

### The Spending – Dollar Collapse Disadvantage -- Explanation

This is the Spending – Dollar Collapse Disadvantage. Pages 2 through 5 of this file should be read during the 1<sup>st</sup> Negative Constructive. A disadvantage or “DA” is what is called an off-case argument, meaning it does not deal directly with the inherency, harms or solvency observations of the 1<sup>st</sup> Affirmative Constructive. In fact, the DA derives its link directly from the Affirmative’s plan. The DA links, or is relevant to the Affirmative plan, based on what the affirmative plan does, or the potential consequences the plan may have.

A DA consists of the following:

- Uniqueness – this explains the current state of affairs as it relates to the DA. In this case, the Uniqueness argument is that the current U.S. budget has cut funding for NASA, or space programs, quite dramatically. These spending cuts are critical to maintain the status of the U.S. economy in the status quo.
- Link – This explains the way the Affirmative’s plan changes the status quo, or affects the DA’s Uniqueness. In this DA, the Link says that the plan’s proposed changes to space exploration would increase the U.S. budget, and overall government spending, which would be bad for the economy. Further, the plan would signal to other countries that the U.S. Federal Government cannot control their spending, and are allocating money to non-essential programs, such as space exploration.
- Internal Link – This adds an added dimension of explanation to the Link evidence, and is the bridge between the Link and the Impact. The Internal Link to this DA says that spending on space programs would upset investors, who would then panic and start selling-off their American investments, making the dollar lose value in the global economic market.
- Impact – The Impact to a DA explains what will happen if the plan is passed. In this case, if the plan happens, it would upset the stability the economy by lowering the dollar. This would lead to a recession, which would cause a nuclear war. A nuclear war would lead to extinction or the end of all life on earth.

**SPENDING –DOLLAR COLLAPSE – 1NC SHELL**

**A. UNIQUENESS: CURRENT BUDGET PLANS FOR REDUCED NASA SPENDING**

**National Journal February 14, 2011**

[<http://www.nationaljournal.com/nationalsecurity/nasa-largely-spared-big-cuts-in-obama-budget-20110214>]

President Obama’s controversial vision for America’s space program may have already come face to face with fiscal reality. NASA largely dodged major cuts under his proposed budget released today, but the plan reveals some significant reallocation of funds and doesn’t appear to include any of the \$6 billion boost that he promised to provide over five years. The total amount budgeted for NASA matches 2010’s funding of \$18.7 billion, but the plan strips nearly \$2 billion from the Space Operations program, which is responsible for operating the space shuttle and International Space Station. This reduction is based largely on the shuttle program drawing to an end (the last flight is scheduled this year), as well as a planned merger of the two directorates.

**DOLLAR COLLAPSE – 1NC SHELL**

**B. LINK: THE PLAN UNDERMINES THE VALUE OF THE DOLLAR**

**1. THE PLAN IS NEW GOVERNMENT SPENDING IN A TIME WHEN WE NEED FISCAL RESTRAINT. SPACE EXPLORATION IS EXPENSIVE**

**USA Today January 30, 2011**

[[http://www.usatoday.com/tech/science/space/2011-01-26-1Achallenger26\\_CV\\_N.htm](http://www.usatoday.com/tech/science/space/2011-01-26-1Achallenger26_CV_N.htm)]

Space exploration takes big bucks. After the accident, Congress poured money into NASA to fund its recovery from the catastrophe, including the construction of a shuttle to replace Challenger. NASA's budget soared from \$15.5 billion (in 2010 dollars) in fiscal 1986 to almost \$21 billion the year after the accident, and it continued to trend upward for the next half-decade. Since then, however, NASA often has faced "a disconnect between the goals that have been set and the funds that have been available to carry out those goals," says Norman Augustine, former chairman and CEO of Lockheed Martin who led a panel appointed by the Obama administration to examine NASA's plans.

**2. LOSS OF CREDIBILITY ON CONTROLLING GOVERNMENT SPENDING WILL UNDERMINE THE DOLLAR**

**Christian Science Monitor April 14, 2011**

[<http://www.csmonitor.com/Commentary/the-monitors-view/2011/0414/Budget-cuts-are-the-dollar-s-savior>]

Americans should look at the battle of the budget in Washington as bigger than typical power-play antics. Not only is the tussle over spending a way to define government's role. It will also dictate the future of US leadership – and its values – in the global economy. The best measure of that influence lies in the continuing strength of the US dollar as the world's dominant currency for countries to hold in reserve and for use in trade. The closer Democrats and Republicans get to a deal on dramatic cuts in the deficit, the more likely the greenback will keep its perch as the global banknote of choice. Without a credible agreement to reduce trillions in US debt, however, the wolves will soon be at the gate in an attempt to dethrone the dollar, and Americans will lose the benefits of easy trade in dollars and the use of credit from countries recycling dollars back into purchase of Treasury bonds.

**DOLLAR COLLAPSE – 1NC SHELL**

**C. INTERNAL LINK: ANY SINGLE EVENT THAT WORRIES INVESTORS COULD TRIGGER A DOLLAR SELL OFF THEIR HOLDINGS IN THE AMERICAN DOLLAR AND SWITCH TO EUROPEAN CURRENCY**

**Judith Sherman, attorney, Foley, Baron & Metzger, September 6, 2010**

[<http://canwebelieveit.info/2010/09/06/will-u-s-dollar-collapse/>]

Several conditions MUST be in place before the dollar could collapse. First, the dollar must already be weak. Second, there must be a viable currency alternative that everyone can turn to quickly in an emergency. Third, an event would have to trigger a stampede to a sell-off before a collapse could occur. The dollar is already weak so the first condition exists right now. The dollar has been declining against the euro by 40% between 2002 and 2009. Why? The U.S. debt more than doubled during that time period, from \$5.9 trillion to \$13 trillion. This increases the chance the U.S. will let the dollar's value slide, allowing it to repay the debt with cheaper money. An event or a cascade of events would be enough to cause the dollar to collapse. An event would be anything that investors consider worrisome. Investors will sell-off their holdings with dollars at a panic rate that cause the value of the dollar to fall quickly and crash.

## DOLLAR COLLAPSE – 1NC SHELL

### D. IMPACT:

#### 1. GOVERNMENT SPENDING RISKS A CURRENCY WAR AND GREAT DEPRESSION

**John Ing, President, CEO at Maison Placements Canada Inc. December 17, 2010**

[<http://www.financialsense.com/contributors/john-ing/currency-wars-and-china>]

Washington's insatiable appetite for debt and taxes has become just too big. In reflating this bubble with yet another round of quantitative easing, Fed Chairman Bernanke (a.k.a. Helicopter Ben) has greatly increased the risk of a global currency war dragging down an already vulnerable banking system. Desperately the Americans and Europeans have resorted to the printing press, manipulating their currencies lower destabilizing capital flows, raising fears of an all out currency war, similar to the one that spawned the Great Depression.

#### 2. AN ECONOMIC COLLAPSE WILL LEAD TO NUCLEAR WAR

**James Cusick, Sunday Herald (Scotland) 3.18.09**

[[http://www.sundayherald.com/oped/opinion/display.var.2495478.0.dont\\_bank\\_on\\_financial\\_trouble\\_being\\_resolved\\_without\\_conflict.php](http://www.sundayherald.com/oped/opinion/display.var.2495478.0.dont_bank_on_financial_trouble_being_resolved_without_conflict.php)]

I'm not saying that America is about to declare war on China, or that Germany is going to invade France. But there are profound economic stresses in central Europe that could rapidly turn into conflict in the bankrupt Baltic states, Hungary, Ukraine. And if the Great Recession, as the IMF's Dominique Strauss-Kahn called it last week, turns into a Great Depression, with a prolonged collapse in international trade and financial flows, then we could see countries like Pakistan disintegrate into nuclear anarchy and war with neighbouring India, which will itself be experiencing widespread social unrest. Collapsing China could see civil war too; Japan will likely re-arm; Russia will seek to expand its sphere of economic interests. Need I to go on?

**UNIQUENESS EXT. – SPACE BUDGET –(FOR PART A OF THE 1NC SHELL)**

**OBAMA BUDGET FREEZES NASA FOR FIVE YEARS**

**Agence France Presse February 14, 2011**

[<http://www.abs-cbnnews.com/global-filipino/world/02/14/11/obama-five-year-freeze-nasa-budget>]

President Barack Obama on Monday proposed reining in expenses at NASA, sending his 2012 budget blueprint to Congress calling for a five-year freeze on new spending at the US space agency. The president would restrict NASA's budget to last year's levels, \$18.7 billion annually through fiscal 2016. The figure represents a 1.6-percent decrease from the spending total the agency had sought for fiscal 2011, which ends in September. "This budget reflects the overall fiscal reality of the US government. There is not a lot of money available," said John Logsdon, a former director of the Space Policy Institute in Washington.

**NO GREAT POLICY CHANGES IN STORE FOR NASA**

**Yahoo News February 14, 2011**

[[http://old.news.yahoo.com/s/ac/20110214/pl\\_ac/7856368\\_obamas\\_nasa\\_budget\\_proposal\\_for\\_fy2012\\_business\\_as\\_usual](http://old.news.yahoo.com/s/ac/20110214/pl_ac/7856368_obamas_nasa_budget_proposal_for_fy2012_business_as_usual)]

Unlike last year, President Barack Obama's proposed budget for NASA in the coming fiscal year includes no great policy changes. In keeping with the President's propose to freeze domestic spending it comes out to \$18.7 billion dollars for fiscal year 2012. The outline of the budget proposal pretty much accepts the priorities set down in the bipartisan NASA authorization act passed last year.

**UNIQUENESS EXT. – SPACE MISSIONS –(FOR PART A OF THE 1NC SHELL)**

**THE SPACE AGE IS OVER**

**The Economist June 30, 2011**

[<http://www.economist.com/node/18897425>]

It is quite conceivable that 36,000km will prove the limit of human ambition. It is equally conceivable that the fantasy-made-reality of human space flight will return to fantasy. It is likely that the Space Age is over.

**SPACE EXPLORATION IS NOT INEVITABLE**

**The Economist June 30, 2011**

[<http://www.economist.com/node/18897425>]

The reason for that second objective is also the reason for thinking 2011 might, in the history books of the future, be seen as the year when the space cadets' dream finally died. It marks the end of America's space-shuttle programme, whose last mission is planned to launch on July 8th (see article, article). The shuttle was supposed to be a reusable truck that would make the business of putting people into orbit quotidian. Instead, it has been nothing but trouble. Twice, it has killed its crew. If it had been seen as the experimental vehicle it actually is, that would not have been a particular cause for concern; test pilots are killed all the time. But the pretence was maintained that the shuttle was a workaday craft. The technical term used by NASA, "Space Transportation System", says it all. But the shuttle is now over. The ISS is due to be de-orbited, in the inelegant jargon of the field, in 2020. Once that happens, the game will be up. There is no appetite to return to the moon, let alone push on to Mars, El Dorado of space exploration. The technology could be there, but the passion has gone—at least in the traditional spacefaring powers, America and Russia.

**UNIQUENESS EXT. – SPACE MISSIONS –(FOR PART A OF THE 1NC SHELL)**

**THE PUBLIC HAS LOST INTEREST IN PAYING FOR SPACE EXPLORATION**

**The Economist June 30, 2011**

[<http://www.economist.com/node/18897425>]

Unless life turns up on Mars, or somewhere even more unexpected, public interest in the whole thing is likely to wane. And it is the public that pays for it all. The future, then, looks bounded by that new outer limit of planet Earth, the geostationary orbit. Within it, the buzz of activity will continue to grow and fill the vacuum. This part of space will be tamed by humanity, as the species has tamed so many wildernesses in the past. Outside it, though, the vacuum will remain empty. There may be occasional forays, just as men sometimes leave their huddled research bases in Antarctica to scuttle briefly across the ice cap before returning, for warmth, food and company, to base. But humanity's dreams of a future beyond that final frontier have, largely, faded.

**UNIQUENESS EXT. – ECONOMY –(FOR PART A OF THE 1NC SHELL)**

**EVEN WITH ALL THE NEGATIVE FACTORS, WE WILL AVOID A DOUBLE DIP RECESSION IN THE STATUS QUO**

**Andrew Stout, senior investment officer, MCF Advisors, June 7, 2011**

[<http://www.bizlex.com/Articles-c-2011-06-07-97934.113117-ThreeYear-Outlook-A-Look-at-the-Headwinds.html>]

Within this outlook, economic growth and recovery will be led by the private sector, but it will likely be more muted than recent recoveries due to economic headwinds. Because of these headwinds, economic growth should average around 2 percent to 3 percent over the next three years, with the potential to see a weak quarter as the economy recovers. But even with significant headwinds such as a weak housing sector, chronically high unemployment, and high debt loads in the consumer and governmental sectors of the economy, a double-dip recession is not likely in the near term.

**ECONOMIC GROWTH WILL BE SUFFICIENT TO PREVENT ANOTHER HOUSING COLLAPSE**

**Andrew Stout, senior investment officer, MCF Advisors, June 7, 2011**

[<http://www.bizlex.com/Articles-c-2011-06-07-97934.113117-ThreeYear-Outlook-A-Look-at-the-Headwinds.html>]

Because of this imbalance, home prices are likely to fall even further. While the spotty demand and shaky supply would appear to be a perfect recipe for another housing collapse, this is less likely if the economy continues to grow. With steady economic growth around 3 percent over the next few years, the job market should slowly heal, and this will provide a floor under the housing market.

**UNIQUENESS EXT. – ECONOMY –(FOR PART A OF THE 1NC SHELL)**

**THERE IS ENOUGH SLACK IN THE ECONOMY NOW TO PREVENT INFLATION**

**Andrew Stout, senior investment officer, MCF Advisors, June 7, 2011**

[<http://www.bizlex.com/Articles-c-2011-06-07-97934.113117-ThreeYear-Outlook-A-Look-at-the-Headwinds.html>]

In the near term, the core inflation risk in the United States is low despite the rising commodity prices. While commodity prices have increased recently, the slack in our economy will moderate price increases. Evidence of the slack in our economy can be found in the high unemployment rate. With so many people unemployed, wage increases are smaller and spaced further apart. The high unemployment rate also reduces the buying power and behavior of individuals, which reduces demand and thus, the rate of inflation.

**CURRENT POLICIES WON'T PRODUCE HYPERINFLATION**

**Andrew Stout, senior investment officer, MCF Advisors, June 7, 2011**

[<http://www.bizlex.com/Articles-c-2011-06-07-97934.113117-ThreeYear-Outlook-A-Look-at-the-Headwinds.html>]

Even though economic growth will remain positive beyond 2011, it will not be strong enough to create hyperinflation. It took several years of high price and wage inflation in the 1970s before bond markets began to price hyperinflation. Furthermore, the argument that the Fed's actions will spur higher core prices is weak. It is true the monetary base has increased substantially over the last few years, 195 percent over three years to be exact. That sounds inflationary because it could mean there is more money chasing fewer goods; however, the money is not making its way into the economy. This can be seen with the money supply (via M2) increasing only 15 percent in the past three years. The reason money supply is not increasing at the same rate is because banks are not making as many loans as they had prior to the recession. Thus, the money is not hitting Main Street.

**LINK EXT. –(FOR PART B, #1 OF THE 1NC SHELL)**

**SIGNIFICANT BUDGET OVERRUNS AT NASA ARE COMMON**

**Amy Klamper, Space News Staff Writer, November 15, 2010**

[<http://www.space.com/9530-nasa-space-telescope-cost-overtuns-imperil-projects.html>]

Massive cost overruns on NASA's James Webb Space Telescope will imperil funding for the agency's on-orbit astronomy missions while potentially wiping out big-ticket space observatories and a host of less-expensive development projects deemed high priorities by the science community, according to experts. During a Nov. 10 news conference, NASA released the findings of an independent review that found the James Webb Space Telescope (JWST) will cost some \$1.5 billion more than its current \$5 billion life-cycle cost estimate, and that the observatory's launch, previously slated for June 2014, will not occur before September 2015. Led by John Casani of NASA's Jet Propulsion Laboratory in Pasadena, Calif., the Independent Comprehensive Review Panel attributed JWST cost growth to poor management and inadequate funding reserves needed to develop, launch and operate the next-generation flagship astronomy mission.

**NASA HAS A REPUTATION FOR ALWAYS BEING OVER BUDGET**

**Associated Press March 4, 2009**

[[http://www.msnbc.msn.com/id/29513895/ns/technology\\_and\\_science-space/t/cost-overtuns-plague-us-space-agency/](http://www.msnbc.msn.com/id/29513895/ns/technology_and_science-space/t/cost-overtuns-plague-us-space-agency/)]

NASA can land a spacecraft on a peanut-shaped asteroid 150 million miles away, but it doesn't come close to hitting the budget target for building its spacecraft, according to congressional auditors. NASA's top officials know it and even joke about it. This week auditors found that on nine projects alone NASA is nearly \$1.1 billion over cost estimates that were set in the last couple of years. Congress' financial watchdog, the Government Accountability Office, reviewed NASA's newest big-money projects and found most were either over budget, late or both. That doesn't include two of NASA's largest spending projects whose costs have wildly fluctuated and still aren't firm — replacements for the space shuttle fleet and Hubble Space Telescope. Historically, overruns have caused NASA to run low on money, forcing it to shelve or delay other projects. Often, the agency just asks taxpayers for more money.

**LINK EXT. –(FOR PART B, #2 OF THE 1NC SHELL) – SPACE IS EXPENSIVE**

**NASA ALREADY HAS MANDATED PROGRAMS IT CAN'T FUND**

**USA Today January 30, 2011**

[[http://www.usatoday.com/tech/science/space/2011-01-26-1Achallenger26\\_CV\\_N.htm](http://www.usatoday.com/tech/science/space/2011-01-26-1Achallenger26_CV_N.htm)]

One of the most recent victims of NASA's financial woes was a plan Bush announced in 2004 to return humans to the moon. In 2009, Augustine's panel concluded that there wouldn't be enough money, given NASA's existing budget, to pay for a new moonshot until the 2030s, "if ever." President Obama moved to cancel the effort in 2010. He told NASA to rely on private space companies to blast astronauts into space and to decide in 2015 on the design for a new, heavy-duty rocket that could blast humans to the moon and beyond. Obama's new program didn't outlive the year. In September, Congress piled expensive new chores on NASA: Develop a new space pod to carry humans into orbit and beyond, build the big new rocket by 2017 and continue with some of Obama's pet projects, such as subsidies for private space companies. Congress' to-do list "is not executable ... in today's budgetary climate," says Marcia Smith, who runs SpacePolicyOnline.com "The debate's going to continue on what this nation is actually going to fund."

**SPACE MISSIONS ARE EXPENSIVE**

**Michio Kaku, professor theoretical physics, CUNY, July 16, 2009**

[<http://www.forbes.com/2009/07/16/apollo-moon-landing-anniversary-opinions-contributors-cost-money.html>]

After all is said and done about what went wrong, the bottom line is simple: money. It's about \$10,000 to put a pound of anything into a near-earth orbit. (Imagine John Glenn, the first American to orbit the earth, made of solid gold, and you can appreciate the enormous cost of space travel.) It costs \$500 to \$700 million every time the shuttle flies. Billionaire space tourists have flown to the space station at a reputed price of \$20 million per head. And to put a pound of anything on the moon costs about 10 times as much. (To reach Mars, imagine your body made of diamonds.) We are 50 years into the space age, and yet space travel is just as expensive as it always was.

**LINK EXT. –(FOR PART B, #2 OF THE 1NC SHELL) – SPACE IS EXPENSIVE**

**NASA HAS NO RECORD FOR COST CONTAINMENT**

**Michio Kaku, professor theoretical physics, CUNY, July 16, 2009**

[<http://www.forbes.com/2009/07/16/apollo-moon-landing-anniversary-opinions-contributors-cost-money.html>]

One of the primary missions of NASA should have been to drive down the cost of space travel. Instead of spending half a billion dollars on each shuttle mission, it should have diverted some of the funds to make research and development a primary focus. New materials, new fuels and innovative concepts, which would make space exploration less expensive, should have been prioritized.

**SPACE PROGRAMS ARE EXPENSIVE**

**USA Today January 30, 2011**

[[http://www.usatoday.com/tech/science/space/2011-01-26-1Achallenger26\\_CV\\_N.htm](http://www.usatoday.com/tech/science/space/2011-01-26-1Achallenger26_CV_N.htm)]

The new Republican leadership of the House of Representatives has promised to slash government funding, and NASA will make a tempting target, space analysts say. The reality is that "this is all very expensive and you can't do everything," says Johnson-Freese, but that reality is one that "Congress is still not acknowledging. ... We're setting ourselves up for another round of disappointment."

**SPACE PROGRAMS ARE EXPENSIVE**

**USA Today January 30, 2011**

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**LINK EXT. –(FOR PART B, #2 OF THE 1NC SHELL) – SPACE IS EXPENSIVE –  
SPACE SHUTTLE EXAMPLE**

**THE SPACE SHUTTLE PROVES PROGRAMS ARE VASTLY MORE EXPENSIVE  
AND INEFFICIENT THAN PROJECTED**

**Stephen Walt, professor international relations, Harvard, March 22, 2011**

[[http://walt.foreignpolicy.com/posts/2011/03/21/the\\_space\\_shuttle\\_program\\_stunning\\_success\\_or\\_dismal\\_failure](http://walt.foreignpolicy.com/posts/2011/03/21/the_space_shuttle_program_stunning_success_or_dismal_failure)]

The Space Shuttle was expected to provide inexpensive and reliable access to space for a multitude of missions. It never came close to achieving this goal. In retrospect the goal proved impossible due to high refurbishment costs, program delays, and the inappropriate use of humans where robots would have been better. To promote shuttle use and spread fixed costs over many flights, the Expendable Launch Vehicle (i.e., disposable rocket) programs were discontinued, so that all civilian missions could be diverted onto the Shuttle. Yet instead of being inexpensive, a single launch required approximately \$1B. Schedules were compromised by endless delays and by the inspections needed to verify that the complex machinery was ready to transport humans safely. NASA underestimated the time required to service the orbiters between flights, and the launch frequency never approached the advertised rate, leading to a substantial backlog of payloads, both scientific and applied, awaiting launch.

**THE SPACE SHUTTLE WAS EXTREMELY EXPENSIVE**

**Stephen Walt, professor international relations, Harvard, March 22, 2011**

[[http://walt.foreignpolicy.com/posts/2011/03/21/the\\_space\\_shuttle\\_program\\_stunning\\_success\\_or\\_dismal\\_failure](http://walt.foreignpolicy.com/posts/2011/03/21/the_space_shuttle_program_stunning_success_or_dismal_failure)]

It is difficult to estimate the overall direct and indirect cost of the Space Shuttle program, but it must be well over \$100B. As these overruns occurred, funds to pay for them were extracted from the science projects the Shuttle was intended to support. Costs of science experiments launched by the Shuttle were also inflated by the need to certify the instruments as "man rated." Even such unique feats as repairing the Hubble Space Telescope seem less meritorious when one realizes that the repair mission expense was \$1B and put astronauts lives at risk. That same \$1B could have been used to build and launch a new Space Telescope. In short, the Space Shuttle Program was enormously expensive, led to a tragic loss of human life, and contributed little to science other than launching of scientific payloads which could have been placed in orbit better by expendable vehicles.

## **ONE ACTION CAN CAUSE SERIOUS QUESTIONING OF U.S. FISCAL POLICY**

**Niall Ferguson, professor Harvard Business School, February 28, 2010**

[<http://articles.latimes.com/2010/feb/28/opinion/la-oe-ferguson28-2010feb28>]

One day, a seemingly random piece of bad news -- perhaps a negative report by a rating agency -- will make the headlines during an otherwise quiet news cycle. Suddenly, it will be not just a few policy wonks who worry about the sustainability of U.S. fiscal policy but the public at large, not to mention investors abroad. It is this shift that is crucial: A complex adaptive system is in big trouble when its component parts lose faith in its viability.

## **LIBERAL SPENDING POLICIES UNDERMINE CONFIDENCE IN AMERICA'S FINANCIAL FUTURE**

**John Ing, President, CEO at Maison Placements Canada Inc. December 17, 2010**

[<http://www.financialsense.com/contributors/john-ing/currency-wars-and-china>]

The real crisis in the United States then is not one of easy money or even ultra low levels of interest rates but of the diminished confidence borne of a mounting debt load due to Mr. Obama's "big government" approach to stimulus spending, healthcare and bailouts. Americans have simply lost confidence in the ability of government to make things work, from stimulus spending to Obamacare to airport security to the task of mopping up oil in the Gulf of Mexico. His federal mandarins have too often expanded their reach. Yet, unwittingly, he has eroded the basic rules of democratic administration. Worse. America's trading partners and its creditors have also lost confidence in America's financial policies.

**INTERNAL LINK EXT. –(FOR PART C OF THE 1NC SHELL)**

**THE CREDIBILITY OF THE U.S. GOVERNMENT TO DEAL WITH SPENDING IS THE KEY TO AVOIDING A SIMILAR SITUATION TO GREECE**

**Michael Schuman, Global Economic Affairs columnist, Time Magazine, June 29, 2011**

[[curiouscapitalist.blogs.time.com/2011/06/29/how-america-can-avoid-a-greek-tragedy/](http://curiouscapitalist.blogs.time.com/2011/06/29/how-america-can-avoid-a-greek-tragedy/)]

The Greeks have the EU shoving austerity measures down their throats. They don't have options; the Americans do. Whether or not the U.S. ever ends up like Greece depends on what Washington does with those options. And Washington will have to do something, and soon. That's because there are similarities between the American and Greek debt problems. First, the government debt of both countries is expected to continue rising – to 107% of GDP for America and 159% for Greece by 2012, estimates the OECD. Secondly, both governments have credibility issues in regard to their ability or willingness to confront the problem. Greece may have passed its austerity package today, but whether or not its politicians will be able to actually implement it is an open question. Washington politicians do a lot of blabbering about the budget deficit and debt, but very little doing.

**A BIPARTISAN PLAN TO REDUCE THE DEFICIT WOULD HELP US AVOID THE FATE OF GREECE**

**Michael Schuman, Global Economic Affairs columnist, Time Magazine, June 29, 2011**

[[curiouscapitalist.blogs.time.com/2011/06/29/how-america-can-avoid-a-greek-tragedy/](http://curiouscapitalist.blogs.time.com/2011/06/29/how-america-can-avoid-a-greek-tragedy/)]

However, the U.S. is in a position to chart its own course. How do Americans avoid a Greek fate? Here are a few suggestions: First, come up with a plan, a real plan. I think market sentiment would be improved if Washington simply set down a credible program for reducing the budget deficit and stabilizing government debt, one that is bipartisan, and one the world would believe can be achieved.

**INTERNAL LINK EXT. –(FOR PART C OF THE 1NC SHELL)**

**THE U.S. MUST MAINTAIN CREDIBILITY TO PREVENT ECONOMIC COLLAPSE**  
**Vic Sperandio, professional money manager of 45 years, Barron's, December 18, 2010**

[online.barrons.com/article/SB50001424052970203676504575618532254502558.html]

U.S. government debt is now over \$13.7 trillion (not including estimated states' debt of \$2.8 trillion and agencies' debt of \$3.0 trillion). The average rollover period for the debt is 49 months. With recent deficits running over \$1 trillion a year, the Treasury issues new debt and refunds old debt at a rate of about \$4.3 trillion a year. A nation needs to inspire a lot of confidence to keep that Ponzi scheme alive.

**INTERNAL LINK EXT. –(FOR PART C OF THE 1NC SHELL)**

**U.S. FISCAL POLICY IS THE KEY TO MAINTAINING ROLE OF THE DOLLAR**  
**Christian Science Monitor April 14, 2011**

[<http://www.csmonitor.com/Commentary/the-monitors-view/2011/0414/Budget-cuts-are-the-dollar-s-savior>]

But the US dominance only assumes Washington finally sees the error of its profligate ways before there's a run on the bank, so to speak, as investors perceive the US Treasury may not back up its bonds. Just as the US dollar began to take over from the British sterling in the 1920s as the world's top currency, China's yuan may be on its way to take over the dollar. But how soon? And will it be slow and organic, or quick and drastic? China's mercantile way of controlling its economy and manipulating the value of its currency only works against its hopes of usurping the dollar. Its authoritarianism is inherently unstable, and its values run counter to those set by the US in the global system. But if China inches toward democracy and freer markets during this century, its currency, along with others, might define a new multipolar currency system in which the US dollar becomes merely a first among equals. How that trend plays out depends in large part on the political battles in Washington over issues like Medicare and tax reform. The leaders there need to see their roles in that long-term contest over the values of the global system.

**WITHOUT CONTROL OF DEFICITS WE ARE REACHING A PSYCHOLOGICAL BREAKING POINT**

**Vic Sperandeo, professional money manager of 45 years, Barron's, December 18, 2010**

[[online.barrons.com/article/SB50001424052970203676504575618532254502558.html](http://online.barrons.com/article/SB50001424052970203676504575618532254502558.html)]

Without the support of foreign buyers, government spending will have to be paid with newly printed money, and the inflation consequences will be dire. Historically, nations default when the bulk of the debt is owed to other nations, but the U.S. still owes most of its debt to its own citizens. Gold trading at more than \$1,350 an ounce, despite no appreciable increase in the consumer price index, is much more understandable when you realize that in periods of hyperinflation, gold tends to appreciate by 2,000% to 50,000% against a hyperinflated currency. Do the gold bugs know something we don't? In time, the markets will surely say whether this is so. But unless drastic measures are taken to change the trend of deficits, or unless purchasers of U.S. government debt ignore all rational measures of risk, a psychological breaking point is approaching. When this happens, history tells us that hyperinflation is not far behind.

**IMPACT EXT. –(FOR PART D OF THE 1NC SHELL)**

**CURRENCY WARS CAN ESCALATE**

**John Ing, President, CEO at Maison Placements Canada Inc. December 17, 2010**

[<http://www.financialsense.com/contributors/john-ing/currency-wars-and-china>]

One cause of the currency wars is that the US continues to print dollars, forcing excess liquidity into the system. For others, countries must import a monetary policy that is too loose. China has piled up a \$2.7 trillion hoard of mostly dollars. So far, countries have resorted to rhetoric and threats, but as the Great Depression showed, capital controls, tariffs and competitive currency devaluation are next. Already the dollar's role as a global reserve currency is unravelling in a world of competitive devaluations. The euro, the globe's number two currency is also unravelling and the European Union itself is threatened by a tsunami of sovereign debt defaults. History shows currency wars can easily degenerate into trade wars.

## IMPACT EXT. –HEGEMONY IMPACTS

### **U.S. HEGEMONY CAN BE THREATENED SUDDENLY BY AN ECONOMIC FAILURE**

**Niall Ferguson, professor Harvard Business School, February 28, 2010**

[<http://articles.latimes.com/2010/feb/28/opinion/la-oe-ferguson28-2010feb28>]

If empires are complex systems that sooner or later succumb to sudden and catastrophic malfunctions, what are the implications for the United States today? First, debating the stages of decline may be a waste of time -- it is a precipitous and unexpected fall that should most concern policymakers and citizens. Second, most imperial falls are associated with fiscal crises. Alarm bells should therefore be ringing very loudly indeed as the United States contemplates a deficit for 2010 of more than \$1.5 trillion -- about 11% of GDP, the biggest since World War II. These numbers are bad, but in the realm of political entities, the role of perception is just as crucial. In imperial crises, it is not the material underpinnings of power that really matter but expectations about future power. The fiscal numbers cited above cannot erode U.S. strength on their own, but they can work to weaken a long-assumed faith in the United States' ability to weather any crisis.

### **HISTORY PROVES U.S. PRIMACY COULD COLLAPSE SUDDENLY**

**Niall Ferguson, professor Harvard Business School, February 28, 2010**

[<http://articles.latimes.com/2010/feb/28/opinion/la-oe-ferguson28-2010feb28>]

Over the last three years, the complex system of the global economy flipped from boom to bust -- all because a bunch of Americans started to default on their subprime mortgages, thereby blowing huge holes in the business models of thousands of highly leveraged financial institutions. The next phase of the current crisis may begin when the public begins to reassess the credibility of the radical monetary and fiscal steps that were taken in response. Neither interest rates at zero nor fiscal stimulus can achieve a sustainable recovery if people in the United States and abroad collectively decide, overnight, that such measures will ultimately lead to much higher inflation rates or outright default. Bond yields can shoot up if expectations change about future government solvency, intensifying an already bad fiscal crisis by driving up the cost of interest payments on new debt. Just ask Greece. Ask Russia too. Fighting a losing battle in the mountains of the Hindu Kush has long been a harbinger of imperial fall. What happened 20 years ago is a reminder that empires do not in fact appear, rise, reign, decline and fall according to some recurrent and predictable life cycle. It is historians who retrospectively portray the process of imperial dissolution as slow-acting. Rather, empires behave like all complex adaptive systems. They function in apparent equilibrium for some unknowable period. And then, quite abruptly, they collapse. Washington, you have been warned.

## **2NC/1NR ANSWER TO: THERE IS NO ALTERNATIVE TO THE DOLLAR**

### **THE CHINESE YUAN IS A CREDIBLE ALTERNATIVE TO THE DOLLAR**

**Christian Science Monitor April 14, 2011**

[<http://www.csmonitor.com/Commentary/the-monitors-view/2011/0414/Budget-cuts-are-the-dollar-s-savior>]

China is also building up its own currency, known as yuan or renminbi, as an instrument of trade while calling for a new way to have a global reserve currency other than the dollar. "The current international currency system is the product of the past," China's president, Hu Jintao, said recently. So far, Washington has been fortunate that the euro, the yen, the yuan, or the IMF's own synthetic currency ("special drawing rights" ) have not come close to knocking the dollar down. America's giant and open economy, as well as its political stability as a democracy, are hard to beat. A recent IMF report in February said the dollar would remain the world's most important reserve currency for the "foreseeable future." (About 61 percent of global reserves are in dollars.) But the US dominance only assumes Washington finally sees the error of its profligate ways before there's a run on the bank, so to speak, as investors perceive the US Treasury may not back up its bonds. Just as the US dollar began to take over from the British sterling in the 1920s as the world's top currency, China's yuan may be on its way to take over the dollar.

### **INVESTORS ARE ALREADY TESTING OUT ALTERNATIVE MARKETS**

**Katherine Reynolds Lewis, The Fiscal Times, May 3, 2011**

[<http://www.thefiscaltimes.com/Articles/2011/05/03/National-Debt-Budget-Turmoil-Slams-Treasuries.aspx>]

Already, global investors are testing out other investment markets. "We watch the foreign buyers very carefully because that's the biggest single category of buyers and the ones that could leave very easily," said Markowska. "They're buying less U.S. assets as a whole." Government-owned sovereign wealth funds are investing in mines, plantations, gold and other commodity assets in Malaysia, Indonesia, Africa and South America, says Paul Schulte, global head of financial strategy for CCB International Securities, a subsidiary of China Construction Bank. "Many of the central banks that have been buying Treasuries previously have been signaling that they're not interested in keeping these high levels any more. The best-case scenario is that they keep the same amount. A less optimistic scenario is that they begin to sell off their Treasuries," Schulte says.

**AFFIRMATIVE ANSWERS SECTION**

## **2AC DOLLAR COLLAPSE SENDING DA ANSWERS**

### **1. NO INTERNAL LINK: THERE IS NO CONNECTION BETWEEN GOVERNMENT SPENDING AND INFLATION**

**Casey Mulligan, Economics Professor, University of Chicago, June 10, 2009**

[<http://economix.blogs.nytimes.com/2009/06/10/inflation-and-the-size-of-government/>]

Last year the Federal Reserve Board’s Song Han and I published a study of 80 countries where we looked at the correlation between inflation and government spending. We found inflation to be similar (or even somewhat less) in countries whose governments spend more for nonmilitary purposes as compared to countries whose governments spent less. Our study found significant positive correlations between inflation and government spending only in cases when military spending grew — as it does during wartime. But the government spending growth we have seen in 2008 and 2009 comes from the nonmilitary part of the budget.

### **2. NO LINK: DEFICIT SPENDING WILL NOT CAUSE INFLATION**

**Casey Mulligan, Economics Professor, University of Chicago, June 10, 2009**

[<http://economix.blogs.nytimes.com/2009/06/10/inflation-and-the-size-of-government/>]

The Bush and Obama administrations have added, and continue to add, much to the United States’ national debt. Both Republicans and Democrats spend too much of taxpayers’ money, but excessive government spending does not mean that inflation will necessarily — or even probably — follow. The Treaty of Versailles gave Germany debts that amounted to years of the nation’s gross domestic product, whereas 2008-9 bailout mania has so far given us debt that amounts to “only” several months’ G.D.P. Moreover, thanks to the emergence of payroll taxation and income tax withholding, the capacity of governments to tax its citizens without resorting to inflation is much greater than it was before World War II. Neither inflation nor war will be needed to settle the debts that Presidents Bush and Obama are giving us.

## **2AC DOLLAR COLLAPSE SENDING DA ANSWERS**

### **3. NO INTERNAL LINK: THE CONDITIONS THAT ALLOWED HYPERINFLATION IN OTHER COUNTRIES DO NOT EXIST IN THE UNITED STATES**

**Edward Harrison, founder, Credit Writedowns, finance executive, April 7, 2011**

[<http://www.creditwritedowns.com/2011/04/on-hyperinflation.html>]

As you can see from the two most severe cases of hyperinflation, the problem in each case was a loss of productive capacity, foreign currency liabilities, and a loss of the ability to tax. When the economy is overheating, traditionally we think of interest rates, the price of money, as the mechanism which government could use to slow things down and bring inflation to heel. However, fiscal policy is effective here. If government increases taxes, it cools the economy and reduces consumption, relieving the pressure on productive capacity. Thus, the loss of the ability to tax is central in hyperinflation. In the German example, the Germans had a huge foreign currency liability that it had to pay, meaning it could not make good on the liability by printing money. It was a currency user as far as these liabilities went. Meanwhile, with productive capacity limited, the government was then unable to ease price pressure through the tax lever. The shortage of goods drove up prices inexorably and the government was forced to turn to the printing press in order to meet its domestic obligations. In the Zimbabwe example, taxes were again central. Unable to recoup enough tax revenue and with large foreign currency obligations and a loss of productive capacity, the government resorted to printing money in an environment where prices were rising. So, hyperinflation has very specific preconditions that are not apparent in the U.S.

### **4. NO IMPACT: THERE IS NO VIABLE ALTERNATIVE TO THE DOLLAR, SO IT CANNOT COLLAPSE**

**Tom Petruno, financial writer, Los Angeles Times April 23, 2011**

[<http://articles.latimes.com/2011/apr/23/business/la-fi-petruno-20110423>]

Barry Eichengreen, a UC Berkeley economics professor, chronicled the dollar's history in his book, "Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System," published this year. Although he believes that the dollar is in a long-term decline, he said he doubted that we're headed for a currency meltdown in the near term. There's a practical barrier to a sudden collapse, Eichengreen said: "There has to be somewhere to flee to." The dollar remains preeminent as the world's primary currency, and no other paper currency has the market presence to take over for the greenback. Neither do gold or silver.