovation has been largely endogenous to globalization: wider markets and intensified competition have raised the returns on cost-reducing innovation.17 Cheaper labor, however, whether from offshoring or the competition of low-wage imports, might be expected to curtail the demand for labor-saving technologies, not to increase it.18 A stronger case is implied by “new new” trade theory: if managerial pay correlates closely with firm size, and if the most successful firms in a globalized economy tend to be the largest, it follows that globalization contributes directly to the rise in top incomes.19 Perhaps most importantly, however, whatever skill-biased innovation may have contributed to the gains of the top quintile or decile, it can say little about the gains of the top 1, or 0.1, percent of the distribution.20 Trade, as we argue, can more readily explain those disproportionate gains.

Rising Skills Premia

Also consistent with mainstream theory were the rising returns on education and the widening gap between high- and low-skill workers’ attitudes toward trade and migration. Exactly as theory would lead us to expect, antiglobalization sentiment rose sharply, and was increasingly concentrated, among voters with the least human capital—that is, the less educated.

Returns on education have indeed risen sharply. In the US in the 1970s, workers with a college degree earned only about a quarter more than ones of comparable ethnicity and age who had completed only high school; by 2010, that gap had risen to almost 50 percent.21 The “raw” difference in annual earnings (i.e., without controlling for ethnicity and age) between college graduates and those who have completed only high school is now 64 percent in the US, and on average in the OECD economies 45 percent.22

At the same time, less educated voters have mobilized strongly against globalization in almost all of the advanced economies. In the US, whites with less than a college education, having up to the year 2000 differed little in their partisanship from whites with university degrees, began to tilt Republican in the early 2000s23 and supported Trump in 2016 by a margin of more than two to one (64 to 28 percent).24 In the Brexit referendum, similarly, 70 percent of voters with only a General Certificate of Secondary Education, roughly equivalent to a US high-school diploma, supported leaving the European Union, while those with university degrees voted by almost the same margin (68 percent) to remain.25 And a recent International Monetary Fund working paper finds that since 2002 tertiary (i.e., university or equivalent) education has correlated, more than any other single variable, with not voting for a populist party in European parliamentary elections—an effect that has grown only stronger since 2012.26

The Riddle of the 1 Percent

In many ways, then, a standard factor-proportions picture of globalization’s distributional and political effects holds up. What it cannot explain, as economists have by now noted repeatedly,27 is why so much of the bounty has gone to the top 1 percent and why even the remainder of the top decile, let alone the highly educated generally, have benefited comparatively little. This pattern is reflected in average real income trends since 1991 across five advanced economies (Figure 1). Much of the real income growth of the top 10 percent owes to gains by the top 1 percent (compare panels 1 and 2); the next 9 percent (i.e., the remainder of the top decile) have seen a comparatively paltry increase. At the same time, the incomes of next 9 percent, which stagnate or even decline after about 2000, mirror those of the middle 40 percent (compare panels 2 and 3). Taken together, the three panels demonstrate the extent to which a narrow elite has risen above the rest of society’s otherwise skilled workers.

Haskel and colleagues more vividly make this case in the US with data on returns on education, finding that the median income of the top 1 percent had risen by 60 percent between 1990 and 2010, while the returns on university education, even for holders of advanced degrees, had declined in real terms after about 2000, virtually erasing their modest gains from the previous decade.28

The seemingly inexorable rise of the 1 percent, when contrasted with the relative stagnation of the rest of the top decile, and of owners of human capital in the middle 40 percent, raises at least three questions. Can our standard theories be modified to explain this “top-heavy” form of inequality? Would such a modified theory still provide a plausible link to globalization? And does such a theory help us understand the simultaneously anti-elitist and antiglobalization character of recent populist movements?

Heterogeneous Workers, Firms, and Regions: Three Ways Globalization Affects Top-Heavy Inequality

We argue that the top-heavy inequality we observe is consistent with three recent advances in trade theory. Each highlights how the bulk of globalization’s gains concentrate in a narrow subset of superstar workers, superstar firms, or superstar cities. An “enriched” H-O-S-S model shows how globalization concentrates wages in a small share of highly talented workers. New new trade theory implies that globalization concentrates profits in a few multinational corporations. Finally, economic geography, extensively reviewed by Broz, Frieden, and Weymouth (in this issue), predicts that globalization concentrates economic growth in a few metropolitan regions.29 By producing far more extreme inequality than traditional models suggest, these theories may help explain the puzzling composition of antiglobalization interests and why these movements adopt a populist tone that demonizes elites.

In presenting these advances, we spare the reader their mathematical exposition and instead focus on their sometimes subtle intuitions. We then explore their similarities and differences, as well as how they illuminate the puzzles of LIO backlash.

Neo-H-O-S-S

The first advance injects new life into the increasingly disesteemed, yet still heavily used, factor-endowments framework of Heckscher-Ohlin and Stolper-Samuelson. It turns out that modest enhancements introduced by Haskel and colleagues yield productive insights into the puzzles of LIO backlash.30 The key amendment introduces heterogeneous workers with varying degrees of innate talent. To state briefly the salient and surprising implications of that model, a drop in the relative price of labor-intensive goods, whether induced by globalization or by technology, can not only reduce the wages of low-skill workers, as in traditional models, but also distribute almost all of the resultant gains to a thin layer of highly talented people—and, at least as importantly, induce stagnation, or actual decline, in the earnings of highly skilled but less talented workers.31 And, once we observe that such a shift is both quite recent and plausibly linked to globalization, we may have shed some light on (a) the rabidly anti-elitist and antiglobalization tinge of the populist movements, (b) why such movements have recently peaked, and (c) why they gain (and may well continue to gain) support not only from the “usual suspects” among low-skill workers but also from those with moderate or even relatively high endowments of human capital.32

For those who appreciate a more rigorous introduction, we offer a graphical exposition of the “richer” H-O-S-S model in online Appendix A2. More intuitively, the key to understanding that model is what happens to high-skill workers when the relative price of capital rises.33 First consider the unsurprising fact that within most firms, sectors, and professions, some workers possess natural talent while the majority are perfectly average. Naturally, the most talented employees are far more productive than their average colleagues, even when everyone works with the same amount of capital. In Hollywood, for example, all actors may read the same script, but only A-list talent like Meryl Streep, Denzel Washington, or Tom Hanks can turn that script into an Oscar-winning performance.

In the classic model, trade lowers wages and raises the relative cost of capital; in the enriched model, the owners of capital make up for that higher cost by lowering the wages of mediocre employees and raising the wages of superstars. Capital owners become less able to afford mediocre workers whose productivity cannot keep up with rising capital costs. Instead, they hire the superstars, whose superior productivity can more than cover the increased costs of capital.

Consider the Hollywood example that Haskel and colleagues used, where film scripts represent intellectual capital, indeed the most important form of capital for the entertainment industry. As the world’s tastes and purchasing power increase demand for Hollywood entertainment, the price of scripts rises—those of stellar scripts, most of all. As that price rises, studios or streaming services become less and less likely to hire actors of only middling quality to perform such a script. The studios’ investment in a high-quality script will pay off, and bring their film the requisite audience, only if it stars actors of extremely high talent: Robert Downey Jr., Scarlett Johansson, or Samuel L. Jackson (or all three in the same film!).34

Admittedly, this analysis assumes, rather than explains, that we can attribute the rise of the top 1 percent to differences in talent but a lot of evidence supports the thesis. For one thing, in almost all countries—including such improbable cases as France and Spain—half to two-thirds of the income of the top 1 percent consists of salaries (compensation for work). Rarely, in any present-day advanced economy, do returns on capital constitute more than a quarter of the incomes of the top 1 percent (in the US, it is less than 15 percent), Thomas Piketty’s arguments notwithstanding.35 As one observer notes, “The fact that so many of [today’s] top earners work for a living is striking,”36 given that a century ago the great majority of elite incomes came from investments in property, bonds, or equities. For another, the model accurately predicts the kind of “fractal” inequality that so far has seemed to prevail almost everywhere in advanced and semi-advanced economies.37 That is, inequality seems to have grown not only between, but within firms and occupations: the top lawyers, academics, physicians, middle managers, and even shop floor workers, have begun to earn far more than the median member of their profession, or even the median co-worker of equal qualifications in their firm.

Once we grant that such differences in talent can become important, the model suggests that any globalization-induced rise in the relative price of capital-intensive goods (or, equivalently, decline in the relative price of labor-intensive products) in advanced economies will depress (or threaten to depress) the wages not only of low-skill workers but also of high-skill ones of less than superlative talent. It thus raises the prospect that the growing resistance to global markets may be embraced, sooner rather than later, not only by low-skill workers but by a growing segment of those with higher education or advanced training.

New New Trade Theory

“New new” trade theory (NNTT) offers an alternative firm-centric view of top-heavy inequality.38 Whereas neo-H-O-S-S focuses on how workers of different talents select into different sectors, NNTT focuses on how firms of different productivity levels sort into import-export activities. One of its salient implications is that increases in foreign trade concentrate the distribution of profits into the largest and most productive firms in each sector.39

The intuition is simple: import and export activities require large upfront costs, such as setting up global logistics networks and investing overseas—costs that only the largest firms can afford. The benefits of trade, access to larger markets, for example, then make these large firms even larger, which subsequently allows them to out-compete their smaller domestic rivals. Armed with global economies of scale, superstars like Walmart and Amazon flood the domestic market with lowcost goods and services. This squeezes out the smallest firms, for example, local mom-and-pop establishments, while reducing the profits of the midsize firms, whose middling productivity permits them to sell only domestically. In sum, NNTT implies, and offers evidence to show, that superstar firms in each sector reap the lion’s share of the gains from globalization.

In its earliest formulation, NNTT implied no wage inequality, because it assumed workers to be homogeneous. Recent advances draw implications for wage inequality by allowing some profits to pass through to workers—what the literature calls rentsharing. One modification allows firms to screen, and bargain over quasi-rents with, workers of varying abilities.40 More productive exporting firms pay higher wages to attract higher-ability talent. In the end, rent-sharing allows inequality in firm profits to spill over into inequality in workers’ wages.41

NNTT implies that globalization-induced inequality should manifest itself principally at the level of the firm, pulling up the compensation of all workers in the larger and more successful firms, and leaving behind all of those employed in smaller, domestically oriented firms (or those unemployed through the demise of the smallest firms). This is exactly what Helpman and colleagues find in Brazil, where 70 percent of overall inequality occurs within sectors and occupational categories; similar results were obtained by Akerman and co-authors in an analysis of wage inequality in Sweden from 2000 to 2007.42

Economic Geography

Economic geography explores the origins and effects of one of society’s most readily observable features: the unequal distribution of economic activity across space, a phenomenon commonly called agglomeration.43 Broz, Frieden, and Weymouth (in this issue) document how globalization’s effects appear most clearly at the level of communities, and operate through the mechanisms specified by economic geography.44 Here we complement their account by situating economic geography within only the broader set of trade models that contribute to extreme inequality. Globalization, we contend, exacerbates regional inequality by inflicting economic stagnation and decline on all but a handful of superstar cities. The mechanism works through the joint effect of agglomeration forces and trade costs. Globalization facilitates the lowering of trade costs (not just those of transportation and communication, but also costs imposed by tariff policies), and this frees up firms to locate in the places that confer the greatest advantage.

The literature identifies many advantages to urban agglomerations. Large cities increase access to suppliers of intermediate inputs, as well as to transportation infrastructure, large pools of specialized talent, and diverse consumers. Moreover, they facilitate the exchange of information about changes in competition, technology, and consumer tastes.45 Some locations also offer a fixed advantage such as access to deep ports or natural resources. Overall, large cities exist and continue to grow because they confer some large basket of benefits on those who locate there.46 The link to globalization seems obvious: the cheaper transportation becomes, and the farther tariff barriers fall, the easier it is for firms and workers to realize the benefits of agglomeration.

For regional inequality to speak to the puzzle of earnings inequality, it must be true that changes in regional growth both reflect and pass through to the wages of resident workers. We find this plausible and consistent with evidence of the stark spatial inequality in returns on skills. A growing literature documents the “end of spatial wage convergence” since 1980, with the bulk of wage gains going to high-skill workers concentrating in just a handful of large cities.47 However, enormous wage inequality within the largest cities suggests that between-region inequality provides only a partial picture. In reality, heterogeneity among workers and firms likely overlaps with, and is accentuated by, the effects of large cities.

Notable Similarities and Differences

All three advances in trade theory point to the same pessimistic outcome, that globalization produces extreme inequality, where a narrow segment of society benefits to the exclusion of the rest. Each theory identifies a different set of “superstars” within this narrow segment: workers with superlative talents, extraordinarily productive firms, or urban agglomerations. Despite varying mechanisms, each arrives at the conclusion of extreme inequality by introducing some form of unit heterogeneity—an assumption that the actors we once treated as identical actually differ from one another in important ways. Workers of similar education differ in innate talent; firms in the same sector vary in productivity; and regions in the same country vary in their advantages of agglomeration. This heterogeneity suggests a radically different perspective on the politics of globalization, one where we should not be surprised that populist protectionist movements arise; that they vilify elites; or that, despite finding their base constituency among lowskill workers, they enjoy nontrivial support from high-skill workers across many sectors.

We highlight two differences among these theories. First, they arrive at the implication of extreme inequality by varying degrees of theoretical complexity. In this regard, neo-H-O-S-S offers a clear advantage: its general framework requires no added assumptions about heterogeneous firms, economies of scale, locational mobility, or rent sharing.

Second, and at least as important, is the empirical accuracy of key theoretical assumptions. In the case of NNTT, evidence for the crucial rent-sharing assumption is decidedly mixed.48 For economic geography, countries almost certainly differ in the degree to which factors are spatially mobile. The neo-H-O-S-S model of differently talented workers will enjoy the most traction in longer-run analyses of wage outcomes, where factors are fully mobile across sectors and regions. Overall, the evident variance in empirical support for different modeling assumptions should caution users to validate these assumptions in their particular research contexts.

Finally, these unit heterogeneity models are not mutually exclusive—they likely reinforce one another in interesting ways. The most talented workers can earn the highest wage by working for the largest firms that can afford them. Regional agglomeration facilitates this advantageous match by locating these superstar workers and superstar firms in the same city. Thus, the top-heavy inequality we observe may very well arise at the intersection of heterogeneous workers, firms, and regions.

Hypothesis

Under any of the three trade theories described here, globalization produces topheavy inequality, wherein a thin margin of workers benefits while the rest are left behind. This drives a populist strain of backlash that views globalization as a struggle of the masses versus the elites. To our mind, this casts a different light on recent research that sees the backlash as a response to shocks from immigration or imports. To state our key hypothesis:

H: when top-heavy inequality is high, shocks from trade, whether in goods, services, or factors of production, increase public support for populist parties.49 In the absence of top-heavy inequality, however, such shocks have no effect on support for populism.50

This assumes that inequality reflects the long-run wage effects of trade and migration. That is, if our trade theories accurately predict wage outcomes, then we should observe extreme, or top-heavy, inequality. As previously discussed, even though much of the inequality we observe does reflect trade patterns, inequality also derives from other sources, such as technological change.51

Inequality and Antiglobalization: Evidence from European Elections

We offer a very preliminary test of this hypothesis in the context of two recent studies of populist far-right vote shares in Europe. Their wide empirical coverage, spanning between them twenty-eight countries over twenty-six years (1988 to 2014), affords a high degree of external validity, at least among economically developed nations in recent decades. Also, the two studies focus on different aspects of globalizationrelated shocks, one on immigration and the other on imports. Finally, both papers offer rigorous research designs. In further examining and extending their findings, we introduce as few modifications as possible to the original designs.

Immigration and Inequality

The study by Georgiadou, Rori, and Roumanias (hereafter GRR) requires the least modification.52 It explores the role of immigration shocks and inequality in all national and European Parliament elections in the twenty-eight member states of the European Union between 2000 and 2014. In particular, the authors study, at the level of Eurostat’s NUTS-2 regions,53 the vote shares obtained by “populist radical right” parties,54 which rose dramatically in the wake of the 2008–09 financial crisis (from 0.05 to 0.15 mean vote share across all countries).

In their original analysis, GRR find a positive association between right-populist vote share and both inequality and immigration, controlling for unemployment, immigration, and economic growth.55 Figure 2 replicates this result under the model labeled GRR2018.56

IO2020 extends that model simply by interacting their measures of inequality and immigration. We report the coefficients in standardized units for visual comparability and ease of interpretation. These models are also posted in Table A2 in the online appendix. Two findings follow from our analysis. First, GRR’s original finding remains intact: an increase of one standard deviation in national-level inequality, all else equal, is associated with a 2.8-percentage-point increase in populist vote shares (p < .01). Since this exercise holds immigration constant, it suggests that inequality independently undermines support for the LIO. This likely reflects, as we discuss later in the paper, inequality’s well-known effects on economic growth, polarization, and external conflict.

Second, our interaction model produces strong evidence for our key hypothesis, that surges in populist support from immigration shocks (which GRR found to have a modest and imprecisely estimated effect) are important but highly conditional on the level of inequality: magnifying backlash at extreme levels and nullifying backlash at lower levels. We visualize this result in a marginal effects plot in Figure 3. The differences in magnitudes are impressive. A one-standard-deviation (0.3 percentage point) increase in the share of migrants in the local population is associated with precisely zero change in vote shares for populist parties at even moderate levels of inequality (Gini < 0.29). At high levels of inequality (Gini > 0.34), the same one-standard-deviation increase in the share of migrants relates to a twenty-point increase in vote share for populist parties. These magnitudes are striking, given that the average NUTS-2 vote share for these parties is 6 percent, with a maximum of 54 percent. Rising immigration, it seems, poses a populist threat to the LIO only when paired with an income distribution that is, or has become, highly unequal.

Imports and Inequality

That inequality mediates shocks from immigration raises the obvious parallel question: does it similarly mediate import-related shocks? To this end, we repeat the earlier analysis, this time employing the data set from Colantone and Stanig (hereafter CS), who examine “China trade shocks” in the European context: fifteen Western European countries over the years 1988 to 2007.57 They report strong effects of Chinese imports on vote shares for radical Right parties58 at the level of the electoral district.59 We replicate their principal results, including their two-stage least squares estimators,60 in specifications 1 and 2 of Table A3 (in the online appendix).

The CS data set does not include a measure of income inequality. To test our interactive hypothesis, we employ inequality measures from the World Inequality Database.61 We report top 1 percent shares of post-tax income at the country level.62 We also apply logarithmic transformations to address issues of fit resulting from extreme outliers.63 Finally, we adopt a multilevel estimator that serves our particular data needs.64 The results rely on this preferred hierarchical estimator.65 Table A3 (in the online appendix) documents how these modifications affect the original CS findings.66

The results for import shocks closely mirror those for immigration. Figure 4 plots the coefficients of our preferred model (IO2020) alongside a baseline model in CS (CS2018). As expected, the positive association between Chinese imports and populist vote shares is highly conditioned by inequality. The coefficient on the China shock remains significant only when interacted with top-1-percent income shares. The marginal effects plot in Figure 5 translates this into real-world terms. At low to medium top-heavy inequality (top 1 percent shares < 0.09), a one-standard deviation increase in imports (approximately 170 EUR per NUTS-2 worker) relates to no statistically significant change in district vote shares for populist parties—that is, no populist backlash from rising imports. However, in countries where the top 1 percent earns approximately 10 percent or more of national income, the same magnitude of imports is associated with a 25-to-50-percent increase in district vote shares, on average, for right-populist parties.

In combination with the results from immigration shocks, this analysis provides strong support for our hypothesis that the politics of LIO backlash are best understood from the perspective of the three recent advances in trade theory that predict topheavy inequality. Trade in goods, or in factors of production, in the context of heterogeneous firms, workers, and regions, produces top-heavy inequality that, we argue, sets the stage for a particularly populist form of backlash. We provide suggestive evidence from European elections that is largely consistent with this; migration and imports drive support for populist parties only where we observe high inequality.

Possible Remedies and Sources of Resilience

An optimistic reading of this analysis is that national redistribution provides an effective remedy against right-populist backlashes. This finding is consistent with the “compensation hypothesis,” that government redistribution to globalization’s losers increases public support for trade.67 Our paper contributes to this literature by suggesting that redistribution targeted at top-heavy inequality (superstar earners, regions, and firms) to the benefit of otherwise skilled workers in smaller firms and cities would be especially effective.

However, democracies famously fail to address rising inequality with redistribution.68 This leads us to a more pessimistic conclusion that, even though lower inequality increases support for globalization, there is little evidence that governments will redistribute in countries with already high top-heavy inequality. We therefore agree with Atkinson that more redistribution of the large gains from globalization would be both possible and effective; but mass support for it, paradoxically, is weak.69 There is hope for other policy suggestions, as well. Investment in education, even if it could achieve the requisite political support, would fail to address the central problem: outsized gains from “superstar” talent, cities, and firms. Global forms of redistribution, such as the world “Tobin tax” on cross-border financial transactions, promise to tax capital without encouraging capital flight. However, such visions have been dismissed as “utopian.”70 They would also raise the substantial issues of global governance that Rodrik’s “globalization trilemma” has highlighted: who would enact such a tax, and to whom would the revenues flow?71

Instead, governments are far more likely to enact protection—restrictions on imports and immigration that reduce welfare but undeniably also reduce inequality. Williamson shows that the choking-off of US immigration from the 1920s to the 1960s contributed significantly to the “great leveling” of American inequality, including the Great Migration of African Americans out of the US South, as Northern employers began to substitute Black for immigrant labor.72 Restricting low-wage imports would of course have a similar effect. These options offer the losers from globalization only a larger slice of a (likely much) smaller pie.

If governments under pressure from top-heavy inequality continue to substitute protectionism for redistribution, can the LIO that stands for globalization nonetheless be sustained? We see two possible sources of resilience. First, powerful interests in the LIO can be expected to defend it.73 Second, international institutions still matter. The retreat of the US, as a principal guarantor of the LIO, poses an undeniable threat to its institutions and to the peace and cooperation they foster. However, IR research cautions against premature reports of its demise. Despite declining US support, international institutions will continue to serve vital functions for their members—functions that make these institutions “sticky” in the face of shocks.74 More recent scholarship in this vein suggests that the international institutions that were hardest to create, and whose rules are flexible, are the most likely to weather the shock of declining US support.75 To the extent that other institutions were created with less effort and exhibit less flexibility, however, other powerful states will seek to install alternatives that better serve them.

Limitations and Future Research

Future research in this area will need to address at least three shortcomings of our analysis: imprecise measurement, identification, and external validity. First, our nationallevel measures of inequality cannot discriminate among the three possible trade theories, since all predict top-heavy inequality. One solution would require decomposition of earnings into worker, firm, and region heterogeneity.76 Future measures should also be mindful of several indirect routes by which inequality undermines the LIO, independent of globalization shocks. It slows economic growth,77 probably by restricting the formation of human capital.78 It exacerbates domestic polarization79 and, seemingly, induces aggressiveness in foreign policy, especially among less welloff voters.80 And, to the extent that it installs governments of the Right, it further increases inequality.

Second, the lack of a careful identification strategy leaves much for future research, which must isolate the variation in top-heavy inequality that is independent of technological change (as discussed earlier), institutions, and redistributive politics, among other sources of endogeneity. Instrumental variable approaches, such as those featured by Enamorado and colleagues, offer one promising direction.81

Future research will also need to account for non-economic aspects of globalization and inequality. Our analysis assumes that inequality operates narrowly through economic mechanisms. We doubt that material interests alone explain the variance in attitudes to globalization.82 Surely status anxiety and cultural threats matter too in ways not reflected in the theory here.83 We know that some voters do not consider trade salient enough,84 or find it too complicated,85 for economics alone to determine vote preferences. Relatedly, attitudes on trade and migration partially reflect sociotropism and out-group anxieties.86 Nonetheless, an at least equally large literature confirms that economic shocks accurately predict election outcomes,87 and our own analysis shows that these economic shocks especially drive voting where inequality is high. Clearly, both economic and cultural factors matter, probably in mutually reinforcing ways. To know for sure, future research will need to test our three trade theories with individual-level data.88 What we contribute to this important debate is a way to sharpen the way international political economy thinks about the economic side of globalization politics.

Third, future research will need to investigate whether these results extend, as recent research suggests,89 to low- and middle-income countries.90 We also expect, although we lack the data to prove it, that our analysis does not extend to support for left-populist parties.

Why does rising inequality move many voters toward right-wing populism rather than left-wing populism? Put simply, the Left’s failure to enact adequate redistribution91 has pushed many of its own voters to support right-wing parties whose protectionist policies offer a plausible alternative to redistribution.92 In the US, the pattern of “Obama-toTrump” voters, particularly among less educated workers, is well documented.93 In Germany, the right-populist Alternative für Deutschland received about 15 percent of its support from traditional left-wing parties in 2017, and similar patterns seem to have driven support both for France’s Le Pen and for the right-populist FPÖ (Freedom Party) in Austria.94 In all three cases, manual workers demonstrably form the core of right-populist support.95 These shifts from redistributive to protectionist parties, we suspect, are exacerbated by the Left’s growing association with elitism, expertise, and globalization: all things that those farther down in the income distribution have come to distrust, or even to despise.

Conclusion

The openness to trade in goods, services, and factors of production the LIO has so effectively advanced over decades has concentrated real income growth in a very thin layer of workers. While this rise in top-heavy inequality doubtless has other causes, chief among them skill-biased technological innovation, trade openness has contributed mightily, particularly since the “China shock” of 2001;96 and certainly the populist movements that reject the LIO cast openness to trade and migration as the chief villain.

The ways in which rising inequality has threatened the LIO expose lacunae in international political economy’s intellectual apparatus—“blind spots” that require remediation. Most importantly, our basic economics are, if not wrong, at least outdated. The field’s adherence to classical trade models blinds us to the distributional effects revealed by top-heavy inequality: far more people lost from globalization, and fewer gained, than traditional theories (factor proportions and specific factors) suggested. While economists rapidly updated their trade models to account for the emerging reality of extreme inequality, political science largely stayed the course —and ran the danger, now realized, of misapprehending the domestic politics of globalization.

The trade literature offers three explanations for top-heavy inequality. The “enriched” Heckscher-Ohlin model of Haskel and colleagues shows how only a thin layer of extraordinarily talented individuals within the larger set of high-skill workers unambiguously benefits from a rise in the relative price of a skill-intensive product; the wages of both the less talented high-skill and the low-skill workers stagnate or fall.97 New new trade theory shows how a similarly narrow subset of very large and productive firms, and their employees, absorb the bulk of trade’s gains at the expense of all other firms. Finally, economic geography suggests that trade concentrates economic growth in a few large metropolitan regions while inflicting stagnation and decline elsewhere. Each offers a pessimistic view of the politics of globalization in which variously defined superstars gain a far larger share than the society at large.

We validate these theories of top-heavy inequality with data on local election outcomes from as many as twenty-eight countries over twenty-six years. We find that public support for right-populist parties rises dramatically with exposure to imports and immigration, but only in those countries with high top-heavy inequality. The fact that the huge gains from trade and technology have flowed to such a small elite, while earnings in other categories have stagnated, may go far to explain why the antiglobalization movements blame not only crucial elements of the LIO, but increasingly a small and nefarious global elite, for what one politician luridly portrayed as the “carnage” among many regions and sectors of the advanced economies.

That these movements, with rare exceptions, seek relief in restrictions on trade and migration from populist movements of the Right, rather than in redistribution or training, probably owes much to the failure of the political Left to redistribute sufficiently.98 That so much of these parties’ electoral support, both in Europe and in the US, comes from manual workers and former supporters of the political Left lends credence to this conjecture.

The ill effects of rising inequality, however, extend well beyond the rising tide of antiglobalization movements and politicians. They extend to slower economic growth (bound to exacerbate existing resentments), increased political polarization, and even a heightened risk of international conflict.

While eminent scholars have advanced quite plausible and growth-enhancing remedies for rising inequality, none elicits, or seems likely to elicit, sufficient political support. Tragically, inequality will likely be reduced, in any serious way, only by what Scheidel has accurately counted as one of history’s “great levelers,” our current high-mortality pandemic.99 While COVID-19 mercifully inflicts nothing approaching the death toll of history’s worst plagues, in the long run its combined effects of labor shortage, capital abundance, and panicky deglobalization will likely result—despite short-term unemployment and recession—in greater equality (but also less prosperity) in the advanced economies, greater inequality in the less developed countries, and greater between-nation inequality. Those developments may partially reduce developed-country hostility to the LIO; but, to survive, the LIO will have to find stronger sources of resilience among business elites and political leaders.

We thus conclude by disagreeing with Lake’s morning-after observation about the 2016 election. While it seemed that the populist backlash came as “no surprise” to the field of international political economy, some of its most important aspects, including the link to top-heavy inequality and the rejection of elites and expertise, were neither foreseen nor understood by our conventional theories. As Abraham Lincoln said during an earlier time of trial, “As our case is new, we must think anew and act anew.”100

# 2NC

### Adv CP

#### Internal’s about general inequality, not digital – CPs solve them – we’re yellow

Flaherty ’21 [Thomas; PhD Candidate and NSF Graduate Fellow @ University of California – San Diego; and Ronald Rogowski; Distinguished Professor of Political Science @ University of California – Los Angeles, Weatherhead Scholar @ Harvard University; “Rising Inequality as a Threat to the Liberal International Order,” *International Organization* 75(2), p. 495-523; AS]

Presiding over the November 2016 meeting of the International Political Economy Society, which followed that year’s US presidential election by only three days, David Lake began by saying, “To our theories, this result unfortunately comes as no surprise.” And indeed the field at large has believed that the growing “populist”1 backlash against the Liberal International Order (LIO)—not just the Trump victory but Brexit, the election of illiberal governments in Hungary, Poland, Turkey, the Philippines, and Brazil (to name only a few), and growing support for anti-immigrant and illiberal parties and candidates in many other democracies—has followed almost inevitably from the very changes the LIO has wrought, including of course increased trade and migration but also one major concomitant, rising economic inequality within states. According to our traditional economic theories,2 advanced and even middle-income countries are abundantly endowed with human capital, and poorly endowed with low-skill labor. And it is a rudimentary implication of international economics that, in those countries, expanded trade—or, even more, immigration of low-skill workers—will benefit the highly skilled and harm the less educated. Inequality will rise, and—perhaps the most prescient conclusion of the traditional analysis—partisanship will correlate increasingly with possession of human capital: opposition to the LIO will be strongest among the least educated and will decrease monotonically with more years of schooling.

The evidence, which we survey briefly, admits of no doubt that in almost all of the wealthier (and not a few semiwealthy) countries, inequality has risen, often quite sharply; returns on education3 have risen markedly; and education, even more than occupational status, has emerged as one of the most important predictors of electoral support for antiglobalization parties. What our theories however did not anticipate, and so far cannot explain, may well prove to have been even more important:

1. Not all who are well endowed in human capital, but chiefly a very thin upper layer—the top 1 percent, or even 0.1 percent—have harvested most of the gains from globalization.

2. The antiglobalization movements we observe • adopt a populist rhetoric that often excoriates not just globalization or immigration but also allegedly nefarious elites, who conspire, both domestically and across borders, to enrich each other at the expense of their fellow citizens;4 • benefit chiefly parties of the radical Right; and • have in important cases attracted non-negligible support among university-educated segments of the electorate, albeit far less than among the less skilled.5

We suggest that the extreme inequality and the anomalies are related, and that some insights from recent work in international economics may help explain them. Three advances in trade theory predict extreme inequality. “New new” trade theory (NNTT), with its emphasis on superstar firms, offers a natural framework. So too does an “enriched” neo-H-O-S-S (Heckscher-Ohlin-Stolper-Samuelson) perspective that explores how superstar workers arise in the context of heterogeneous talent.6 Finally, economic geography, explored thoroughly by Broz, Frieden, and Weymouth in this issue, shows how globalization gives rise to superstar cities.7 These three trade theories predict top-heavy inequality primarily by allowing for unit heterogeneity—an assumption that the actors our traditional theories treated as identical actually differ in important ways. Firms within sectors differ in productivity, workers within a factor class differ in innate talents, and regions within countries differ in agglomeration economies.

None of this suggests, of course, that rising inequality is the only, or even necessarily the most important, cause of the growing popular backlash against the LIO. Skill-biased technological innovation and resistance to cultural change also matter, as we discuss more fully later. We do find, however, at least from a cursory analysis of European elections, that backlash against shocks from immigration and imports is conditional on high inequality, disappearing where inequality is low; and we suspect that rising “top-heavy” inequality is related to a particularly prominent strain, within the antiglobalization movements, of anti-elite and anti-expert sentiment.

We go on to suggest why rising inequality matters, not only as a source of opposition to the LIO but as an impediment to economic growth and an exacerbant of domestic polarization and international conflict.

We assess the implications of top-heavy inequality for the LIO. What remedies have been proposed? And if they lack sufficient political support, what sources of resilience can sustain the LIO under top-heavy inequality? Relatedly, we return to the question of why antiglobalization sentiment has benefited the political Right more than the Left. Finally, we chart a course for future research on models of top-heavy inequality, and discuss how they illuminate “blind spots” in the literature on international political economy.

First, however, we survey briefly the extent of growing economic inequality in advanced economies and its seeming relation, chiefly through a human-capital channel, to antiglobalization and anti-elite attitudes and voting.

Convergence Across Countries, Divergence Within Them

The triumph of the LIO in the 1980s and 1990s—the collapse of Communism, the dismantling of trade barriers, the strengthening of institutions of international governance—coupled with, and facilitated by, breakthrough innovations in transport, communication, and finance, affected economic inequality in two ways that standard factor-endowment theories predicted: inequality declined significantly between countries, thus beginning to erode three centuries of the Great Divergence between rich and poor nations; but inequality within countries, especially among the advanced economies, increased almost as sharply.

• Between countries. As late as 1990, the richest 10 percent of the world’s population earned on average over ninety times what the poorest decile received; only twenty years later, that ratio had fallen to sixty-five times,8 or only slightly more than the within-country ratio of Brazil, where in 2008 the average income of the richest decile was about fifty times that of the poorest.9

• Within countries. Beginning even earlier, inequality of incomes, whether measured as the Gini index or the share of total income accruing to the top decile, has risen in virtually all of the advanced economies,10 and indeed in many of the middle-income ones.11 Bourguignon notes that the collapse of the Soviet empire and the opening of China, India, and Latin America injected roughly “a billion workers, for the most part unskilled, into international competition.”12 That will have drastically lowered the global capital-labor ratio and hence further raised returns on human and physical capital, while reducing those on low-skill labor, in virtually all but the poorest, most labor-abundant countries. In short, across much of the globe, the enormous overall gains from trade have benefited the highly skilled, the inventive entrepreneurs, and the owners of capital; the incomes of the less skilled and the capital-poor have risen more slowly, stagnated, or actually declined—exactly the development whose early manifestations alarmed Dani Rodrik two decades ago.13

Surely not all of the rise in inequality stems from globalization.14 Many analyses attribute much of the widening within-country gap—in the US, perhaps as much as four-fifths15—not to globalization but to skill-biased technological innovation.16 Bourguignon contends, to be sure, that innovation has been largely endogenous to globalization: wider markets and intensified competition have raised the returns on cost-reducing innovation.17 Cheaper labor, however, whether from offshoring or the competition of low-wage imports, might be expected to curtail the demand for labor-saving technologies, not to increase it.18 A stronger case is implied by “new new” trade theory: if managerial pay correlates closely with firm size, and if the most successful firms in a globalized economy tend to be the largest, it follows that globalization contributes directly to the rise in top incomes.19 Perhaps most importantly, however, whatever skill-biased innovation may have contributed to the gains of the top quintile or decile, it can say little about the gains of the top 1, or 0.1, percent of the distribution.20 Trade, as we argue, can more readily explain those disproportionate gains.

Rising Skills Premia

Also consistent with mainstream theory were the rising returns on education and the widening gap between high- and low-skill workers’ attitudes toward trade and migration. Exactly as theory would lead us to expect, antiglobalization sentiment rose sharply, and was increasingly concentrated, among voters with the least human capital—that is, the less educated.

Returns on education have indeed risen sharply. In the US in the 1970s, workers with a college degree earned only about a quarter more than ones of comparable ethnicity and age who had completed only high school; by 2010, that gap had risen to almost 50 percent.21 The “raw” difference in annual earnings (i.e., without controlling for ethnicity and age) between college graduates and those who have completed only high school is now 64 percent in the US, and on average in the OECD economies 45 percent.22

At the same time, less educated voters have mobilized strongly against globalization in almost all of the advanced economies. In the US, whites with less than a college education, having up to the year 2000 differed little in their partisanship from whites with university degrees, began to tilt Republican in the early 2000s23 and supported Trump in 2016 by a margin of more than two to one (64 to 28 percent).24 In the Brexit referendum, similarly, 70 percent of voters with only a General Certificate of Secondary Education, roughly equivalent to a US high-school diploma, supported leaving the European Union, while those with university degrees voted by almost the same margin (68 percent) to remain.25 And a recent International Monetary Fund working paper finds that since 2002 tertiary (i.e., university or equivalent) education has correlated, more than any other single variable, with not voting for a populist party in European parliamentary elections—an effect that has grown only stronger since 2012.26

The Riddle of the 1 Percent

In many ways, then, a standard factor-proportions picture of globalization’s distributional and political effects holds up. What it cannot explain, as economists have by now noted repeatedly,27 is why so much of the bounty has gone to the top 1 percent and why even the remainder of the top decile, let alone the highly educated generally, have benefited comparatively little. This pattern is reflected in average real income trends since 1991 across five advanced economies (Figure 1). Much of the real income growth of the top 10 percent owes to gains by the top 1 percent (compare panels 1 and 2); the next 9 percent (i.e., the remainder of the top decile) have seen a comparatively paltry increase. At the same time, the incomes of next 9 percent, which stagnate or even decline after about 2000, mirror those of the middle 40 percent (compare panels 2 and 3). Taken together, the three panels demonstrate the extent to which a narrow elite has risen above the rest of society’s otherwise skilled workers.

Haskel and colleagues more vividly make this case in the US with data on returns on education, finding that the median income of the top 1 percent had risen by 60 percent between 1990 and 2010, while the returns on university education, even for holders of advanced degrees, had declined in real terms after about 2000, virtually erasing their modest gains from the previous decade.28

The seemingly inexorable rise of the 1 percent, when contrasted with the relative stagnation of the rest of the top decile, and of owners of human capital in the middle 40 percent, raises at least three questions. Can our standard theories be modified to explain this “top-heavy” form of inequality? Would such a modified theory still provide a plausible link to globalization? And does such a theory help us understand the simultaneously anti-elitist and antiglobalization character of recent populist movements?

Heterogeneous Workers, Firms, and Regions: Three Ways Globalization Affects Top-Heavy Inequality

We argue that the top-heavy inequality we observe is consistent with three recent advances in trade theory. Each highlights how the bulk of globalization’s gains concentrate in a narrow subset of superstar workers, superstar firms, or superstar cities. An “enriched” H-O-S-S model shows how globalization concentrates wages in a small share of highly talented workers. New new trade theory implies that globalization concentrates profits in a few multinational corporations. Finally, economic geography, extensively reviewed by Broz, Frieden, and Weymouth (in this issue), predicts that globalization concentrates economic growth in a few metropolitan regions.29 By producing far more extreme inequality than traditional models suggest, these theories may help explain the puzzling composition of antiglobalization interests and why these movements adopt a populist tone that demonizes elites.

In presenting these advances, we spare the reader their mathematical exposition and instead focus on their sometimes subtle intuitions. We then explore their similarities and differences, as well as how they illuminate the puzzles of LIO backlash.

Neo-H-O-S-S

The first advance injects new life into the increasingly disesteemed, yet still heavily used, factor-endowments framework of Heckscher-Ohlin and Stolper-Samuelson. It turns out that modest enhancements introduced by Haskel and colleagues yield productive insights into the puzzles of LIO backlash.30 The key amendment introduces heterogeneous workers with varying degrees of innate talent. To state briefly the salient and surprising implications of that model, a drop in the relative price of labor-intensive goods, whether induced by globalization or by technology, can not only reduce the wages of low-skill workers, as in traditional models, but also distribute almost all of the resultant gains to a thin layer of highly talented people—and, at least as importantly, induce stagnation, or actual decline, in the earnings of highly skilled but less talented workers.31 And, once we observe that such a shift is both quite recent and plausibly linked to globalization, we may have shed some light on (a) the rabidly anti-elitist and antiglobalization tinge of the populist movements, (b) why such movements have recently peaked, and (c) why they gain (and may well continue to gain) support not only from the “usual suspects” among low-skill workers but also from those with moderate or even relatively high endowments of human capital.32

For those who appreciate a more rigorous introduction, we offer a graphical exposition of the “richer” H-O-S-S model in online Appendix A2. More intuitively, the key to understanding that model is what happens to high-skill workers when the relative price of capital rises.33 First consider the unsurprising fact that within most firms, sectors, and professions, some workers possess natural talent while the majority are perfectly average. Naturally, the most talented employees are far more productive than their average colleagues, even when everyone works with the same amount of capital. In Hollywood, for example, all actors may read the same script, but only A-list talent like Meryl Streep, Denzel Washington, or Tom Hanks can turn that script into an Oscar-winning performance.

In the classic model, trade lowers wages and raises the relative cost of capital; in the enriched model, the owners of capital make up for that higher cost by lowering the wages of mediocre employees and raising the wages of superstars. Capital owners become less able to afford mediocre workers whose productivity cannot keep up with rising capital costs. Instead, they hire the superstars, whose superior productivity can more than cover the increased costs of capital.

Consider the Hollywood example that Haskel and colleagues used, where film scripts represent intellectual capital, indeed the most important form of capital for the entertainment industry. As the world’s tastes and purchasing power increase demand for Hollywood entertainment, the price of scripts rises—those of stellar scripts, most of all. As that price rises, studios or streaming services become less and less likely to hire actors of only middling quality to perform such a script. The studios’ investment in a high-quality script will pay off, and bring their film the requisite audience, only if it stars actors of extremely high talent: Robert Downey Jr., Scarlett Johansson, or Samuel L. Jackson (or all three in the same film!).34

Admittedly, this analysis assumes, rather than explains, that we can attribute the rise of the top 1 percent to differences in talent but a lot of evidence supports the thesis. For one thing, in almost all countries—including such improbable cases as France and Spain—half to two-thirds of the income of the top 1 percent consists of salaries (compensation for work). Rarely, in any present-day advanced economy, do returns on capital constitute more than a quarter of the incomes of the top 1 percent (in the US, it is less than 15 percent), Thomas Piketty’s arguments notwithstanding.35 As one observer notes, “The fact that so many of [today’s] top earners work for a living is striking,”36 given that a century ago the great majority of elite incomes came from investments in property, bonds, or equities. For another, the model accurately predicts the kind of “fractal” inequality that so far has seemed to prevail almost everywhere in advanced and semi-advanced economies.37 That is, inequality seems to have grown not only between, but within firms and occupations: the top lawyers, academics, physicians, middle managers, and even shop floor workers, have begun to earn far more than the median member of their profession, or even the median co-worker of equal qualifications in their firm.

Once we grant that such differences in talent can become important, the model suggests that any globalization-induced rise in the relative price of capital-intensive goods (or, equivalently, decline in the relative price of labor-intensive products) in advanced economies will depress (or threaten to depress) the wages not only of low-skill workers but also of high-skill ones of less than superlative talent. It thus raises the prospect that the growing resistance to global markets may be embraced, sooner rather than later, not only by low-skill workers but by a growing segment of those with higher education or advanced training.

New New Trade Theory

“New new” trade theory (NNTT) offers an alternative firm-centric view of top-heavy inequality.38 Whereas neo-H-O-S-S focuses on how workers of different talents select into different sectors, NNTT focuses on how firms of different productivity levels sort into import-export activities. One of its salient implications is that increases in foreign trade concentrate the distribution of profits into the largest and most productive firms in each sector.39

The intuition is simple: import and export activities require large upfront costs, such as setting up global logistics networks and investing overseas—costs that only the largest firms can afford. The benefits of trade, access to larger markets, for example, then make these large firms even larger, which subsequently allows them to out-compete their smaller domestic rivals. Armed with global economies of scale, superstars like Walmart and Amazon flood the domestic market with lowcost goods and services. This squeezes out the smallest firms, for example, local mom-and-pop establishments, while reducing the profits of the midsize firms, whose middling productivity permits them to sell only domestically. In sum, NNTT implies, and offers evidence to show, that superstar firms in each sector reap the lion’s share of the gains from globalization.

In its earliest formulation, NNTT implied no wage inequality, because it assumed workers to be homogeneous. Recent advances draw implications for wage inequality by allowing some profits to pass through to workers—what the literature calls rentsharing. One modification allows firms to screen, and bargain over quasi-rents with, workers of varying abilities.40 More productive exporting firms pay higher wages to attract higher-ability talent. In the end, rent-sharing allows inequality in firm profits to spill over into inequality in workers’ wages.41

NNTT implies that globalization-induced inequality should manifest itself principally at the level of the firm, pulling up the compensation of all workers in the larger and more successful firms, and leaving behind all of those employed in smaller, domestically oriented firms (or those unemployed through the demise of the smallest firms). This is exactly what Helpman and colleagues find in Brazil, where 70 percent of overall inequality occurs within sectors and occupational categories; similar results were obtained by Akerman and co-authors in an analysis of wage inequality in Sweden from 2000 to 2007.42

Economic Geography

Economic geography explores the origins and effects of one of society’s most readily observable features: the unequal distribution of economic activity across space, a phenomenon commonly called agglomeration.43 Broz, Frieden, and Weymouth (in this issue) document how globalization’s effects appear most clearly at the level of communities, and operate through the mechanisms specified by economic geography.44 Here we complement their account by situating economic geography within only the broader set of trade models that contribute to extreme inequality. Globalization, we contend, exacerbates regional inequality by inflicting economic stagnation and decline on all but a handful of superstar cities. The mechanism works through the joint effect of agglomeration forces and trade costs. Globalization facilitates the lowering of trade costs (not just those of transportation and communication, but also costs imposed by tariff policies), and this frees up firms to locate in the places that confer the greatest advantage.

The literature identifies many advantages to urban agglomerations. Large cities increase access to suppliers of intermediate inputs, as well as to transportation infrastructure, large pools of specialized talent, and diverse consumers. Moreover, they facilitate the exchange of information about changes in competition, technology, and consumer tastes.45 Some locations also offer a fixed advantage such as access to deep ports or natural resources. Overall, large cities exist and continue to grow because they confer some large basket of benefits on those who locate there.46 The link to globalization seems obvious: the cheaper transportation becomes, and the farther tariff barriers fall, the easier it is for firms and workers to realize the benefits of agglomeration.

For regional inequality to speak to the puzzle of earnings inequality, it must be true that changes in regional growth both reflect and pass through to the wages of resident workers. We find this plausible and consistent with evidence of the stark spatial inequality in returns on skills. A growing literature documents the “end of spatial wage convergence” since 1980, with the bulk of wage gains going to high-skill workers concentrating in just a handful of large cities.47 However, enormous wage inequality within the largest cities suggests that between-region inequality provides only a partial picture. In reality, heterogeneity among workers and firms likely overlaps with, and is accentuated by, the effects of large cities.

Notable Similarities and Differences

All three advances in trade theory point to the same pessimistic outcome, that globalization produces extreme inequality, where a narrow segment of society benefits to the exclusion of the rest. Each theory identifies a different set of “superstars” within this narrow segment: workers with superlative talents, extraordinarily productive firms, or urban agglomerations. Despite varying mechanisms, each arrives at the conclusion of extreme inequality by introducing some form of unit heterogeneity—an assumption that the actors we once treated as identical actually differ from one another in important ways. Workers of similar education differ in innate talent; firms in the same sector vary in productivity; and regions in the same country vary in their advantages of agglomeration. This heterogeneity suggests a radically different perspective on the politics of globalization, one where we should not be surprised that populist protectionist movements arise; that they vilify elites; or that, despite finding their base constituency among lowskill workers, they enjoy nontrivial support from high-skill workers across many sectors.

We highlight two differences among these theories. First, they arrive at the implication of extreme inequality by varying degrees of theoretical complexity. In this regard, neo-H-O-S-S offers a clear advantage: its general framework requires no added assumptions about heterogeneous firms, economies of scale, locational mobility, or rent sharing.

Second, and at least as important, is the empirical accuracy of key theoretical assumptions. In the case of NNTT, evidence for the crucial rent-sharing assumption is decidedly mixed.48 For economic geography, countries almost certainly differ in the degree to which factors are spatially mobile. The neo-H-O-S-S model of differently talented workers will enjoy the most traction in longer-run analyses of wage outcomes, where factors are fully mobile across sectors and regions. Overall, the evident variance in empirical support for different modeling assumptions should caution users to validate these assumptions in their particular research contexts.

Finally, these unit heterogeneity models are not mutually exclusive—they likely reinforce one another in interesting ways. The most talented workers can earn the highest wage by working for the largest firms that can afford them. Regional agglomeration facilitates this advantageous match by locating these superstar workers and superstar firms in the same city. Thus, the top-heavy inequality we observe may very well arise at the intersection of heterogeneous workers, firms, and regions.

Hypothesis

Under any of the three trade theories described here, globalization produces topheavy inequality, wherein a thin margin of workers benefits while the rest are left behind. This drives a populist strain of backlash that views globalization as a struggle of the masses versus the elites. To our mind, this casts a different light on recent research that sees the backlash as a response to shocks from immigration or imports. To state our key hypothesis:

H: when top-heavy inequality is high, shocks from trade, whether in goods, services, or factors of production, increase public support for populist parties.49 In the absence of top-heavy inequality, however, such shocks have no effect on support for populism.50

This assumes that inequality reflects the long-run wage effects of trade and migration. That is, if our trade theories accurately predict wage outcomes, then we should observe extreme, or top-heavy, inequality. As previously discussed, even though much of the inequality we observe does reflect trade patterns, inequality also derives from other sources, such as technological change.51

Inequality and Antiglobalization: Evidence from European Elections

We offer a very preliminary test of this hypothesis in the context of two recent studies of populist far-right vote shares in Europe. Their wide empirical coverage, spanning between them twenty-eight countries over twenty-six years (1988 to 2014), affords a high degree of external validity, at least among economically developed nations in recent decades. Also, the two studies focus on different aspects of globalizationrelated shocks, one on immigration and the other on imports. Finally, both papers offer rigorous research designs. In further examining and extending their findings, we introduce as few modifications as possible to the original designs.

Immigration and Inequality

The study by Georgiadou, Rori, and Roumanias (hereafter GRR) requires the least modification.52 It explores the role of immigration shocks and inequality in all national and European Parliament elections in the twenty-eight member states of the European Union between 2000 and 2014. In particular, the authors study, at the level of Eurostat’s NUTS-2 regions,53 the vote shares obtained by “populist radical right” parties,54 which rose dramatically in the wake of the 2008–09 financial crisis (from 0.05 to 0.15 mean vote share across all countries).

In their original analysis, GRR find a positive association between right-populist vote share and both inequality and immigration, controlling for unemployment, immigration, and economic growth.55 Figure 2 replicates this result under the model labeled GRR2018.56

IO2020 extends that model simply by interacting their measures of inequality and immigration. We report the coefficients in standardized units for visual comparability and ease of interpretation. These models are also posted in Table A2 in the online appendix. Two findings follow from our analysis. First, GRR’s original finding remains intact: an increase of one standard deviation in national-level inequality, all else equal, is associated with a 2.8-percentage-point increase in populist vote shares (p < .01). Since this exercise holds immigration constant, it suggests that inequality independently undermines support for the LIO. This likely reflects, as we discuss later in the paper, inequality’s well-known effects on economic growth, polarization, and external conflict.

Second, our interaction model produces strong evidence for our key hypothesis, that surges in populist support from immigration shocks (which GRR found to have a modest and imprecisely estimated effect) are important but highly conditional on the level of inequality: magnifying backlash at extreme levels and nullifying backlash at lower levels. We visualize this result in a marginal effects plot in Figure 3. The differences in magnitudes are impressive. A one-standard-deviation (0.3 percentage point) increase in the share of migrants in the local population is associated with precisely zero change in vote shares for populist parties at even moderate levels of inequality (Gini < 0.29). At high levels of inequality (Gini > 0.34), the same one-standard-deviation increase in the share of migrants relates to a twenty-point increase in vote share for populist parties. These magnitudes are striking, given that the average NUTS-2 vote share for these parties is 6 percent, with a maximum of 54 percent. Rising immigration, it seems, poses a populist threat to the LIO only when paired with an income distribution that is, or has become, highly unequal.

Imports and Inequality

That inequality mediates shocks from immigration raises the obvious parallel question: does it similarly mediate import-related shocks? To this end, we repeat the earlier analysis, this time employing the data set from Colantone and Stanig (hereafter CS), who examine “China trade shocks” in the European context: fifteen Western European countries over the years 1988 to 2007.57 They report strong effects of Chinese imports on vote shares for radical Right parties58 at the level of the electoral district.59 We replicate their principal results, including their two-stage least squares estimators,60 in specifications 1 and 2 of Table A3 (in the online appendix).

The CS data set does not include a measure of income inequality. To test our interactive hypothesis, we employ inequality measures from the World Inequality Database.61 We report top 1 percent shares of post-tax income at the country level.62 We also apply logarithmic transformations to address issues of fit resulting from extreme outliers.63 Finally, we adopt a multilevel estimator that serves our particular data needs.64 The results rely on this preferred hierarchical estimator.65 Table A3 (in the online appendix) documents how these modifications affect the original CS findings.66

The results for import shocks closely mirror those for immigration. Figure 4 plots the coefficients of our preferred model (IO2020) alongside a baseline model in CS (CS2018). As expected, the positive association between Chinese imports and populist vote shares is highly conditioned by inequality. The coefficient on the China shock remains significant only when interacted with top-1-percent income shares. The marginal effects plot in Figure 5 translates this into real-world terms. At low to medium top-heavy inequality (top 1 percent shares < 0.09), a one-standard deviation increase in imports (approximately 170 EUR per NUTS-2 worker) relates to no statistically significant change in district vote shares for populist parties—that is, no populist backlash from rising imports. However, in countries where the top 1 percent earns approximately 10 percent or more of national income, the same magnitude of imports is associated with a 25-to-50-percent increase in district vote shares, on average, for right-populist parties.

In combination with the results from immigration shocks, this analysis provides strong support for our hypothesis that the politics of LIO backlash are best understood from the perspective of the three recent advances in trade theory that predict topheavy inequality. Trade in goods, or in factors of production, in the context of heterogeneous firms, workers, and regions, produces top-heavy inequality that, we argue, sets the stage for a particularly populist form of backlash. We provide suggestive evidence from European elections that is largely consistent with this; migration and imports drive support for populist parties only where we observe high inequality.

Possible Remedies and Sources of Resilience

An optimistic reading of this analysis is that national redistribution provides an effective remedy against right-populist backlashes. This finding is consistent with the “compensation hypothesis,” that government redistribution to globalization’s losers increases public support for trade.67 Our paper contributes to this literature by suggesting that redistribution targeted at top-heavy inequality (superstar earners, regions, and firms) to the benefit of otherwise skilled workers in smaller firms and cities would be especially effective.

However, democracies famously fail to address rising inequality with redistribution.68 This leads us to a more pessimistic conclusion that, even though lower inequality increases support for globalization, there is little evidence that governments will redistribute in countries with already high top-heavy inequality. We therefore agree with Atkinson that more redistribution of the large gains from globalization would be both possible and effective; but mass support for it, paradoxically, is weak.69 There is hope for other policy suggestions, as well. Investment in education, even if it could achieve the requisite political support, would fail to address the central problem: outsized gains from “superstar” talent, cities, and firms. Global forms of redistribution, such as the world “Tobin tax” on cross-border financial transactions, promise to tax capital without encouraging capital flight. However, such visions have been dismissed as “utopian.”70 They would also raise the substantial issues of global governance that Rodrik’s “globalization trilemma” has highlighted: who would enact such a tax, and to whom would the revenues flow?71

Instead, governments are far more likely to enact protection—restrictions on imports and immigration that reduce welfare but undeniably also reduce inequality. Williamson shows that the choking-off of US immigration from the 1920s to the 1960s contributed significantly to the “great leveling” of American inequality, including the Great Migration of African Americans out of the US South, as Northern employers began to substitute Black for immigrant labor.72 Restricting low-wage imports would of course have a similar effect. These options offer the losers from globalization only a larger slice of a (likely much) smaller pie.

If governments under pressure from top-heavy inequality continue to substitute protectionism for redistribution, can the LIO that stands for globalization nonetheless be sustained? We see two possible sources of resilience. First, powerful interests in the LIO can be expected to defend it.73 Second, international institutions still matter. The retreat of the US, as a principal guarantor of the LIO, poses an undeniable threat to its institutions and to the peace and cooperation they foster. However, IR research cautions against premature reports of its demise. Despite declining US support, international institutions will continue to serve vital functions for their members—functions that make these institutions “sticky” in the face of shocks.74 More recent scholarship in this vein suggests that the international institutions that were hardest to create, and whose rules are flexible, are the most likely to weather the shock of declining US support.75 To the extent that other institutions were created with less effort and exhibit less flexibility, however, other powerful states will seek to install alternatives that better serve them.

Limitations and Future Research

Future research in this area will need to address at least three shortcomings of our analysis: imprecise measurement, identification, and external validity. First, our nationallevel measures of inequality cannot discriminate among the three possible trade theories, since all predict top-heavy inequality. One solution would require decomposition of earnings into worker, firm, and region heterogeneity.76 Future measures should also be mindful of several indirect routes by which inequality undermines the LIO, independent of globalization shocks. It slows economic growth,77 probably by restricting the formation of human capital.78 It exacerbates domestic polarization79 and, seemingly, induces aggressiveness in foreign policy, especially among less welloff voters.80 And, to the extent that it installs governments of the Right, it further increases inequality.

Second, the lack of a careful identification strategy leaves much for future research, which must isolate the variation in top-heavy inequality that is independent of technological change (as discussed earlier), institutions, and redistributive politics, among other sources of endogeneity. Instrumental variable approaches, such as those featured by Enamorado and colleagues, offer one promising direction.81

Future research will also need to account for non-economic aspects of globalization and inequality. Our analysis assumes that inequality operates narrowly through economic mechanisms. We doubt that material interests alone explain the variance in attitudes to globalization.82 Surely status anxiety and cultural threats matter too in ways not reflected in the theory here.83 We know that some voters do not consider trade salient enough,84 or find it too complicated,85 for economics alone to determine vote preferences. Relatedly, attitudes on trade and migration partially reflect sociotropism and out-group anxieties.86 Nonetheless, an at least equally large literature confirms that economic shocks accurately predict election outcomes,87 and our own analysis shows that these economic shocks especially drive voting where inequality is high. Clearly, both economic and cultural factors matter, probably in mutually reinforcing ways. To know for sure, future research will need to test our three trade theories with individual-level data.88 What we contribute to this important debate is a way to sharpen the way international political economy thinks about the economic side of globalization politics.

Third, future research will need to investigate whether these results extend, as recent research suggests,89 to low- and middle-income countries.90 We also expect, although we lack the data to prove it, that our analysis does not extend to support for left-populist parties.

Why does rising inequality move many voters toward right-wing populism rather than left-wing populism? Put simply, the Left’s failure to enact adequate redistribution91 has pushed many of its own voters to support right-wing parties whose protectionist policies offer a plausible alternative to redistribution.92 In the US, the pattern of “Obama-toTrump” voters, particularly among less educated workers, is well documented.93 In Germany, the right-populist Alternative für Deutschland received about 15 percent of its support from traditional left-wing parties in 2017, and similar patterns seem to have driven support both for France’s Le Pen and for the right-populist FPÖ (Freedom Party) in Austria.94 In all three cases, manual workers demonstrably form the core of right-populist support.95 These shifts from redistributive to protectionist parties, we suspect, are exacerbated by the Left’s growing association with elitism, expertise, and globalization: all things that those farther down in the income distribution have come to distrust, or even to despise.

Conclusion

The openness to trade in goods, services, and factors of production the LIO has so effectively advanced over decades has concentrated real income growth in a very thin layer of workers. While this rise in top-heavy inequality doubtless has other causes, chief among them skill-biased technological innovation, trade openness has contributed mightily, particularly since the “China shock” of 2001;96 and certainly the populist movements that reject the LIO cast openness to trade and migration as the chief villain.

The ways in which rising inequality has threatened the LIO expose lacunae in international political economy’s intellectual apparatus—“blind spots” that require remediation. Most importantly, our basic economics are, if not wrong, at least outdated. The field’s adherence to classical trade models blinds us to the distributional effects revealed by top-heavy inequality: far more people lost from globalization, and fewer gained, than traditional theories (factor proportions and specific factors) suggested. While economists rapidly updated their trade models to account for the emerging reality of extreme inequality, political science largely stayed the course —and ran the danger, now realized, of misapprehending the domestic politics of globalization.

The trade literature offers three explanations for top-heavy inequality. The “enriched” Heckscher-Ohlin model of Haskel and colleagues shows how only a thin layer of extraordinarily talented individuals within the larger set of high-skill workers unambiguously benefits from a rise in the relative price of a skill-intensive product; the wages of both the less talented high-skill and the low-skill workers stagnate or fall.97 New new trade theory shows how a similarly narrow subset of very large and productive firms, and their employees, absorb the bulk of trade’s gains at the expense of all other firms. Finally, economic geography suggests that trade concentrates economic growth in a few large metropolitan regions while inflicting stagnation and decline elsewhere. Each offers a pessimistic view of the politics of globalization in which variously defined superstars gain a far larger share than the society at large.

We validate these theories of top-heavy inequality with data on local election outcomes from as many as twenty-eight countries over twenty-six years. We find that public support for right-populist parties rises dramatically with exposure to imports and immigration, but only in those countries with high top-heavy inequality. The fact that the huge gains from trade and technology have flowed to such a small elite, while earnings in other categories have stagnated, may go far to explain why the antiglobalization movements blame not only crucial elements of the LIO, but increasingly a small and nefarious global elite, for what one politician luridly portrayed as the “carnage” among many regions and sectors of the advanced economies.

That these movements, with rare exceptions, seek relief in restrictions on trade and migration from populist movements of the Right, rather than in redistribution or training, probably owes much to the failure of the political Left to redistribute sufficiently.98 That so much of these parties’ electoral support, both in Europe and in the US, comes from manual workers and former supporters of the political Left lends credence to this conjecture.

The ill effects of rising inequality, however, extend well beyond the rising tide of antiglobalization movements and politicians. They extend to slower economic growth (bound to exacerbate existing resentments), increased political polarization, and even a heightened risk of international conflict.

While eminent scholars have advanced quite plausible and growth-enhancing remedies for rising inequality, none elicits, or seems likely to elicit, sufficient political support. Tragically, inequality will likely be reduced, in any serious way, only by what Scheidel has accurately counted as one of history’s “great levelers,” our current high-mortality pandemic.99 While COVID-19 mercifully inflicts nothing approaching the death toll of history’s worst plagues, in the long run its combined effects of labor shortage, capital abundance, and panicky deglobalization will likely result—despite short-term unemployment and recession—in greater equality (but also less prosperity) in the advanced economies, greater inequality in the less developed countries, and greater between-nation inequality. Those developments may partially reduce developed-country hostility to the LIO; but, to survive, the LIO will have to find stronger sources of resilience among business elites and political leaders.

We thus conclude by disagreeing with Lake’s morning-after observation about the 2016 election. While it seemed that the populist backlash came as “no surprise” to the field of international political economy, some of its most important aspects, including the link to top-heavy inequality and the rejection of elites and expertise, were neither foreseen nor understood by our conventional theories. As Abraham Lincoln said during an earlier time of trial, “As our case is new, we must think anew and act anew.”100

#### R&D is self-reinforcing and drives economic growth – every 1% increase more than doubles the return and encourages investment from other sources.

Mandt et al. ’20 [Rebecca, Kushal Seetharam, and Michael Cheng; August 20; Ph.D. Candidate in the Department of Immunology and Infectious Diseases at Harvard University; Ph.D. Candidate in the Department of Electrical Engineering and Computer Science at the Massachusetts Institute of Technology; M.S. from Harvard University; MIT Science Policy Review, “Federal R&D funding: the bedrock of national innovation,” <https://sciencepolicyreview.org/2020/08/federal-rd-funding-the-bedrock-of-national-innovation/>]

Virtuous Cycles of Federal Funding

In addition to directly supporting research related to public priorities, federal investment also produces a domino effect in resource commitment, inducing investment from non-federal sources such as the private and philanthropic sectors into R&D related to broad societal objectives [41]. A multitude of studies have found that government investment in R&D increases private investment and effort (see, for example, [42]). Analysis done by Lanahan et al. in 2016 estimated that every 1% increase in federal research funding leads to a 0.468% increase in industry research investment, a 0.411% increase in nonprofit research investment, and a 0.217% increase in state and local research funding, cumulatively more than doubling the initial federal investment [41]. This positive feedback effect generally holds true across different disciplines including life sciences, physical sciences, and engineering. We therefore see that federal funding has an effect of “crowding-in” R&D investment from non-federal sources rather than crowding them out, as is sometimes erroneously assumed. As federal R&D investments are typically made in line with the missions of federal agencies which are in line with public priorities, increasing federal funding would lead the entire national R&D infrastructure to move more in step with societal needs and public benefits rather than purely market considerations. Additionally, federally-supported research is much more likely to be publicly disclosed compared to private sector R&D, and is therefore more likely to catalyze other innovations [23]. For example, as previously discussed, advances in supercomputing, and even the invention of the web browser, were built upon research done on computationally modeling black hole collisions [43]. As another example, fundamental physics research studying the movement of atoms led to the invention of molecular resonance imaging (MRI), a medical technology that helps save countless lives today [44, 45].

Federal R&D expenditure is also responsible for both the education and training of scientists and engineers who move into the broader workforce as well as the physical infrastructure that often forms the kernel for regional hubs of technological innovation [46]. A core part of the NSF’s mission, for example, is supporting science, technology, engineering, and mathematics (STEM) education and the broader development of the human capital pipeline for national R&D [23]. The agency is also tasked with maintenance of large-scale research infrastructure such as facilities for materials research and fabrication, high-performance computing facilities, and particle accelerators, out of which technologies underlying countless start-ups and private sector innovations have been born [47]. The work done by university research centers and national labs, both of which are primarily funded by the federal government, also end up attracting technology incubators, start-ups, and a larger industry presence [3]. Therefore, federal funding is often responsible for the key centers around which technology hubs form and lead to regional economic growth; examples include Silicon Valley in California; Boston, Massachusetts; the Research Triangle Park in North Carolina; the Boulder-Denver corridor in Colorado; and Madison, Wisconsin. In addition to its indirect role in forming such innovation hubs, the federal government often takes a direct role in creating infrastructure critical to future private sector R&D including advanced manufacturing, high-performance computing, and smart cities [48]. Federal funding, therefore, plays two major roles: it spurs the general pace of national innovation forward, and it guides the national innovation ecosystem towards societal priorities. Both of these tasks are accomplished by utilizing the “crowd-in” effect of federal R&D investments, the training of the STEM workforce, the tendency for technology hubs to form around academic and federal research centers, and the types of R&D infrastructure the government catalyzes.

### Dynamism

#### Case-by-case means Courts are leniant

Newman 19 [John Newman is a University of Miami School of Law professor and a former attorney with the U.S. Department of Justice Antitrust Division, "What Democratic Contenders Are Missing in the Race to Revive Antitrust", 4/1/19, https://www.theatlantic.com/ideas/archive/2019/04/what-2020-democratic-candidates-miss-about-antitrust/586135/]

But the federal courts represent a massive stumbling block for any progressive antitrust movement. Reformers have identified two paths forward; both lead eventually to the court system. The first is relatively moderate: appoint regulators who will actually enforce the laws already on the books. Warren’s plan rests in part on this straightforward idea. The second, more audacious path requires congressional action to amend and strengthen our current laws. Warren’s call for a new ban on technology companies’ buying and selling via their own platforms falls into this category. Klobuchar has also proposed new antitrust legislation that would make it easier to block harmful mergers and acquisitions.

But no matter its content, enforcing a law requires persuading a judge. When it comes to U.S. antitrust laws, federal judges—not Congress, and not regulatory agencies—are the ultimate arbiters. The Department of Justice Antitrust Division, one of our two public enforcement agencies, files all its cases in federal courts. And although the Federal Trade Commission (the other) can decide cases internally, the inevitable appeals eventually end up in court as well.

No matter how strongly worded a law may be, ideologically driven judges can usually find a way around enforcing it. The cyclical history of U.S. antitrust law is proof that judges wield nearly limitless institutional power in this area.

Soon after Congress passed the Sherman Act in 1890, a conservative Supreme Court began to chip away at its effectiveness. Congress reacted in 1914 with the Clayton Act, which sought to ban anticompetitive mergers. In 1936, at the height of the New Deal era, Congress passed the Robinson-Patman Act, which prohibits price discrimination (charging different prices to different buyers for the same product). These laws were actively enforced for decades.

But starting in the late 1970s, conservative judges began to erode the Clayton Act. Today, megamergers among competitors such as Bayer and Monsanto barely raise eyebrows. So-called vertical mergers, which combine suppliers and their customers, are now all but immune from antitrust enforcement—see the DOJ’s failed challenge to AT&T and Time Warner’s recent tie-up.

Under the business-friendly Roberts Court, the Robinson-Patman Act has similarly been eviscerated. By the 2000s, the ideas of the conservative Chicago School had become mainstream in antitrust circles. Robinson-Patman, a law intended to protect small businesses, was an easy target for Chicago School critics narrowly focused on efficiency and low consumer prices. Their attacks found a receptive audience in the federal judiciary. Among insiders, Robinson-Patman is now known as “zombie law.” It remains on the books, but regulators no longer bother trying to enforce it.

If Democrats want to change antitrust law, they will first and foremost need to change the judges who apply it. Yet none of the 2020 contenders championing antitrust reform have even mentioned the possibility of appointing progressive antitrust thinkers to the bench.

Conservatives, on the other hand, have long recognized the centrality of antitrust to broader questions about the apportionment of power in society. In his seminal work, The Antitrust Paradox, Robert Bork called antitrust a “microcosm in which larger movements of our society are reflected.” Battles fought in this arena, Bork wrote, “are likely to affect the outcome of parallel struggles in others.” Strong antitrust enforcement keeps powerful monopolies in check. Toothless antitrust allows the unlimited accumulation of corporate power.

Recognizing the high stakes, the Republican Party has gone to great lengths to appoint conservative antitrust experts to the federal judiciary. Bork was an antitrust professor at Yale Law School before becoming an appellate judge in 1982.\* Frank Easterbrook practiced and taught antitrust before donning the black robe in 1985. Douglas Ginsburg served as the head of the Justice Department’s Antitrust Division before he became a federal judge in 1986. None of the three managed to join the Supreme Court, but not for lack of trying. Reagan nominated both Bork and Ginsburg to serve as justices, though Ginsburg withdrew and Bork was famously rejected after a contentious Senate hearing.

And whom did the GOP select as its very first U.S. Supreme Court nominee during the Trump Administration? None other than Neil Gorsuch, who practiced antitrust law for more than a decade before joining the Tenth Circuit. Even as a judge, Gorsuch continued to teach a law-school course on antitrust until his confirmation to the Supreme Court in 2017.

Once upon a time, progressives demonstrated similar concern about judicial treatment of antitrust laws. Justice Stephen Breyer, for example, served as special assistant to the head of the DOJ Antitrust Division before his judicial appointment by President Jimmy Carter. Earlier still, Justice John Paul Stevens was an antitrust lawyer, scholar, and professor before his appointment to the bench.

Today’s Democratic 2020 hopefuls seem to have forgotten the lessons of history. Their antitrust proposals focus exclusively on appointing the right regulators and amending our current statutes. These are right-minded ideas, but they overlook the central role judges play in our political system.

There is an old saying in the legal community: “Hard cases make bad law.” That may be true, but it is just as often the case that bad judges make bad law. Real antitrust reform will require more than regulatory and legislative tweaks; it will require the right judges.

#### Also delays everything – litigation certainly happens

Jones 20 [Alison Jones, Professor of Law at King's and a solicitor at Freshfields Bruckhaus Deringer LLP. William E. Kovacic, George Mason University Foundation Professor at the George Mason University School of Law. “Antitrust’s Implementation Blind Side: Challenges to Major Expansion of U.S. Competition Policy.” 2020. <https://journals.sagepub.com/doi/pdf/10.1177/0003603X20912884>]

In the discussion above, we have been addressing the types of remedies that are imposed at the conclusion of a lawsuit. A problem in highly dynamic markets, however, is that the lag between the initiation of a case and a final order on relief may be so great that market circumstances have changed dramatically or the victim of allegedly improper exclusion may have left the market or otherwise lost its opportunity to expand and contest the position of the incumbent dominant firm. In this context, the antitrust cure arrives far too late to protect competition. The relatively slow pace of antitrust investigations and litigation (with appeals that follow an initial decision) has led some observers to doubt the efficacy of antitrust cases as effective policy-making tools in dynamic commercial sectors.

#### No follow on – last EU card

Sitaraman ’20 [Ganesh; Co-founder and Director of Policy @ Great Democracy Initiative; Professor of Law @ Vanderbilt University; “The National Security Case for Breaking Up Big Tech,” *Knight First Amendment Institute at Columbia*; AS]

It is perfectly understandable why big tech companies don’t want to be broken up or regulated. They are profitable, growing, and powerful. It is also perfectly understandable why they deploy national security arguments to defend against the prospect. National security arguments have long been a trump card in law, policy, and politics, forming an exception to the normal rules that govern the economy.90

#### Enforcement and prohibition are distinct steps

Alan S. Kaplinsky & Mark J. Levin 1, Kaplinsky is the former longtime Practice Leader of the firm's Consumer Financial Services Group; Senior Counsel @ Ballard Spahr, “ANATOMY OF AN ARBITRATION CLAUSE: DRAFTING AND IMPLEMENTATION ISSUES WHICH SHOULD BE CONSIDERED BY A CONSUMER LENDER,” May 2001, ALI-ABA COURSE OF STUDY MATERIALS, Lexis

. So that there is no misunderstanding on the part of the consumer, the lender should consider expressly disclosing the unavailability of class actions in arbitration, as in the sample clause language. Some lenders go even further and include an express "waiver" by the consumer of any right to participate in or prosecute a class action. But, see, the Reporter's Notes to Section 10 of the Proposed Revisions of the Uniform Arbitration Act (February, 2000) which states: "In some cases [i.e., where the clause specifically precludes class actions], such provisions may effectively undermine consumer's rights by making the relative cost of arbitrating or securing effective legal representation cost prohibitive. In such cases, it may be appropriate for a court to refuse to enforce the term prohibiting class actions and consolidation under Section 6 of the Act." Section 6(a) of the Revised UAA provides that an arbitration agreement "is valid, enforceable, and irrevocable except upon grounds that exist in law or in equity for the revocation of any contract."

#### It’s empirically proven – attempts at FTC rulemaking cause Congress to curtail the agency’s authority

Magdalena Gathani, Berkeley alum and practicing lawyer, 2016

[Internet of Things Report: The FTC Overstepped its Agency Rulemaking Authority, 9 BUS. PUBL. ADMIN. STUD. 27, 27-8 (2016)]

Established in 1914, and operating since 1916, the FTC was granted the authority to enhance the operations of the marketplace by policing unfair methods of competition (Federal Trade Commission Act of 1914). The rulemaking authority of the FTC falls under the broad categories of legislative rules and interpretative rules (Charles H. Koch, 1983). For most of its rulemaking history, the agency had relied on interpretive rules. However, in 1962 the agency began promulgating substantive rules, called the Trade Regulation Rules (“TRRs”), through its legislative rulemaking authority (Charles H. Koch, 1983). This newly exercised authority of the FTC was upheld by the District of Columbia Court of Appeals in National Petroleum Refiners Association v. FTC (National Petroleum Refiners Association v. FTC, 1974). Extensive lobbying by businesses to restrict the rulemaking authority of the FTC following the implementation of the TRRs has brought about a contrary effect in the years that follow (Charles H. Koch, 1983). In 1975, Congress enacted the Magnuson-Moss Warranty Act Federal Trade Commission Improvement Act, which affirmed the legislative authority of the FTC (Pub. L. No. 93-637, 88 Stat. 2183, 1975). (Federal Trade Commission Act of 1914) The Magnuson-Moss rules specified that in order for the FTC to engage in rulemaking, it had to first engage in an industry-wide investigation, prepare draft staff reports, propose a rule, and engage in a series of public hearings, including cross-examination.

Throughout its history, the FTC has been criticized for its rulemaking activities, particularly by business (Charles H. Koch, 1983). Businesses have opposed the FTC’s power to sanction businesses that commit unfair or deceptive practices (Budnitz, 1997). Partly due to this opposition and sound criticism, and partly due to the burdensome process that the Magnuson-Moss Act required, the agency has generally halted a great deal of rulemaking (SellerBeware). Moreover, during Chairman Miller tenure, common law adjudication was favored over rulemaking, which also contributed to this inactivity in the area of rulemaking by the Commission (Budnitz, 1997).

#### There’s no statistical basis for your claims—our study analyzes 670 different downturns

Charles BOEHMER, professor of political science at Pennsylvania State University, ‘2 [March 24, 2002, “Domestic Crisis and Interstate Conflict: The Impact of Economic Crisis, Domestic Discord, and State Efficacy on the Decision to Initiate Interstate Conflict,” paper presented to the International Studies Association, http://isanet.ccit.arizona.edu/noarchive/boehmer.html]

I have argued in this study that economic growth should be positively related to militarized interstate conflicts while at the same time reducing the risk of domestic regime transitions. I also expected that domestic conflict would reduce the risk of interstate conflict. The research design used here specifically allows for a comparison of the relative probabilities of both interstate conflict and regime transitions. I do not find support for the conclusions often made in studies of diversionary conflict claiming that lower rates of economic growth should lead to interstate conflict. With the exception of MID initiations (where it had little effect), economic growth increases state involvement in militarized foreign conflicts. However, the results also show that higher levels of domestic protest and rebellion both increase international conflict as well as the risk of regime transitions. These results are in part consistent with the predictions of diversionary conflict theory, although it is important to note that involvement in foreign conflicts in the face of high levels of domestic protest or rebellion is very risky. Of the 670 observations where country-years where a militarized interstate conflict was initiated, 117 of these foreign conflicts (17%) were related somehow to regime transitions. This means that some attempts to divert failed, while others following MID transitions may be completely unrelated to diversionary behavior. Moreover, these conflict initiations likely include many conflicts which most would agree were not diversionary, such as US interventions into Bosnia or Afghanistan. This means that the risk of regime transition during is even probably higher when leaders would most prefer to divert. To gain higher confidence that domestic conflict leads to diversionary behavior, we should require a more detailed analysis of other causes, controlling for such factors as interventions into civil wars.

Theories of diversionary conflict need to further specify the linkages between domestic conflict, state efficacy, and regime type. Attention has been focused on each of these elements, but more work could be done. For example, the results here show that domestic conflict is partly a source of both international conflict and domestic instability, although whether states will most likely experience high levels of protest or rebellion would seem to depend on the structure and efficacy of their governments. While most existing studies provide a discussion of why diversionary conflict could be beneficial to leaders, more attention must be paid to the potential costs of diversion. The results here suggest that some leaders will be removed from power before they can take advantage of an opportunity to use foreign conflict to induce a rally effect, while others that attempt this gambit fail in the process. Can leaders really fool all the people all the time? The answer would appear to be no. This should not be surprising. However, an implication of this study is that the rally-around-the-flag effect identified in the American case may not be applicable to other countries or necessarily work as successfully.

#### Growth up – best projections

Minikoff 12/31 [Yoel Minikoff, Seeking Alpha News Editor. “Will the U.S. economic recovery continue into 2022?” 12/31/21. https://seekingalpha.com/news/3784335-will-the-us-economic-recovery-continue-into-2022]

Opportunity: The Conference Board, a non-profit research group of more than 1,000 public and private corporations, still forecasts that the U.S. economy will grow by 3.5% in 2022. Take for example the solid growth seen last quarter, despite a rise in coronavirus cases across the U.S., as well as a solid season of corporate earnings. There is also the trend for each successive wave of COVID-19 to having a smaller impact on the economy, while consumers are keeping up robust spending amid improving labor market conditions.

"Supported by the expectation of continued healthy financial market conditions, increased production to restock lean inventories, further gains in the consumption of services as consumer and business travel picks up, and a resilient housing market, continued above-trend growth is likely GDP growth in 2022," read a forecast from Kevin Kliesen, economist at the Federal Reserve Bank of St. Louis. "At this point, the most probable outcome is 3% to 4% real."

#### America’s dominating the tech race now—military and R&D edge in every next gen tech, controls the backbone in telecom. But – antitrust ruins it—breaks up the firms making the largest investments in R&D

Abbott ’21 [Alden Abbott, Paul Redmond Michel, Adam Mossoff, Kristen Jakobsen Osenga, and Brian O’Shaughnessy; March 10; the Federal Trade Commission’s General Counsel (2018-2021), adjunct professor at George Mason University, J.D. from Harvard Law School, M.A. in economics from Georgetown University; Retired Chief Judge and United States Circuit Judge of the United States Court of Appeals for the Federal Circuit; Law Professor at George Mason University; Law Professor at the University of Richmond; chair of Dinsmore’s IP Transactions and Licensing Group; the Regulatory Transparency Project, “Aligning Intellectual Property, Antitrust, and National Security Policy,” https://regproject.org/wp-content/uploads/Paper-Aligning-Intellectual-Property-Antitrust-and-National-Security-Policy.pdf]

The U.S. government has recognized that “5G is a critical strategic technology [such that] nations that master advanced communications technologies and ubiquitous connectivity will have a long-term economic and military advantage.”8 The U.S. has had a substantial technological edge over our military and intelligence rivals in foundational R&D for 5G and other next-generation technologies. U.S. companies have long been leaders in the development of previous generations of core mobile standards (2G, 3G, 4G, and LTE). This technological leadership has made it possible for U.S. companies to ensure the security and integrity of the hardware and software products that make up the backbone of the U.S. telecommunication systems. This leadership must continue for the U.S. government to more effectively anticipate potential security risks and take the necessary steps to protect national security.9

Despite this history of clear technological leadership, there are causes for concern. First, a very small number of U.S. companies have made the investments in the overwhelming majority of the R&D necessary to develop 5G.10 Historically, U.S. companies have heavily invested in R&D, which has propelled the U.S. into leadership positions in critical standard development organizations working on foundational next-generation technologies like 5G.11 U.S. companies like Qualcomm play a significant and important role in this process through innovation, patenting, and standard setting, but they are not alone in the global community of high-tech companies.12 Backed by their nations’ leadership, Chinese and Korean companies have also invested heavily in developing the core technologies for 5G.13

The willingness of U.S. companies to invest in R&D is threatened, however. The development of 5G is a bit like a race, with the companies who develop the best technology coming out ahead. While U.S. companies are savvy and talented competitors in this race, aggressive and unwarranted use of antitrust law by U.S. regulators, as well as by foreign antitrust authorities, threatens to put obstacles in these companies’ paths and hinder their ability to lead.

### Systemic Risk

#### No structural remedies

Jones 20 [Alison Jones, Professor of Law at King's and a solicitor at Freshfields Bruckhaus Deringer LLP. William E. Kovacic, George Mason University Foundation Professor at the George Mason University School of Law. “Antitrust’s Implementation Blind Side: Challenges to Major Expansion of U.S. Competition Policy.” 2020. <https://journals.sagepub.com/doi/pdf/10.1177/0003603X20912884>]

Modern antitrust has, however, had less appetite for the use of antitrust to break up companies. Although the District Court in United States v Microsoft Corp 113 ordered, at the request of the DOJ, that Microsoft be broken into two parts, the Court of Appeals, despite affirming the violation of section 2, reversed and remanded the finding that Microsoft should be split into two. Setting out a high bar for structural relief, the Court stressed that the lower court had not (1) held a remedies-specific hearing114 or (2) provided adequate reasons for the decreed remedies.115

A number of factors seem responsible for the trend away from structural remedies. First, the change in antitrust thinking that has evolved since the early 1970s, from a belief that antitrust intervention and structural remedies can improve performance116 to the current more laissez-faire one.117 Second, concerns about the effectiveness of previous attempts to deconcentrate industries,118 especially given the length of time that antitrust proceedings take.119 Third, the difficulty involved in constructing and overseeing a structural remedy effectively. Although in cases involving a merger or acquisition it may be relatively easy to structure such a remedy through disentangling assets that were once owned separately,120 outside of this situation, the question of how and what to divest might be much more speculative, seem much more risky and may in fact be complex and difficult to administer (involving significant restructuring, separation of physical facilities, and allocation of staff from integrated teams).121 These types of concern make it a challenge to persuade a court that a structural remedy is warranted and will be successful in achieving its objective.122

#### Cyber attacks can’t take down the grid- industry expertise

* Industry knowledge is high
* DOE roadmap said emerging tech solves
* NERC cybersecurity drills are required for pilot

Patel 18 [Sonal Patel, POWER associate editor, “Cyber Breaches: Is Fear Misplaced?”, 12/2/18, https://www.powermag.com/cyber-breaches-is-fear-misplaced/?pagenum=3]

The power sector’s terror of a debilitating cybersecurity attack is magnified seemingly every day as new vulnerabilities or destructive threat actors are identified. But according to several industrial security experts, that fear may be overblown because it often doesn’t take into account the growing breadth of industry insight and knowledge learned from past attacks or attempted breaches.

It’s “when” not “if.” That’s an axiom that has prevailed in many wide-ranging discussions about cybersecurity. It sounds the alarm that security complications and digital assaults are on the rise in an ever-more connected environment. And it’s a clear warning that a defensive posture is imperative on every level.

In the power sector, the prospect of imminent intrusions or network compromise of facilities, systems, and equipment on the bulk power system is often accompanied by the specter of critical asset failure. Disruptions could prove cumbersome and costly—or worse, affect the reliability or operability of the bulk power system, prompt an accident, or cascade across organizational and geographic boundaries. These justifiably grave concerns have prompted alarm from governments and industry and sent them scrambling to design comprehensive and collaborative defense strategies. The U.S. Department of Energy (DOE), for example, said in a May 2018–released multiyear energy sector cybersecurity strategy that threats are outpacing the sector’s “best defenses,” and it warned that costs of preventing and responding to cyber incidents are straining company efforts to protect critical infrastructure (Figure 1). It also outlined a long list of continuing industry needs, including addressing a severe shortage of qualified cybersecurity professionals, easier information sharing, and challenges concerning real-time security state monitoring and risk assessment.

However, the DOE’s roadmap also offered ample optimism. Along with identifying a long list of targeted activities, research development, and demonstration projects that are underway to achieve stronger cybersecurity, it also surveyed several technology pathways to help prevent, detect, and mitigate cyber incidents. Collaboration is also fairly widespread. The industry actively engages in cybersecurity risk information sharing programs, and several companies are part of public-private partnerships that conduct tabletop exercises and cyberthreat simulations. Owners and operators of the bulk power system, for example, participate in North American Electric Reliability Corp. (NERC) cybersecurity drills dubbed GridEx. At the same time, for their own protection, many companies have ramped up strategies and policies to thwart potential breaches in compliance with regularly changing Critical Infrastructure Protection (CIP) standards set out by NERC (and approved by the Federal Energy Regulatory Commission).

#### NC3 impacts are nonsense.

Dr. Andrew Futter 16, Associate Professor of International Politics and Director of Research for Politics and International Relations at the University of Leicester, “War Games Redux? Cyberthreats, US–Russian Strategic Stability, and New Challenges for Nuclear Security and Arms Control”, European Security, Volume 25, Issue 2, p. 171-172

It is of course highly unlikely that either the USA or Russia has plans – or perhaps more importantly, the desire – to fully undermine the other’s nuclear command and control systems as a precursor to some type of disarming first strike, but the perception that nuclear forces and associated systems could be vulnerable or compromised is persuasive. Or as Hayes (2015) puts it, “The risks of cyber disablement entering into our nuclear forces are real”. While the growing possibility of “cyber disablement” should not be overstated (notions of a “cyber-Pearl Harbor” (Panetta 2012) or “cyber 9–11” (Charles 2013) have done little to help understand the nature of the challenge), cyberthreats are nevertheless an increasingly important component of the contemporary US–Russia strategic context. This is particularly the case when they are combined with other emerging military-technical developments and programmes. The net result, especially given the current downturn in US–Russian strategic relations, and the way cyber is exacerbating the impact of other problematic strategic dynamics, is that is seems highly unlikely that either the USA or Russia will make the requisite moves to de-alert nuclear forces that the new cyber challenges appear to necessitate, or for that matter to (re)embrace the “deep nuclear cuts” agenda any time soon.

Assessing the options for arms control and enhancing mutual security

Given the new challenges presented by cyber to both US and Russian nuclear forces and to US–Russia strategic stability, it is important to consider what might be done to help mitigate and guard against these threats, and thereby help minimise the risks of unintentional launches, miscalculation, and accidents, and perhaps create the conditions for greater stability, de-alerting, and further nuclear cuts. While there is unlikely to be a panacea or “magic bullet” that will reduce the risk of cyberattacks on US and Russian nuclear forces to zero – be they designed to launch nuclear weapons or compromise the systems that support them – there are a number of options that might be considered and pursued in order to address these different types of threats and vulnerabilities. None, of these however, will be easy.

The most obvious and immediate priority for both the USA and Russia is working (potentially together) to harden and better protect nuclear systems against possible cyberattack, intrusion, or cyber-induced accidents. In fact, in October 2013 it was announced that Russian nuclear command and control networks would be protected against cyber incursion and attacks by “special units” of the Strategic Missile Forces (Russia Today 2014). Other measures will include better network defences and firewalls, more sophisticated cryptographic codes, upgraded and better protected communications systems (including cables), extra redundancy, and better training and screening for the practitioners that operate these systems (see Ullman 2015). However, and while comprehensive reviews are underway to assess the vulnerabilities of current US and Russian nuclear systems to cyberattacks, it may well be that US and Russian C2 infrastructure becomes more vulnerable to cyber as it is modernised and old analogue systems are replaced with increasingly hi-tech digital platforms. As a result, and while nuclear weapons and command and control infrastructure are likely to be the best protected of all computer systems, and “air gapped”14 from the wider Internet – this does not mean they are invulnerable or will continue to be secure in the future, particularly as systems are modernised or become more complex (Fritz 2009). Or as Peggy Morse, ICBM systems director at Boeing, put it, “while its old it’s very secure” (quoted in Reed 2012).

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### Biz Con

#### Business confidence is powering growth to full-blown recovery by 2022.

Dodd ’11-9 [David; November 9; Market strategist and analyst; Customer Think, “Economic Forecasters Predict a Strong 2022 . . . Mostly,” <https://customerthink.com/economic-forecasters-predict-a-strong-2022-mostly/>]

Several organizations have recently released economic forecasts that cover all or part of 2022, and I'll describe some of these predictions in this post. All of the forecasts discussed here are regularly updated, so marketers should check them often to ensure they are working with the latest economic outlooks.

Real GDP Growth

Most economists and other forecasters now expect the overall U.S. economy to experience above-average growth in 2022. In September, U.S. Federal Reserve Board members and Federal Reserve Bank presidents predicted that U.S. real GDP will increase by 3.8% next year (mean of individual forecasts). In October, The Conference Board also estimated that real GDP will grow 3.8% in 2022.

Several Wall Street economists tracked by CNBC and Moody's Analytics are predicting GDP growth of 3.9% in 2022 (average of individual forecasts).

To put these forecasts in perspective, many economists believe that the maximum sustainable growth rate of the U.S. economy (measured by real GDP) is 2% - 3%.

Unemployment

The U.S. unemployment rate has fallen dramatically since the pandemic high of 14.7% in April 2020. Last month, it stood at 4.6, according to the U.S. Bureau of Labor Statistics.

Most economists expect the unemployment rate to continue declining in 2022. For example, the Federal Reserve is now estimating that the average unemployment rate in the fourth quarter of 2022 will be 3.8%. The Conference Board is forecasting that the unemployment rate will fall from 4.8% in the fourth quarter of this year to 4.1% in the second quarter of next year.

Consumer Spending

Consumer sentiment declined sharply in August of this year and remained low in September and October, according to the University of Michigan's [Index of Consumer Sentiment](http://www.sca.isr.umich.edu/). Many economists have attributed this decline in consumer confidence to the summer-early fall surge of COVID-19 cases fueled by the Delta variant. In the October report, the University of Michigan researchers noted that the continuing low level of consumer optimism was primarily due to growing concerns about inflation.

Despite these downbeat readings on consumer confidence, most forecasters expect consumer spending to be strong next year. For example, The Conference Board expects real consumer spending to increase at annualized rates of 4.2% in the first quarter and 3.5% in the second quarter of 2022. And [Deloitte](https://www2.deloitte.com/us/en/insights/economy/us-economic-forecast/united-states-outlook-analysis.html) predicts that real consumer spending will increase by 3.5% over all of 2022.

Business Investment

Historically, business investment levels have been closely correlated with CEO confidence about future economic and business conditions. This relationship bodes well for business investment in 2022. In the latest McKinsey Global Survey of business executives, 51% of North American respondents said they expect economic conditions in their home country to improve over the next six months.

The Conference Board is estimating that "nonresidential investment" will increase at annual rates of 5.0% in the first quarter and 5.2% in the second quarter of next year. For all of 2022, [Deloitte](https://www2.deloitte.com/us/en/insights/economy/us-economic-forecast/united-states-outlook-analysis.html) is forecasting that "real fixed business investment" will grow 3.2%.

Inflation

Taken together, these forecasts suggest that the overall U.S. economy will continue to be in full-blown recovery mode in 2022. If these forecasts are accurate, most B2B companies should be operating next year under business conditions that are generally favorable.

### FDI

#### DA turns case first – FDI prevents escalation at every step of the ladder

Lee 12 [Hoon Lee, Department of Political Science, Texas Tech University. Sara McLaughlin Mitchell, Department of Political Science, University of Iowa. “Foreign Direct Investment and Territorial Disputes.” August 2012. https://www.jstor.org/stable/23248908]

In this article, we evaluate the relationship between monadic, bilateral, and global FDI flows and the management of geopolitical disputes, including contention over territory, cross-border rivers, and maritime areas. We identify four causal mechanisms linking FDI and interstate conflict prevalent in the international relations literature, focusing on the effect of FDI at different stages of the conflict process. In the first stage, a potential challenger decides whether to challenge the status quo over some interstate border. In the second stage, once a challenge to a land or water border has been issued, the disputing states can choose peaceful or militarized strategies to pursue their issue related goals. We identify two potential mechanisms at the first stage of the process (issue claim onset): (1) declining benefits of territorial conquest due to increased globalization and economic exchange and (2) increased foreign policy preference similarity between states with higher bilateral levels of investment flows. In the second stage of the conflict process (issue claim management), we discuss two potential mechanisms by which monadic and bilateral FDI flows might reduce the chances for militarized conflict and promote peaceful negotiations: (1) increased opportunity costs for violence in dyads characterized by high levels of monadic and bilateral FDI and (2) improved information and signaling in pairs of states with FDI, which should improve the chances for peaceful interstate agreements to be struck. We evaluate these different causal mechanisms using data from the ICOW project on territorial, maritime, and river conflicts in the Western Hemisphere, Europe, and Middle East from 1970 to 2001 and data from Huth and Allee's (2002) territorial dispute data set from 1970 to 1995.

Our empirical analyses provide strong support for the idea that there are declining benefits of territorial conquest in an economically globalized world. As world FDI levels have increased, states have become significantly less likely to make new diplomatic claims to other states' land or water territories. This reflects the sheer size of FDI globally today, which was not felt in earlier periods, as well as the increasing importance of FDI for states' GDP relative to trade, especially in the developing world. However, world FDI levels dropped sharply in 2008 and 2009. In the same period, China pressed its claims to islands and contiguous land areas in Southeast Asia more strongly. This strategy makes sense given that China's FDI is more urgently needed by states in its region, as the 2009 incident involving Vietnam illustrates. Given this systemic change in FDI flows, it will be important to analyze more recent issue claim data as it becomes available.

Second, we find evidence that monadic and bilateral FDI flows create opportunity costs for governments seeking to grab contested territory with violent strategies. Higher levels of bilateral and monadic FDI flows reduce the chances for severe militarized disputes over border issues. While conflict scholars find repeated disputes to be dangerous in terms of raising the probability of future disputes, pairs of countries who are mutually invested in each other's territories are less likely to employ militarized strategies for resolving territorial disputes. We find a similar effect for monadic FDI, which implies that governments who depend on outside financing for economic growth and development are more restricted in the coercive foreign policy strategies that they can employ. This is an important finding for the steps-to-war model, as it identifies FDI as a potential path to peace for countries embroiled in long-standing border disputes.

Third, we find that the pacifying effect of FDI works primarily as an opportunity costs causal mechanism, which makes sense when we consider that issue claim data sets allow for a broader range of diplomatic interaction over contentious issues. Less than half of all issue claims coded by the ICOW project have resulted in even a single militarized dispute. Many studies of economic interdependence and conflict treat all politically relevant dyads as the set of cases for which the effect of economic exchange on conflict is evaluated. Our research design more fully captures the mechanisms linking economic interdependence and conflict. We are able to show how FDI influences foreign policy decision making at different stages of diplomatic contention. Multinational corporations might not be able to completely avoid making investments in countries that have diplomatic territorial disputes with their home government. However, as the cases of China India, Croatia-Slovenia, and Cambodia-Thailand illustrate, multinational companies can lobby their respective governments for a peaceful resolution of the disputed issues, moves that will encourage further FDI and trade between the disputing states.

#### FDI solves the case – it is the most effective competition factor for local firms

Barrios 4 [Salvador Barrios, CORE, University Catholique de Louvain, Holger Gorg, University of Nottingham, UK, Eric Strobl, CORE, University Catholique de Louvain. “Foreign direct investment, competition, and industrial development in the host country.” May 24, 2004. https://www.sciencedirect.com/science/article/pii/S0014292104000637]

This paper examines the effect of FDI on the entry of local firms in host economies. In our theoretical framework we show that the impact of FDI on local development depends on two countervailing forces: first, a competition effect which provokes the exit of local firms; second, positive market externalities related with foreign presence which foster domestic firms’ start-up. With a continuous flow of FDI, the evolution of the number of local firms can be depicted as a u-curve where the competition effect first dominates but is gradually outweighed by positive externalities effects. Taking this as a motivating framework for our empirical analysis and applying semi-parametric regression techniques on plant level panel data for the manufacturing sector in the Republic of Ireland, we find support for such a u-shape.

Our results have important implications for economic policies pursued in host countries. This concerns questions such as incentives for resources transfer with FDI. Our model shows how FDI can be positive for local firms expansion and that positive externalities are more likely to occur the larger is the amount of capital transferred through FDI and the greater is the efficiency of local firms. We also show that local firms need to adapt to new competitors since FDI represents a greater competition factor than imports due to the factor market size limitation. FDI may provoke the exit of a given number of local firms while the remaining firms will be able to capture the positive spillovers effects related to FDI. This implies a transition period in which the competition effect dominates. In this case policy may be aimed at shortening this period and smoothing the transition process by assisting domestic firms to improve their capacities in order to be able to compete with multinationals. Thus, policy could be aimed at increasing R&D and innovative activity, as well as training of workers.

#### Uncertainty alone risks extinction – miscalculation

Reuters 20 [Reuters citing Nick Carter, Britain’s Chief of the Defence Staff. “Global uncertainty could risk World War Three - UK military chief.” 11/7/20. <https://www.reuters.com/article/us-britain-remembrance-war/global-uncertainty-could-risk-world-war-three-uk-military-chief-idUSKBN27O066>

Current global uncertainty and anxiety amid the economic crisis caused by the coronavirus pandemic could risk another world war, the head of Britain’s armed forces has warned.

In an interview aired to coincide with Remembrance Sunday, the annual commemorations for those who have been killed and wounded in conflict, Nick Carter, Britain’s Chief of the Defence Staff, said an escalation in regional tensions and errors of judgement could ultimately lead to widespread conflict.

“I think we are living at a moment in time where the world is a very uncertain and anxious place and of course, the dynamic of global competition is a feature of our lives as well, and I think the real risk we have with quite a lot of the regional conflicts that are going on at the moment, is you could see escalation lead to miscalculation,” Carter told Sky News.

Asked if that meant there was a genuine threat of another world war, Carter replied: “I’m saying it’s a risk and we need to be conscious of those risks.”

Carter, who became the British military chief in 2018, said it was important to remember those who had died in previous wars as a warning to those who might repeat past mistakes.

“If you forget about the horror of war, then the great risk I think is that people might think that going to war is a reasonable thing to do,” he said.

“We have to remember that history might not repeat itself but it has a rhythm, and if you look back at the last century, before both world wars, I think it was unarguable that there was escalation which led to the miscalculation which ultimately led to war at a scale we would hopefully never see again.”

#### Deadlock prevents antitrust enforcement

Doesn’t interfere with privacy enforcement because there’s consensus. The plan changes this by FIAT

Eleanor Tyler 10/7/21. Legal Analyst on the Litigation team, with a focus on antitrust, at Bloomberg Law. “ANALYSIS: FTC May Be Headed Into Deadlock, Delaying Big Deals.” https://news.bloomberglaw.com/bloomberg-law-analysis/analysis-ftc-may-be-headed-into-deadlock-delaying-big-deals

The Federal Trade Commission may be about to pause, unable to act on antitrust enforcement and policy until President Biden’s nominee can be confirmed and seated.

On Oct. 8, Federal Trade Commissioner Rohit Chopra is stepping down to take up his new position as head of the Consumer Financial Protection Bureau. Because it takes a majority among the Commissioners present to conduct business, and because the remaining commissioners will be split 2-2 between Democrat and Republican appointees, the Commission may find itself sitting on its hands until an equally divided Senate can approve privacy expert Alvaro Bedoya, whom Biden nominated Sept. 20 for Chopra’s seat.

In the past, the Commission has typically managed to continue making decisions and bringing cases while short a member (or several). These aren’t normal times, however. Many actions could be easily conducted on a bipartisan basis, but decisions about antitrust policy—and, potentially, antitrust enforcement—have proven contentious. That poses a potential obstacle for deals currently under investigation at the FTC, which tend to be large deals and those with market overlap between the parties.

#### 4. Khan’s agenda can’t make it through.

Joseph M. Miller 21. Seasoned anti-trust attorney. Has served as Assistant Chief of the Health Care and Consumer Products Section of the US Department of Justice’s Antitrust Division, a lead attorney on DOJ antitrust investigations in multiple industries, and a trial attorney in the Federal Trade Commission's Bureau of Competition."Big News, But Maybe Not so Big?," National Law Review, https://www.natlawreview.com/article/big-news-maybe-not-so-big

Khan's views may make for interesting political discussions but she's a long way from implementing her agenda in a lasting way. First, and most immediately, the Commission will be split 2-2 as soon as Commissioner Rohit Chopra is replaced, which may come soon. Chopra has been nominated to lead the Consumer Financial Protection Bureau and if the next FTC nominee is a traditional democrat, in the mold of former FTC Chairs Bill Pitofsky or Jon Leibowitz, that person will be the swing vote on cases. Second, as Chair of the Commission she is running a federal agency which comes with significant management responsibilities. Recall that she is 32 years old and nothing on her resume suggests she has the experience to be effective in that aspect of her role. Third, I predict the career staff will resist her admonition to put her vision into practice -- she advocates for bringing cases that are contrary to current law -- and no one likes getting yelled at by a federal judge. Fourth, and relatedly, the courts will emphatically reject her views. Just this week a unanimous Supreme Court decided *NCAA v. Alston* and reaffirmed the consumer welfare standard and other values that Ms. Khan is fighting against.

#### 5. Other enforcement is all talk

JED GRAHAM 9/16/21. Writes about economic policy for Investor's Business Daily.

Khan is clearly using her bully pulpit to the utmost, trying to dissuade merger talks from reaching fruition.

But right now it's all talk. She has turned a few heads, but the S&P 500 and Big Tech leaders have kept cruising. Facebook stock is up 11% since Khan took the FTC's helm on June 15, while Apple has climbed 15% and Google stock 18%. That's despite reports that the Justice Department is preparing to file a second Google antitrust suit over its ad dominance.

The new antitrust enforcement regime may not change all that much "until they show that they can sue and win," Kovacic said.

#### 6. No major new cases

Brent Kendall 10/9/21. Legal affairs reporter in the Washington bureau of The Wall Street Journal. “Justice Department Makes Quiet Push on Antitrust Enforcement.” https://www.wsj.com/articles/justice-department-makes-quiet-push-on-antitrust-enforcement-11633800598

The five-member FTC voted 3-2 along partisan lines last month to formally withdraw those guidelines. The commission’s new chairwoman, Lina Khan, is a leading progressive advocate for overhauling antitrust enforcement. She has been laying the groundwork for changes at the commission as she settles into the job, but hasn’t yet spearheaded any major new cases.

#### Foreign firms are more sensitive to shocks

Clougherty 21 [Joseph A. Clougherty, Gies College of Business, University of Illinois at Urbana-Champaign, Nan Zhang College of Business Administration, California State University Stanislaus, "Foreign investor reactions to risk and uncertainty in antitrust: U.S. merger policy investigations and the deterrence of foreign acquirer presence", April 2021, Journal of International Business Studies, https://experts.illinois.edu/en/publications/foreign-investor-reactions-to-risk-and-uncertainty-in-antitrust-u]

A considerable amount of IB literature has examined the impact of country-level political risk and uncertainty on inward FDI activities – see the literature reviews by Kobrin (1979), Fitzpatrick (1983) and Liesch, Welch, and Buckley (2011). The basis behind this literature is that political risks and uncertainties can “arise from the actions of national governments which interfere with or prevent business transactions” (Weston & Sorge, 1972: 60). Firms generally react to such political hurdles by reducing their willingness to make investments as the option value of delaying investment becomes higher under such risks and uncertainties (Bloom, 2014; Brouthers, Brouthers, & Werner, 2008). While political hurdles and hazards can negatively influence the investment activities of all firms, foreign firms are generally considered to be more sensitive to such shocks. For one, foreign firms might be more frequently targeted when burdensome laws, regulations and policies are implemented by national governments; e.g., Eden (1994) observes that national policies practiced in a parochial manner represent fundamental threats to multinationals. Furthermore, foreign firms often lack the local information, legitimacy and contacts which might help them properly assess and mitigate political constraints. As Werner, Brouthers, and Brouthers (1996: 572) underscore, “firms commonly find international business opportunities to be inherently more risky than domestic ones” due to the stark differences in political environments and the inherent legal uncertainties characteristic of foreign investment endeavors. It is no surprise then that a great deal of empirical literature (e.g., Delios & Henisz, 2000, 2003b; Henisz & Delios, 2001) indicates that uncertainty in the political environment substantially deters foreign investment activities. Indeed, Kobrin (1979) highlights how the response to political risk and uncertainty is frequently avoidance, as multinationals simply do not get involved in countries perceived as risky.

#### Adverse enforcement is inevitable and will be perceived as protectionist

Dr. Andrew Guzman 11, Professor of Law, Director of the Advanced Law Degree Programs, and Associate Dean for International and Executive Education at Berkeley Law School, University of California, Berkeley, JD Magna Cum Laude from Harvard Law School, PhD in Economics from Harvard University, BSc from the University of Toronto, Cooperation, Comity, and Competition Policy, Ed. Guzman, p. 354-355

IV. COSTS OF NONCOOPERATION

As the above theoretical explanation shows, attempts to regulate international trade creates costs and benefits that are not fully accounted for in the domestic policy decisions of states. Transaction costs and bias stand out as two prominent costs of the de facto regime.

Since regulatory bodies exist in many different countries, and since some of those bodies apply their laws extraterritorially, firms that conduct business on a global scale must contend with increased and duplicative costs. In order to operate in accord with regulatory policies in many different countries, firms must retain legal counsel in multiple states in order to satisfy jurisdictional differences in reporting and disclosure requirements. This is slow, burdensome, and expensive for the fi rms, while it also increases costs carried by the various regulatory agencies. Because regulatory bodies in different states all act independently, from the perspective of global efficiency, the regulatory bodies are expending duplicative energy in reviewing the same activities.

In the context of international trade under the de facto international competition policy regime, firms operating in multiple states are subject to multiple regulatory reviews. As already noted, this overregulation is costly in terms of duplicative work on the part of both fi rms and regulatory states, but it also introduces yet another cost of noncooperation in the form of bias. A regulatory agency has the temptation to be more lenient when reviewing activities by local firms and potentially more restrictive when reviewing activities by foreign firms.

From the point of view of the firms, even if regulatory activities by states are unbiased, it might appear that unfavorable rulings stem from bias. Perception, in this case, is important because the way firms perceive regulatory actions or regulatory policies by states has implications for the way firms conduct their business activities. Furthermore, states might perceive the regulatory activities of other states on their firms as biased or even as punitive regulatory activity, which potentially drives a wedge between any possibility of interstate regulatory cooperation. Bias is more apparent in the choice of which cases to pursue, rather than in statutory language, but nevertheless, the presence of export cartel exemptions is the most ready example of substantial evidence that points to state bias in regulatory activity. Again, as mentioned above, the United States reveals its bias in exemptions for firms operating in the international markets in aviation, energy, ocean shipping, and communications.

#### Shifts in antitrust law upend economic certainty – perception alone crushes innovation

Young 19 [Ryan Young, Senior Fellow at the Competitive Enterprise Institute (CEI). Clyde Wayne Crews, Jr. vice president for policy and a senior fellow at the Competitive Enterprise Institute. “The Case against Antitrust Law.” April 2019. https://cei.org/sites/default/files/Wayne\_Crews\_and\_Ryan\_Young\_-\_The\_Case\_against\_Antitrust\_Law.pdf]

Uncertainty. Antitrust regulation creates an enormous amount of economic uncertainty. Nobody knows how it will be used at a given time. If antitrust statutes are interpreted literally, potentially any firm, no matter how small, can be charged with an antitrust violation—or for dominating its relevant market, however defined. If a business sells goods at a lower price than its competitors, it can be charged with predatory pricing. If it sells goods at the same price as its competitors, it can be charged with collusion. And if it sells goods at a higher price than its competitors, it can be charged with abusing market power.

A century of case law has evolved some guidelines, but judicial precedents can be overturned any time a new case is brought. There are few bright-line legislative or judicial standards for antitrust enforcement. It is mostly guided by a mix of inconsistently enforced judicial precedents, regulators’ personal discretion, and political factors unrelated to market competition. Even the mere threat of antitrust enforcement can have a preemptive chilling effect on innovation, business strategies, and potential efficiency-enhancing arrangements.

#### Suits alone stifle investment but don’t solve competition – take years of resources

Young 19 [Ryan Young, Senior Fellow at the Competitive Enterprise Institute (CEI). Clyde Wayne Crews, Jr. vice president for policy and a senior fellow at the Competitive Enterprise Institute. “The Case against Antitrust Law.” April 2019. https://cei.org/sites/default/files/Wayne\_Crews\_and\_Ryan\_Young\_-\_The\_Case\_against\_Antitrust\_Law.pdf]

Bork’s statement is problematic for several reasons. How do regulators and judges know which cases are causing consumer harm and which are not? How do they decide which cases to pursue? Cases also often take years to resolve. Assuming regulators identify a valid case, how would they, and the judges who hear the case, know if market activity could address the problem by the time the case is decided? Do the benefits of regulatory action exceed the court and enforcement costs? Are the affected companies in a position to capture the regulators?

More to the point, does the short-term benefit come at a greater long-term cost? An enforcement action now could have a deterrent effect on future mergers, contracts, and innovations, including in unrelated industries. The consumer harm from these could well exceed the short-term benefits of a short-term improvement on market outcomes—assuming that regulators are consistently capable of such a feat.

For example, the IBM v. United States antitrust case filed in 1969 lasted for 13 years until the Justice Department decided to drop the case in 1982. By then, the computer market had changed so completely that IBM’s competitors had long since surpassed it. In this case, regulators eventually gave up, however belatedly, but this is not guaranteed to happen in every case. And who knows what consumer- benefiting innovations IBM could have developed with the time and resources it ended up devoting to defending itself in this case? Neo-Brandeisians could argue that it was the antitrust process itself that empowered IBM’s competitors to overtake it, but there is no way of knowing that.

#### Signal alone halts investment

Mitchell 5/3 [Trace Mitchell is policy counsel at NetChoice, a trade organization. "Weaponizing Antitrust to Attack Big Tech Is a Bad Idea" 05/03/21, https://morningconsult.com/opinions/weaponizing-antitrust-to-attack-big-tech-is-a-bad-idea/]

By impeding mergers, the sheer fear of potential antitrust enforcement would shutter the doors on small businesses from all sectors of the economy. So much investment in innovation is built on the possibility of being acquired by a larger player. Entrepreneurs and innovators from manufacturing, automotive and tech alike would be left with an unfortunate takeaway — succeed and benefit consumers, but not too much.

And with an economy still struggling to recover, the absolute last thing we need is to leave consumers without innovative and affordable choices, small businesses without key investment opportunities and our economy without a competitive edge globally.

But by weaponizing antitrust, we’ll get neither thoughtful intervention nor consumer benefits. Instead, the United States will lose ground to foreign competitors and American consumers will ultimately pay the price.

#### The paucity of antitrust decisions means it’s widely perceived.

Pate 4—(Assistant Attorney General Antitrust Division U.S. Department of Justice ). R. Hewitt Pate. 2004. “Antitrust law in the U.S. Supreme court”. Presented at British Institute of International and Comparative Law Conference London, England. <https://www.justice.gov/atr/speech/antitrust-law-us-supreme-court>.

Because there are so few Supreme Court antitrust decisions each year — and because each one sets precedent that will govern the application of the antitrust laws in the lower courts for decades to come each decision is an event of major significance for antitrust enforcers and the antitrust bar. Every phrase is studied with care, and every future case is evaluated in terms of the Court's reasoning process.

#### Even targeted antitrust sends a broad signal of aggressive overregulation.

Keating ’21 [Raymond; June 18; Chief Economics for the Small Business and Entrepreneurship Council and Adjunct Professor in the MBA Program at the Townsend School of Business at Dowling College; SBE Council, “Antitrust Fictions (and Actions) Will Have Real, Negative Economic Consequences,” <https://sbecouncil.org/2021/06/18/antitrust-fictions-and-actions-will-have-real-negative-economic-consequences/>]

The Real Outcome: Less Competition and Innovation, Fewer Choices, Diminished Investment and Entrepreneurially Opportunity

It needs to be understood that while supposedly targeting so-called “Big Tech,” these intrusive regulations and substantial costs would fall on competitors as well, thereby actually discouraging competition in technology markets. For good measure, moving ahead with his kind of hyper-antitrust regulation of tech firms lays the groundwork for doing so in other industries, such as in retail, energy, health and medical sectors, and so on. This is what Senate anti-trust crusaders hope to accomplish.

The message is clear: Beware entrepreneurs, businesses and investors if you become too successful or if you cross certain political constituencies. The government stands ready to punish you via intrusive and costly regulation.

It doesn’t matter that this entire attack on “Big Tech” is based on political fictions, as the policies would generate negative economic consequences. Political, antitrust fictions do not somehow make the fallout for entrepreneurship, investment and innovation any less real.

#### FDI’s rebounding but highly competitive – policy certainty is key

Kusek 21 [Peter Kusek, Senior Economist and Global Lead, World Bank. Caroline Freund, Dean of the UC San Diego School of Global Policy and Strategy. Abhishek Saurav, Senior Economist with the Global Investment Climate Unit of the World Bank Group’s Finance, Competitiveness & Innovation Global Practice. “Foreign investors cautiously see brighter skies ahead after pandemic shock.” 5/3/21. https://blogs.worldbank.org/psd/foreign-investors-cautiously-see-brighter-skies-ahead-after-pandemic-shock]

The outlook for foreign investment is beginning to look a bit brighter after more than a year of severe shock from COVID-19. The pandemic affected output and trade, and caused global foreign direct investment (FDI) flows to fall by more than 40 percent. While global trade rebounded in the second half of 2020, FDI remained weak. But with the global economy expected to grow by 4 percent in 2021, foreign investors may be ready to plan for future expansion—with caution.

Results from the latest World Bank’s quarterly Global Pulse Survey of multinational enterprises (MNEs) in developing countries show a stabilizing investment outlook for MNEs compared with earlier rounds of the survey in 2020. Three-quarters of respondents surveyed in the fourth quarter (October-December) expected to maintain their current level of investment and very few expected to reduce investment. MNEs also reported limited plans for a significant reorganization of investment locations, business models, or supply chain structures.

Still, uncertainty over the course of the economic recovery remains. Foreign direct investment has the potential to support recovery by creating jobs and boosting productivity. To realize this potential, it is critical for countries to have in place the right FDI policies to enhance their competitiveness and give firms the confidence to invest.

Lingering pandemic effects

Despite the gradual improvement overall, the survey showed that the adverse effects of the pandemic were still felt in the fourth quarter of 2020. More than 90 percent of respondents reported being adversely affected in at least one business dimension in both the third and fourth quarters of last year.

MNEs in the manufacturing sector continued to be more negatively affected than those in services, a trend largely driven by weak demand and lingering supply chain disruptions. The sample in the service sector included mainly companies in IT, finance, professional, and logistics services. A higher share of manufacturing firms (71 percent) reported reduced output, compared to 55 percent of service sector firms.

Figure 1: Effects of the pandemic were still being felt in Q4, although the situation is improving

Stabilizing foreign direct investment

After a steep decline in FDI in 2020, investors are still largely waiting on sidelines. FDI data indicate that the pipeline for greenfield investment is limited. The value of new greenfield FDI announcements in developing countries plunged in 2020 and remained more than 50 percent below 2019 levels in the fourth quarter.

However, survey data suggested that the near-term outlook for foreign investment is stabilizing. In the previous survey round (third quarter of 2020), 39 percent of respondents indicated that their parent company planned to invest less. In the current round this share dropped to about 1 percent, suggesting MNEs’ earlier negative outlook may have been driven by short-term investment plans.

Nonetheless, few MNE affiliates are planning to expand investment in the next one to three years. Three quarters of firms reported that investment levels were expected to remain the same (up from 46 percent in the third quarter), while 17 percent expected investment to increase (up slightly from 13 percent in the third quarter).

Figure 2: Cautious optimism amid uncertainty—the investment outlook in the next 1-3 years is stabilizing

Policies, Growth, and Costs Remain Key to Competitiveness

Survey data confirm what literature has consistently shown about the importance of FDI policies in shaping the attractiveness of countries as investment destinations. Among MNE affiliates that expect their parents to invest more in the host economy in the coming years, nine out of ten identify expected or realized changes in the investment policy environment as a driver of their expansion plans.

Figure 3: New investments are driven by FDI regulations, growth markets, and low cost (n = 56)

New investments graph

With prospects of global recovery expected to be uneven, multinational companies are also significantly driven by shifts toward countries that offer larger markets or faster-growth opportunities. Four in five businesses cited this motivation. As always, cost competitiveness of host economies remains a major driver of investment plans. Three in five cited this motivation. To a lesser degree, some investment decisions could be driven by diversifying production locations and adjustments in global value chains aimed at nearshoring or reshoring.

The near-term outlook for foreign investment may be stabilizing, but it will remain highly competitive. Countries should use the crisis as an opportunity to reform trade and investment policies, boost investor confidence, so they can attract foreign investment capital needed to underpin recovery.

#### FDI is key to growth

ITA 17 [International Trade Administration Blog. “Foreign Direct Investment: Driving Global Competitiveness and Innovation.” 7/7/17. https://blog.trade.gov/2017/07/07/foreign-direct-investment-driving-global-competitiveness-and-innovation/]

Foreign Direct Investment (FDI) plays an important role in the U.S. economy. It leads to the creation of jobs, an increase in wealth and living standards, and overall growth and innovation that drive the U.S. economic competitiveness. Last month, the Commerce Department hosted the 2017 SelectUSA Investment Summit providing a platform to communicate economic priorities and affirm the United States as the number one destination in the world for foreign direct investment. Direct Employment by majority foreign-owned firms in the US graph

The United States remains an attractive destination for FDI for a variety of reasons, including a large consumer base, a productive workforce, a highly innovative environment, and legal protections. As a result, foreign firms make investments in the United States on a regular basis by establishing new operations, purchasing existing operations of another company, or providing additional capital to their existing U.S. operations.

The U.S. welcomes foreign investment, and the numbers show that investors have confidence in the opportunities here. With a population of 320 million and a Gross Domestic Product (GDP) that’s over $18 trillion, our nation is home to more FDI stock than any other country.

The numbers paint the big picture:

12.1 million jobs are attributable to FDI.

6.4 million reflects the number of U.S. workers who are directly employed by majority foreign-owned firms.

2.4 million includes jobs attributable to the economic activity of majority foreign-owned firms, including jobs in those firms’ supply chains, jobs attributable to higher incomes, and other economic effects.

In the manufacturing sector alone, productivity growth from technology spillovers associated with FDI contributed 3.5 million jobs.

#### FDI turns inequality

Department of Commerce 13 [U.S. Department of Commerce and the President’s Council of Economic Advisers. “Foreign Direct Investment in the United States.” October 2013. <https://www.commerce.gov/sites/default/files/migrated/reports/Foreign-Direct-Investment-in-the-United-States-October-2013_0.pdf>]

In the 2009-09 recession and subsequent recovery, employment at U.S. affiliates proved more stable than overall private-sector employment. Total affiliate employment increased by 0.9 percent between 2007 and 2011, while total U.S. private employment fell 5.3 percent. Likewise, employment at manufacturing affiliates edged down just 1.5 percent from 2007 to 2011, compared to a 15.4-percent drop in overall U.S. manufacturing employment. As a result, U.S. affiliates’ share of total U.S. manufacturing employment rose from 14.8 percent in 2007 to 17.8 percent in 2011.

U.S. affiliate firms make substantial investments in capital equipment and R&D, tend to hire highly skilled workers and pay excellent wages. These firms paid wages and other forms of compensation that averaged more than $77,000 per U.S. employee in 2011 as compared to average earnings of $58,000 for workers in the economy as a whole. Compensation at U.S. affiliates has been consistently higher than the U.S. average over time, and the differential holds for both manufacturing and non-manufacturing jobs, with a slightly higher differential in manufacturing.

#### Turns innovation – domestic investment alone is insufficient

Mohseni 21 [Amin Mohseni-Cheraghlou, collaborator on the Bretton Woods 2.0 project with the GeoEconomics Center and an assistant professor of Economics at the American University in Washington, DC. He previously served as a research economist and consultant in different departments of the World Bank between 2007 and 2020. “Foreign Direct Investment: A new strategy for the United States.” 8/5/21. https://www.atlanticcouncil.org/blogs/foreign-direct-investment-a-new-strategy-for-the-united-states/]

However, the United States is not able to meet the current financing and technological gap solely through domestic private and public investment schemes. Therefore, it is imperative for the US to incentivize greenfield and brownfield FDI in US infrastructure – traditional and non-traditional – to improve its quality and resilience in the face of the growing frequency of adverse events and vulnerabilities. This will in turn increase the productivity, efficiency, and competitiveness of the US economy, contributing to its sustained appeal as a leading FDI destination in the second quarter of the twenty-first century.