## **NC – Econ Impact**

#### Debt ceiling passes now and solves collapse, but floor time is limited and avoiding new fights is key

Zhou 10/7 [Li, politics and policy reporter for Vox, “The debt ceiling fight is far from over” https://www.vox.com/22711441/debt-ceiling-congress-december]

Lawmakers have ended another standoff over the debt ceiling — at least temporarily.

On Thursday, the Senate voted 50-48 to increase the debt ceiling (a legal cap to how much the US can borrow) by $480 billion, an action the House is expected to take too. That money will enable the US government to cover its loan obligations until early December, when Congress will once again have to either pass a longer-term increase or another stopgap suspension.

The current agreement is the product of a weekslong stalemate on the issue that saw Democrats trying to pressure the GOP into giving up their roadblock of an increase or suspension of the debt ceiling, and Republicans repeatedly refusing to do so.

The impasse had high stakes, as the US faced a rapidly approaching default deadline. According to Treasury Secretary Janet Yellen, the US could run out of money as early as October 18. Passing that deadline without an increase or suspension would have likely triggered a massive domestic and international economic collapse.

Ultimately, Republican senators decided to cooperate with Democrats, for now. However, in approving this short-term fix, lawmakers have failed to address the issues that brought them to a stalemate in the first place. They’ve now set themselves up for another dangerous impasse when this bill expires after December 3.

The standoff, briefly explained

Republicans have been intent on using the debt ceiling to make Democrats look bad.

Prior to their offer to back an increase this week, Republicans had not only said that they wouldn’t vote for a suspension but also that they would be blocking Democrats’ attempts to approve one using regular legislative order. If Republicans didn’t previously block the vote, Democrats would have been able to pass it with 51 votes — but because they did, the measure required 60 to advance.

Instead, Republicans pushed Democrats to use budget reconciliation — another process that would enable them to raise the debt limit with just 51 votes — to increase the cap on their own. Democrats were reluctant to use budget reconciliation both because it can be a lengthy and convoluted process and because it would have required them to specify how much they are raising the debt limit (something they ended up having to do anyway for the December increase).

Effectively, Republicans wanted Democrats on the record as having increased the debt limit by trillions of dollars in order to portray them during the midterms as big spenders. Additionally, Republicans argued that because Democrats are working on a partisan basis to pass an expansive social spending bill, they should take care of any debt ceiling increases on a partisan basis, too.

“Republicans’ position is simple,” Senate Minority Leader Mitch McConnell wrote to President Joe Biden on Monday. “We have no list of demands. For two and a half months, we have simply warned that since your party wishes to govern alone, it must handle the debt limit alone as well.”

Senate Majority Leader Chuck Schumer (D-NY) talks with reporters on October 7. The Senate voted to increase the debt ceiling, enabling the US government to cover its loan obligations until early December. Win McNamee/Getty Images

Democrats, on the other hand, have argued that Republicans ought to work with them to pass a suspension or increase, or simply get out of the way. One, because avoiding a gigantic economic collapse is in everyone’s interest, and the minority party hasn’t typically blocked action to this degree in the past. And two, because both Democrats and Republicans are responsible for the actual debt that this legislation would address.

Both points are true: The debt grew nearly $8 trillion during the Trump administration as a result of massive tax cuts and pandemic relief. In that time frame, Republicans and Democrats both voted to suspend the debt limit three times. But that didn’t sway Republican lawmakers.

Because Republicans had refused to give up their opposition and Democrats were intent on keeping the pressure on the GOP, the two sides were at an impasse until this week.

How the debt deal came together

On Wednesday, McConnell reversed his position and told Democrats that Republicans would not block a short-term increase to the debt limit into December.

Adamant that they would not pursue reconciliation to raise the ceiling (and, given the deadline, likely out of time to try doing so) Democrats raised the possibility of creating a carve-out in the filibuster rules that would also allow them to pass debt ceiling measures with the 51 Democratic votes they have, rather than the 60 votes filibuster rules require.

That latter option appeared to be gaining momentum this week, although key moderates like Sen. Joe Manchin (D-WV) were still wary of it. As a sign of its traction, however, Biden — who has traditionally been cautious of altering filibuster rules — called carving out a special debt-ceiling-related exemption to the filibuster a “real possibility.”

That possibility may have spurred McConnell’s decision to cave for the time being. According to CNN’s Manu Raju, McConnell was worried about potential threats to the filibuster when he offered Democrats a deal to increase the debt ceiling for now.

The filibuster has allowed McConnell to block a range of Democratic priorities — from police to voting reforms — despite his party being in the minority. The assumption is that exempting the debt ceiling from the filibuster would increase pressure on Democrats to do so for other issues Republicans oppose, like expanding protections for voting rights.

For now, the filibuster stands. And the GOP’s move helps prevent the US from going into default in the near term. It does little to resolve the central conflict at hand, however. Republicans are still insisting, after all, that Democrats use budget reconciliation to approve a longer-term debt ceiling increase on a partisan basis.

Democrats, meanwhile, are refusing to do so and may consider a filibuster carve-out again in December. “We’re not doing it on reconciliation,” Sen. Tim Kaine (D-VA) emphasized earlier this week.

There will be more debt drama in December

The use of the debt limit as political leverage is nothing new.

As Republicans have been fond of pointing out, Biden was among the Democratic senators who voted against raising it in 2006 in order to send a message about his disagreement with Republican policies. In that scenario, though, Democrats did not filibuster the legislation or prevent Republicans from approving it with a simple majority. Additionally, Republicans have previously withheld votes for debt ceiling increases in exchange for policy concessions, something that’s not the case this time around.

This year, as Republicans emphasized, they took issue with the debt limit in order to simply make a point, a tough position to negotiate with.

Senator Elizabeth Warren (D-MA) speaks to reporters as the Senate was nearing a deal on a short-term increase to the debt ceiling. Bloomberg via Getty Images

This short-term fix does help Democrats in that it allows them to focus their time and energies instead on a larger social spending bill they’ve struggled to complete.

“McConnell caved,” Sen. Elizabeth Warren (D-MA) told reporters. “And now we’re going to spend our time doing child care, health care, and fighting climate change.”

But the larger disagreements between Republicans and Democrats regarding how to move forward remain.

And by procrastinating on solving them, lawmakers have set themselves up for a difficult December. The new deadline to address the debt ceiling also coincides with another deadline to pass more government appropriations — that is, the money needed to keep the government functioning.

That means Congress will find itself in a tough spot yet again in just a few months. Not only will lawmakers have to solve their debt ceiling disagreements and stave off economic disaster, but they’ll have to do so while fighting over how to avoid a government shutdown.

#### Manchin and Sinema would fight the plan – that’s a massive floor time suck

Harold 21 [Zack, staf reporter for The Guardian, “US minimum wage activists face their toughest foe: Democrat Joe Manchin” https://www.theguardian.com/us-news/2021/feb/22/us-15-dollar-minimum-wage-joe-manchin-west-virginia]

Hopes that the US will finally increase the federal minimum wage for the first time in nearly 12 years face a seemingly unlikely opponent: a Democrat senator from one of the poorest states in the union.

Joe Manchin of West Virginia, the state’s former governor and the Democrats’ most conservative senator, has long opposed his party’s progressive wing and is on record saying he does not support increasing the minimum wage from $7.25 to $15 an hour, the first increase since 2009. “I’m supportive of basically having something that’s responsible and reasonable,” he told the Hill. He has advocated for a rise to $11.

Industry lobbying allied to Republican and – until relatively recently – Democrat opposition has locked the US’s minimum wage at $7.25 since the last raise in 2009.

'Hopefully it makes history': Fight for $15 closes in on mighty win for US workers

None of this has found favor with some low-wage workers in a state where an estimated 278,734 West Virginians lived in poverty in 2019, 16% of the population and the sixth highest poverty rate in the US.

Last Thursday Manchin reaffirmed his stance during a virtual meeting with members of the West Virginia Poor People’s Campaign (WVPPC), a group pushing for an increased minimum wage and other policy changes that would benefit the working class.

That meeting was closed to the media but at an online press conference immediately afterward, participants said Manchin refused to budge. “He was kind of copping out,” said WVPPC member Brianna Griffith, a restaurant worker and whitewater rafting guide who, due to exemptions for tipped workers, only makes $2.62 an hour.

As a result of her sub-minimum wage job, Griffith received only $67 a week in unemployment benefits until that ran out in August. She lost her house and was forced to move in with her grandmother. Although she has now returned to work, business is slow and she estimates tips have fallen by 75%.

When Griffith told Manchin about her plight on Thursday, she said he asked about the $600 stimulus check approved by Congress in December. “He seemed to think that $600 … was enough to get me by,” she said. “I feel like he’s got his head in the clouds and he doesn’t understand what’s happening to poor people in West Virginia.”

Despite Manchin’s insistence on an $11 minimum wage, according to MIT’s living wage calculator, even a $15 minimum wage would only provide a living wage for single West Virginians without children. For a West Virginia family with two working parents and two children, both parents would need to be making at least $20.14 an hour to make ends meet.

Griffith said if the minimum wage was increased to $15 an hour, “I could afford to live on my own. I could afford a car that’s not 25 years old.”

The Rev Dr William Barber, co-chair of the national Poor People’s Campaign, was in last week’s meeting and said Manchin agreed the current $7.25 minimum wage was “not enough”.

But Barber said he was “amazed” Manchin could hear from people like Griffith and still oppose increasing the minimum wage to $15.

“What he is suggesting would just further keep people in poverty and hurting,” he said.

Raising the minimum wage was a key part of Democrats’ 2020 platform. The former presidential candidate and now Senate budget committee chairman, Bernie Sanders, has referred to the current $7.25 rate as “a starvation wage”.

The wage hike, formally known as the Raise the Wage Act of 2021, is now part of a proposed $1.9tn Covid-19 relief bill. The measure would incrementally raise the minimum wage from $7.25 to $15 over the next four years.

With only a razor-thin majority in the Senate, all 50 Democrat senators need to be onboard for the bill to pass. But in addition to Manchin, Kyrsten Sinema of Arizona has told Politico she does not want the minimum wage increase to be part of the Covid relief package.

#### Debt default is the easiest way to wreck the US economy—ruins the US dollar and financial reputation

Egan 9/8 [Matt Egan is an award-winning reporter at CNN, covering business, the economy and financial markets across CNN's television and digital platforms, "'Financial Armageddon.' What's at stake if the debt limit isn't raised", 9/8/21, <https://www.cnn.com/2021/09/08/business/debt-ceiling-default-explained/index.html>]

The easiest way to spark a financial crisis and wreck the US economy would be to allow the federal government to default on its debt. It would be an epic, unforced error — and millions of Americans would pay the price.

And yet that unlikely situation is once again being contemplated. If Congress doesn't raise the limit on federal borrowing the federal government will most likely run out of cash and extraordinary measures next month, Treasury Secretary Janet Yellen warned lawmakers on Wednesday.

In short, a default would be an economic cataclysm. Interest rates would spike, the stock market would crater, retirement accounts would take a beating, the value of the US dollar would erode and the financial reputation of the world's only superpower would be tarnished.

"It would be financial Armageddon," Mark Zandi, chief economist at Moody's Analytics, told CNN. "It's complete craziness to even contemplate the idea of not paying our debt on time."

But it's a crazy world.

Lawmakers in Washington are again playing chicken with America's creditworthiness. And the path to raising the debt ceiling is not clear.

Even though Congress has in the past raised the debt ceiling with a bipartisan vote, Senate Minority Leader Mitch McConnell vowed in July that Republicans will not vote to raise the debt ceiling.

JPMorgan Chase (JPM) CEO Jamie Dimon urged lawmakers not to even think about going down this path again. During a hearing in May, Dimon said an actual default "could cause an immediate, literally cascading catastrophe of unbelievable proportions and damage America for 100 years."

'Irreparable damage'

In her letter to Congress, Yellen said history shows that waiting "until the last minute" to suspend or increase the debt limit "can cause serious harm" to business and consumer confidence, raise borrowing costs for taxpayers and hurt America's credit rating.

"A delay that calls into question the federal government's ability to meet all its obligations would likely cause irreparable damage to the U.S. economy and global financial markets," Yellen wrote.

A US default would undermine the bedrock of the modern global financial system.

"We pay our debt. That's what distinguishes the United States from almost every other country on the planet," Zandi of Moody's said.

Because of America's long track record of paying its debt, it's very cheap for Washington to borrow. But a default would force ratings companies to downgrade US debt and shatter that borrowing advantage. Markets plunged in 2011 when that debt ceiling standoff caused Standard & Poor's to downgrade America's credit rating.

Higher borrowing costs would make it much harder for Washington to borrow to pay for infrastructure, the climate crisis or to fight future recessions. And refinancing America's nearly $29 trillion mountain of existing debt would become that much more expensive. Interest expenses, which totaled $345 billion in fiscal 2020, would quickly rival what Washington spends on defense.

#### Nuke war

Jomo Kwame Sundaram & Vladimir Popov 19. Former economics professor, was United Nations Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007. Former senior economics researcher in the Soviet Union, Russia and the United Nations Secretariat, is now Research Director at the Dialogue of Civilizations Research Institute in Berlin “Economic Crisis Can Trigger World War.” <http://www.ipsnews.net/2019/02/economic-crisis-can-trigger-world-war/>.

Economic recovery efforts since the 2008-2009 global financial crisis have mainly depended on unconventional monetary policies. As fears rise of yet another international financial crisis, there are growing concerns about the increased possibility of large-scale military conflict.

More worryingly, in the current political landscape, prolonged economic crisis, combined with rising economic inequality, chauvinistic ethno-populism as well as aggressive jingoist rhetoric, including threats, could easily spin out of control and ‘morph’ into military conflict, and worse, world war.

Crisis responses limited

The 2008-2009 global financial crisis almost ‘bankrupted’ governments and caused systemic collapse. Policymakers managed to pull the world economy from the brink, but soon switched from counter-cyclical fiscal efforts to unconventional monetary measures, primarily ‘quantitative easing’ and very low, if not negative real interest rates.

But while these monetary interventions averted realization of the worst fears at the time by turning the US economy around, they did little to address underlying economic weaknesses, largely due to the ascendance of finance in recent decades at the expense of the real economy. Since then, despite promising to do so, policymakers have not seriously pursued, let alone achieved, such needed reforms.

Instead, ostensible structural reformers have taken advantage of the crisis to pursue largely irrelevant efforts to further ‘casualize’ labour markets. This lack of structural reform has meant that the unprecedented liquidity central banks injected into economies has not been well allocated to stimulate resurgence of the real economy.

From bust to bubble

Instead, easy credit raised asset prices to levels even higher than those prevailing before 2008. US house prices are now 8% more than at the peak of the property bubble in 2006, while its price-to-earnings ratio in late 2018 was even higher than in 2008 and in 1929, when the Wall Street Crash precipitated the Great Depression.

As monetary tightening checks asset price bubbles, another economic crisis — possibly more severe than the last, as the economy has become less responsive to such blunt monetary interventions — is considered likely. A decade of such unconventional monetary policies, with very low interest rates, has greatly depleted their ability to revive the economy.

The implications beyond the economy of such developments and policy responses are already being seen. Prolonged economic distress has worsened public antipathy towards the culturally alien — not only abroad, but also within. Thus, another round of economic stress is deemed likely to foment unrest, conflict, even war as it is blamed on the foreign.

International trade shrank by two-thirds within half a decade after the US passed the Smoot-Hawley Tariff Act in 1930, at the start of the Great Depression, ostensibly to protect American workers and farmers from foreign competition!

Liberalization’s discontents

Rising economic insecurity, inequalities and deprivation are expected to strengthen ethno-populist and jingoistic nationalist sentiments, and increase social tensions and turmoil, especially among the growing precariat and others who feel vulnerable or threatened.

Thus, ethno-populist inspired chauvinistic nationalism may exacerbate tensions, leading to conflicts and tensions among countries, as in the 1930s. Opportunistic leaders have been blaming such misfortunes on outsiders and may seek to reverse policies associated with the perceived causes, such as ‘globalist’ economic liberalization.

Policies which successfully check such problems may reduce social tensions, as well as the likelihood of social turmoil and conflict, including among countries. However, these may also inadvertently exacerbate problems. The recent spread of anti-globalization sentiment appears correlated to slow, if not negative per capita income growth and increased economic inequality.

To be sure, globalization and liberalization are statistically associated with growing economic inequality and rising ethno-populism. Declining real incomes and growing economic insecurity have apparently strengthened ethno-populism and nationalistic chauvinism, threatening economic liberalization itself, both within and among countries.

Insecurity, populism, conflict

Thomas Piketty has argued that a sudden increase in income inequality is often followed by a great crisis. Although causality is difficult to prove, with wealth and income inequality now at historical highs, this should give cause for concern.

Of course, other factors also contribute to or exacerbate civil and international tensions, with some due to policies intended for other purposes. Nevertheless, even if unintended, such developments could inadvertently catalyse future crises and conflicts.

Publics often have good reason to be restless, if not angry, but the emotional appeals of ethno-populism and jingoistic nationalism are leading to chauvinistic policy measures which only make things worse.

At the international level, despite the world’s unprecedented and still growing interconnectedness, multilateralism is increasingly being eschewed as the US increasingly resorts to unilateral, sovereigntist policies without bothering to even build coalitions with its usual allies.

Avoiding Thucydides’ iceberg

Thus, protracted economic distress, economic conflicts or another financial crisis could lead to military confrontation by the protagonists, even if unintended. Less than a decade after the Great Depression started, the Second World War had begun as the Axis powers challenged the earlier entrenched colonial powers.

They patently ignored Thucydides’ warning, in chronicling the Peloponnesian wars over two millennia before, when the rise of Athens threatened the established dominance of Sparta!

Anticipating and addressing such possibilities may well serve to help avoid otherwise imminent disasters by undertaking pre-emptive collective action, as difficult as that may be.

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#### The global economy is improving now.

Chris Williamson 11-5-21 [Chief Business Economist @ IHS Markit], "Global economic growth lifts higher as Delta variant disruption eases," IHS Markit, 11-5-2021 <https://ihsmarkit.com/research-analysis/global-economic-growth-lifts-higher-as-delta-variant-disruption-eases-Nov21.html> C.VC

Global economic growth gained momentum at the start of the fourth quarter as disruptions to businesses in many countries eased in line with a reduction in COVID-19 case numbers. While below the rate of expansion seen earlier in the year amid the growth spurt seen as economies opened up from the pandemic, the rate of expansion nevertheless remains above the long-run average to indicate a robust expansion. Not all economies saw improvements, however, with rising case numbers associated the spread of the Delta variant in the Eurozone and Russia in particular subduing growth, and virus concerns also still limiting growth in other economies, most notably China. Global economic growth accelerated for a second month running in October. The JPMorgan Global PMI™ (compiled by IHS Markit) rose from 53.3 in September to 54.5 in October, its highest since July. Compared with a pre-pandemic long-run average of 53.6, the latest reading signals above-trend annualised quarterly global GDP growth of approximately 3.5%.

#### Unions devastate growth and worsen inequality – gains for workers shift costs to other parts of the economy

Epstein 20 [Richard A. Epstein Peter and Kirsten Bedford Senior Fellow @ the Hoover Institution. "The Decline Of Unions Is Good News." https://www.hoover.org/research/decline-unions-good-news]

This continued trend has elicited howls of protest from union supporters who, of course, want to see an increase in union membership. It has also led several Democratic presidential candidates to make calls to reconfigure labor law. Bernie Sanders wants to double union membership and give federal workers the right to strike, as well as ban at-will contracts of employment, so that any dismissal could be subject to litigation under a “for cause” standard. Not to be outdone, Elizabeth Warren wants to make it illegal for firms to hire permanent replacements for striking workers. They are joined by Pete Buttigieg in demanding a change in federal labor law so that states may no longer pass right-to-work laws that insulate workers from the requirement to pay union dues in unionized firms. All of these new devices are proven job killers.

The arguments in favor of unions are also coming from some unexpected sources in academia, where a conservative case has been put forward on the ground that an increase in union membership is needed to combat job insecurity and economic inequality.

All of these pro-union critiques miss the basic point that the decline of union power is good news, not bad. That conclusion is driven not by some insidious effort to stifle the welfare of workers, but by the simple and profound point that the greatest protection for workers lies in a competitive economy that opens up more doors than it closes. The only way to achieve that result is by slashing the various restrictions that prevent job formation, as Justin Haskins of the Heartland Institute notes in a recent article at The Hill. The central economic insight is that jobs get created only when there is the prospect of gains from trade. Those gains in turn are maximized by cutting the multitude of regulations and taxes that do nothing more than shrink overall wealth by directing social resources to less productive ends.

**Economic decline in an interconnected world collapses the global economy, results in multiple scenarios for war.**

**Pamlin and Armstrong 15** – Dennis Pamlin, Executive Project Manager, Global Challenges Foundation, Stuart Armstrong, James Martin Research Fellow, Future of Humanity Institute, Oxford Martin School & Faculty of Philosophy, University of Oxford, 2015 (“Global Challenges: 12 Risks that Threaten Human Civilization,” *Global Challenges Foundation*, February 2015, http://www.astro.sunysb.edu/fwalter/HON301/12-Risks-with-infinite-impact-full-report-1.pdf)

Often **economic collapse is accompanied by social chaos, civil unrest** **and** sometimes **a breakdown of law and order**. **Societal collapse** **usually refers to the fall or disintegration of human societies**, often along with their life support systems. **It broadly includes both** quite **abrupt societal failures typified by collapses, and more extended gradual declines of superpowers**. Here only the former is included.

**The world economic and political system is made up of many actors with many objectives and many links** between them. **Such** **intricate, interconnected systems** **are subject to unexpected system-wide failures** due to the structure of the network311 – even if each component of the network is reliable. **This gives rise to systemic risk**: systemic risk occurs **when parts that individually may function well become vulnerable when connected as a system to a self-reinforcing joint risk that can spread from part to part** (contagion), potentially affecting the entire system and possibly spilling over to related outside systems.312 Such effects have been observed in such diverse areas as ecology,313 finance314 and critical infrastructure315 (such as power grids). They are characterised by the possibility that **a small internal or external disruption could cause a highly non-linear effect**,316 **including a cascading failure that infects the whole system**,317 **as in the 2008-2009 financial crisis**.

**The possibility of collapse becomes more acute when several independent networks depend on each other, as is increasingly the case** (water supply, transport, fuel and power stations are strongly coupled, for instance).318 **This dependence links social and technological systems as well**.319

**This trend is likely to be intensified by continuing globalisation**,320 **while global governance and regulatory mechanisms seem inadequate to address the issue**.321 This is possibly because the tension between resilience and efficiency322 can even exacerbate the problem.323

Many triggers could start such a failure cascade, such as the infrastructure damage wrought by a coronal mass ejection,324 an ongoing cyber conflict, or a milder form of some of the risks presented in the rest of the paper. Indeed the main risk factor with global systems collapse is as something which may exacerbate some of the other risks in this paper, or as a trigger. But **a simple global systems collapse still poses risks on its own**. **The productivity of modern societies is largely dependent on the careful matching of different types of capital**325 (social, technological, natural...) **with each other**. **If this matching is disrupted, this could trigger a “social collapse” far out of proportion to the initial disruption**.326 **States and institutions have collapsed in the past for seemingly minor systemic reasons**.327 And **institutional collapses can create knock-on effects, such as the descent of formerly prosperous states to much more impoverished and destabilising entities**.328 **Such processes could trigger damage on a large scale if they weaken global political and economic systems to such an extent that secondary effects** (**such as conflict or starvation**) **could cause great death and suffering**..