# NC

## NC shell

#### Growth is surging.

Halloran ’9-14 [Michael; 2021; M.B.A. from Carnegie Mellon University, former aerospace research engineer, Equity Strategist; Janney, “Despite Potential Headwinds, Key Labor Market Indicators Bode Well for the Economy,” https://www.janney.com/latest-articles-commentary/all-insights/insights/2021/09/14/despite-potential-headwinds-key-labor-market-indicators-bode-well-for-the-economy]

However, we remain encouraged by the recovery that has been unfolding since the economy began reopening. We continue to see improvement in important cyclical sectors of the economy while consumers are historically healthy and still have pent-up demand. Business confidence has rebounded with strong corporate profits that should support further capital spending and hiring (there are now more job openings than there are unemployed people by a record amount).

We expect to see further improvement in the international backdrop, supported by unprecedented fiscal and monetary stimulus and accelerating rates of vaccination. Although the impact of the Delta wave is still being felt, recent evidence confirms the effectiveness of vaccines in limiting deaths and hospitalizations. With the pace of vaccination now picking up in the areas most impacted by this wave—Asia and Australia—the case for fading headwinds leading to improving economic growth later this year remains positive.

The signals from financial markets themselves remain positive. Despite consolidating last week, stocks remain near record highs while the 10-year Treasury remains well above the lows of earlier this summer when concerns about Delta first emerged.

#### These factors support our view of a durable economic recovery from the pandemic that should continue supporting stock prices. A healthy labor market is a critical element for a sustainable recovery that supports profit growth and last week’s news from the labor market remains

#### COVID creates an economic brink---recovery is strong now because of effective monetary policy, but we’ve hit the zero-lower bound.

Christopher Rugaber 21. Associated Press. “Federal Reserve keeps key interest rate near zero, signals COVID-19 economic risks receding.” https://www.chicagotribune.com/business/ct-biz-fed-interest-rates-economy-20210428-bumyc3ynpza6ri4ygsntmdsmya-story.html.

WASHINGTON — The Federal Reserve is keeping its ultra-low interest rate policies in place, a sign that it wants to see more evidence of a strengthening economic recovery before it would consider easing its support.

In a statement Wednesday, the Fed expressed a brighter outlook, saying the economy has improved along with the job market. And while the policymakers noted that inflation has risen, they ascribed the increase to temporary factors.

The Fed also signaled its belief that the pandemic’s threat to the economy has diminished, a significant point given Chair Jerome Powell’s long-stated view that the recovery depends on the virus being brought under control. Last month, the Fed had cautioned that the virus posed “considerable risks to the economic outlook.” On Wednesday, it said only that “risks to the economic outlook remain” because of the pandemic.

The central bank left its benchmark short-term rate near zero, where it’s been since the pandemic erupted nearly a year ago, to help keep loan rates down to encourage borrowing and spending. It also said in a statement after its latest policy meeting that it would keep buying $120 billion in bonds each month to try to keep longer-term borrowing rates low.

The U.S. economy has been posting unexpectedly strong gains in recent weeks, with barometers of hiring, spending and manufacturing all surging. Most economists say they detect the early stages of what could be a robust and sustained recovery, with coronavirus case counts declining, vaccinations rising and Americans spending their stimulus-boosted savings.

#### Strikes hurt critical core industries that is necessary for economic growth

John McElroy, 2019, Strikes Hurt Everybody.Wards Auto Industry News, October 25, https://www.wardsauto.com/ideaxchange/strikes-hurt-everybody

This creates a **poisonous relationship** between the company and its workforce. Many GM hourly workers don’t identify as GM employees. They identify as UAW members. And they see the union as the source of their jobs, not the company. It’s an unhealthy dynamic that puts GM at a disadvantage to non-union automakers in the U.S. like Honda and Toyota, where workers take pride in the company they work for and the products they make. Attacking the company in the media also **drives away customers**. Who wants to buy a shiny new car from a company that’s accused of underpaying its workers and treating them unfairly? Data from the Center for Automotive Research (CAR) in Ann Arbor, MI, show that **GM loses market share during strikes and never gets it back**. GM lost two percentage points during the 1998 strike, which in today’s market would represent **a loss of 340,000 sales**. Because GM reports sales on a quarterly basis we’ll only find out at the end of December if it lost market share from this strike. UAW members say one of their greatest concerns is job security. But causing a company to lose market share is a sure-fire path to **more plant closings and layoffs**. Even so, unions are incredibly important for boosting wages and benefits for working-class people. GM’s UAW-represented workers earn considerably more than their non-union counterparts, about $26,000 more per worker, per year, in total compensation. Without a union they never would have achieved that. Strikes are a powerful weapon for unions. They usually are the only way they can get management to accede to their demands. If not for the power of collective bargaining and the threat of a strike, management would largely ignore union demands. If you took away that threat, management would pay its workers peanuts. Just ask the Mexican line workers who are paid $1.50 an hour to make $50,000 BMWs. But strikes don’t just hurt the people walking the picket lines or the company they’re striking against. They hurt **suppliers, car dealers and the communities located near the plants.** The Anderson Economic Group estimates that 75,000 workers at supplier companies were temporarily laid off because of the GM strike. Unlike UAW picketers, those supplier workers won’t get any strike pay or an $11,000 contract signing bonus. No, most of them lost close to a month’s worth of wages, which must be financially devastating for them. GM’s suppliers also lost a lot of money. So now they’re cutting budgets and delaying capital investments to make up for the lost revenue, which is a further drag on the economy. According to CAR, the communities and states where GM’s plants are located collectively lost a couple of hundred million dollars in payroll and tax revenue. Some economists warn that if the strike were prolonged it could knock the state of Michigan – home to GM and the UAW – **into a recession.** That prompted the governor of Michigan, Gretchen Whitmer, to call GM CEO Mary Barra and UAW leaders and urge them to settle as fast as possible. So, while the UAW managed to get a nice raise for its members, the strike left a path of destruction in its wake. That’s not fair to the innocent bystanders who will never regain what they lost. John McElroyI’m not sure how this will ever be resolved. I understand the need for collective bargaining and the threat of a strike. But there’s got to be a better way to get workers a raise without torching the countryside.

#### Strikes create a stigmatization effect over labor and consumption that devastates the economy

Tenza 20, Mlungisi. "The effects of violent strikes on the economy of a developing country: a case of South Africa." Obiter 41.3 (2020): 519-537. (Senior Lecturer, University of KwaZulu-Natal)

When South Africa obtained democracy in 1994, there was a dream of a better country with a new vision for industrial relations.5 However, the number of violent strikes that have bedevilled this country in recent years seems to have shattered-down the aspirations of a better South Africa. South Africa recorded 114 strikes in 2013 and 88 strikes in 2014, which cost the country about **R6.1 billion** according to the Department of Labour.6 The impact of these strikes has been hugely felt by the mining sector, particularly the platinum industry. The biggest strike took place in the platinum sector where about 70 000 mineworkers’ downed tools for better wages. Three major platinum producers (Impala, Anglo American and Lonmin Platinum Mines) were affected. The strike started on 23 January 2014 and ended on 25 June 2014. Business Day reported that “the five-month-long strike in the platinum sector pushed the economy to the brink of recession”. 7 This strike was closely followed by a four-week strike in the metal and engineering sector. All these strikes (and those not mentioned here) were characterised with violence accompanied by damage to property, intimidation, assault and sometimes the killing of people. Statistics from the metal and engineering sector showed that about 246 cases of intimidation were reported, 50 violent incidents occurred, and 85 cases of vandalism were recorded.8 Large-scale unemployment, soaring poverty levels and the dramatic income inequality that characterise the South African labour market provide a broad explanation for strike violence.9 While participating in a strike, workers’ stress levels leave them feeling frustrated at their seeming powerlessness, which in turn provokes further violent behaviour.10 These strikes are not only violent but **take long to resolve.** Generally, a lengthy strike has a **negative effect on employment, reduces business confidence and increases the risk of economic stagflation**. In addition, such strikes have a major setback on the growth of the economy and investment opportunities. It is common knowledge that consumer spending is directly linked to economic growth. At the same time, if the economy is not showing signs of growth, employment opportunities are shed, and poverty becomes the end result. The economy of South Africa is in need of rapid growth to enable it to deal with the high levels of unemployment and resultant poverty. One of the measures that may boost the country’s economic growth is by attracting potential investors to invest in the country. However, this might be difficult as investors would want to invest in a country where there is a likelihood of getting returns for their investments. The wish of getting returns for investment may not materialise if the labour environment **is not fertile** for such investments as a result of, for example, unstable labour relations. Therefore, investors may be reluctant to invest where there is an unstable or fragile labour relations environment. 3 THE COMMISSION OF VIOLENCE DURING A STRIKE AND CONSEQUENCES The Constitution guarantees every worker the right to join a trade union, participate in the activities and programmes of a trade union, and to strike. 11 The Constitution grants these rights to a “worker” as an individual.12 However, the right to strike and any other conduct in contemplation or furtherance of a strike such as a picket13 can only be exercised by workers acting collectively.14 The right to strike and participation in the activities of a trade union were given more effect through the enactment of the Labour Relations Act 66 of 199515 (LRA). The main purpose of the LRA is to “advance economic development, social justice, labour peace and the democratisation of the workplace”. 16 The advancement of social justice means that the exercise of the right to strike must advance the interests of workers and at the same time workers must refrain from any conduct that can affect those who are not on strike as well members of society. Even though the right to strike and the right to participate in the activities of a trade union that often flow from a strike17 are guaranteed in the Constitution and specifically regulated by the LRA, it sometimes happens that the right to strike is exercised for purposes not intended by the Constitution and the LRA, generally. 18 For example, it was not the intention of the Constitutional Assembly and the legislature that violence should be used during strikes or pickets. As the Constitution provides, pickets are meant to be peaceful. 19 Contrary to section 17 of the Constitution, the conduct of workers participating in a strike or picket has changed in recent years with workers trying to emphasise their grievances by causing disharmony and chaos in public. A media report by the South African Institute of Race Relations pointed out that between the years 1999 and 2012 there were 181 strike-related deaths, 313 injuries and 3,058 people were arrested for public violence associated with strikes.20 The question is whether employers succumb easily to workers’ demands if a strike is accompanied by violence? In response to this question, one worker remarked as follows: “[T]here is no sweet strike, there is no Christian strike … A strike is a strike. [Y]ou want to get back what belongs to you ... you won’t win a strike with a Bible. You do not wear high heels and carry an umbrella and say ‘1992 was under apartheid, 2007 is under ANC’. You won’t win a strike like that.” 21 The use of violence during industrial action affects not only the strikers or picketers, the employer and his or her business but it also affects innocent members of the public, non-striking employees, the environment and the economy at large. In addition, striking workers visit non-striking workers’ homes, often at night, threaten them and in some cases, assault or even murder workers who are acting as replacement labour. 22 This points to the fact that for many workers and their families’ living conditions remain unsafe and vulnerable to damage due to violence. In Security Services Employers Organisation v SA Transport & Allied Workers Union (SATAWU),23 it was reported that about 20 people were thrown out of moving trains in the Gauteng province; most of them were security guards who were not on strike and who were believed to be targeted by their striking colleagues. Two of them died, while others were admitted to hospitals with serious injuries.24 In SA Chemical Catering & Allied Workers Union v Check One (Pty) Ltd,25 striking employees were carrying various weapons ranging from sticks, pipes, planks and bottles. One of the strikers Mr Nqoko was alleged to have threatened to cut the throats of those employees who had been brought from other branches of the employer’s business to help in the branch where employees were on strike. Such conduct was held not to be in line with good conduct of striking.26 These examples from case law show that South Africa is facing a problem that is affecting not only the industrial relations’ sector but also the economy at large. For example, in 2012, during a strike by workers employed by Lonmin in Marikana, the then-new union Association of Mine & Construction Workers Union (AMCU) wanted to exert its presence after it appeared that many workers were not happy with the way the majority union, National Union of Mine Workers (NUM), handled negotiations with the employer (Lonmin Mine). AMCU went on an unprotected strike which was violent and resulted in the loss of lives, damage to property and negative economic consequences including a weakened currency, reduced global investment, declining productivity, and increase unemployment in the affected sectors.27 Further, the unreasonably long time it takes for strikes to get resolved in the Republic has a negative effect on the business of the employer, the economy and employment. 3 1 Effects of violent and long strikes on the economy Generally, South Africa’s economy is on a downward scale. First, it fails to create employment opportunities for its people. The recent statistics on unemployment levels indicate that unemployment has increased from 26.5% to 27.2%. 28 The most prominent strike which nearly brought the platinum industries to its knees was the strike convened by AMCU in 2014. The strike started on 23 January 2014 and ended on 24 June 2014. It affected the three big platinum producers in the Republic, which are the Anglo American Platinum, Lonmin Plc and Impala Platinum. It was the longest strike since the dawn of democracy in 1994. As a result of this strike, the platinum industries lost billions of rands.29 According to the report by Economic Research Southern Africa, the platinum group metals industry is South Africa’s second-largest export earner behind gold and contributes just over 2% of the country’s Gross Domestic Product (GDP).30 The overall metal ores in the mining industry which include platinum sells about 70% of its output to the export market while sales to local manufacturers of basic metals, fabricated metal products and various other metal equipment and machinery make up to 20%. 31 The research indicates that the overall impact of the strike in 2014 was driven by a reduction in productive capital in the mining sector, accompanied by a decrease in labour available to the economy. This resulted in a sharp increase in the price of the output by 5.8% with a **GDP declined by 0.72 and 0.78%**.32

#### Economic decline causes nuclear war – collapses faith in deterrence

Tønnesson, 15—Research Professor, Peace Research Institute Oslo; Leader of East Asia Peace program, Uppsala University (Stein, “Deterrence, interdependence and Sino–US peace,” International Area Studies Review, Vol. 18, No. 3, p. 297-311, dml)

Several recent works on China and Sino–US relations have made substantial contributions to the current understanding of how and under what circumstances a combination of nuclear deterrence and economic interdependence may reduce the risk of war between major powers. At least four conclusions can be drawn from the review above: first, those who say that interdependence may both inhibit and drive conflict are right. Interdependence raises the cost of conflict for all sides but asymmetrical or unbalanced dependencies and negative trade expectations may generate tensions leading to trade wars among inter-dependent states that in turn increase the risk of military conflict (Copeland, 2015: 1, 14, 437; Roach, 2014). The risk may increase if one of the interdependent countries is governed by an inward-looking socio-economic coalition (Solingen, 2015); second, the risk of war between China and the US should not just be analysed bilaterally but include their allies and partners. Third party countries could drag China or the US into confrontation; third, in this context it is of some comfort that the three main economic powers in Northeast Asia (China, Japan and South Korea) are all deeply integrated economically through production networks within a global system of trade and finance (Ravenhill, 2014; Yoshimatsu, 2014: 576); and fourth, decisions for war and peace are taken by very few people, who act on the basis of their future expectations. International relations theory must be supplemented by foreign policy analysis in order to assess the value attributed by national decision-makers to economic development and their assessments of risks and opportunities. If leaders on either side of the Atlantic begin to seriously fear or anticipate their own nation’s decline then they may blame this on external dependence, appeal to anti-foreign sentiments, contemplate the use of force to gain respect or credibility, adopt protectionist policies, and ultimately refuse to be deterred by either nuclear arms or prospects of socioeconomic calamities. Such a dangerous shift could happen abruptly, i.e. under the instigation of actions by a third party – or against a third party.Yet as long as there is both nuclear deterrence and interdependence, the tensions in East Asia are unlikely to escalate to war. As Chan (2013) says, all states in the region are aware that they cannot count on support from either China or the US if they make provocative moves. The greatest risk is not that a territorial dispute leads to war under present circumstances but that changes in the world economy alter those circumstances in ways that render inter-state peace more precarious. If China and the US fail to rebalance their financial and trading relations (Roach, 2014) then a trade war could result, interrupting transnational production networks, provoking social distress, and exacerbating nationalist emotions. This could have unforeseen consequences in the field of security, with nuclear deterrence remaining the only factor to protect the world from Armageddon, and unreliably so. Deterrence could lose its credibility: one of the two great powers might gamble that the other yield in a cyber-war or conventional limited war, or third party countries might engage in conflict with each other, with a view to obliging Washington or Beijing to intervene.

The best way to enhance global peace is no doubt to multiply the factors protecting it: build a Pacific security community by topping up economic interdependence with political rapprochement and trust, institutionalized cooperation, and shared international norms. Yet even without such accomplishments, the combination of deterrence and economic interdependence may be enough to prevent war among the major powers. Because the leaders of nuclear armed nations are fearful of getting into a situation where peace relies uniquely on nuclear deterrence, and because they know that their adversaries have the same fear, they may accept the risks entailed by depending economically on others. And then there will be neither trade wars nor shooting wars, just disputes and diplomacy.

# NR

# Extra cards

## Links

### links

#### Strikes cause widespread economic harm

McElroy 19

John McElroy (editorial director of Blue Sky Productions and producer of "Autoline" for WTVS-Channel 56 Detroit and "Autoline Daily" the online video newscasts). “Strikes Hurt Everybody.” Wards Auto Industry News. 25 October 2019. JDN. https://www.wardsauto.com/ideaxchange/strikes-hurt-everybody

But strikes don’t just hurt the people walking the picket lines or the company they’re striking against. They hurt suppliers, car dealers and the communities located near the plants.¶ The Anderson Economic Group estimates that 75,000 workers at supplier companies were temporarily laid off because of the GM strike. Unlike UAW picketers, those supplier workers won’t get any strike pay or an $11,000 contract signing bonus. No, most of them lost close to a month’s worth of wages, which must be financially devastating for them.¶ GM’s suppliers also lost a lot of money. So now they’re cutting budgets and delaying capital investments to make up for the lost revenue, which is a further drag on the economy.¶ According to CAR, the communities and states where GM’s plants are located collectively lost a couple of hundred million dollars in payroll and tax revenue. Some economists warn that if the strike were prolonged it could knock the state of Michigan – home to GM and the UAW – into a recession. That prompted the governor of Michigan, Gretchen Whitmer, to call GM CEO Mary Barra and UAW leaders and urge them to settle as fast as possible.¶ So, while the UAW managed to get a nice raise for its members, the strike left a path of destruction in its wake. That’s not fair to the innocent bystanders who will never regain what they lost.

#### Strikes are harmful to developing economies

Tenza 20

Mlungisi Tenza (Senior Lecturer, University of KwaZulu-Natal). “The effects of violent strikes on the economy of a developing country: a case of South Africa.” Obiter vol.41 n.3 Port Elizabeth 2020. JDN. <http://www.scielo.org.za/scielo.php?script=sci_arttext&pid=S1682-58532020000300004>

Economic growth is one of the most important pillars of a state. Most developing states put in place measures that enhance or speed-up the economic growth of their countries. It is believed that if the economy of a country is stable, the lives of the people improve with available resources being shared among the country's inhabitants or citizens. However, it becomes difficult when the growth of the economy is hampered by the exercise of one or more of the constitutionally entrenched rights such as the right to strike.1 Strikes in South Africa are becoming more common, and this affects businesses, employees and their families, and eventually, the economy. It becomes more dangerous for the economy and society at large if strikes are accompanied by violence causing damage to property and injury to people. The duration of strikes poses a problem for the economy of a developing country like South Africa. South Africa is rich in mineral resources, the world's largest producer of platinum and chrome, the second-largest producer of zirconium and the third-largest exporter of coal. It also has the largest economy in Africa, both in terms of industrial capacity and gross domestic product (GDP).2 However, these economic advantages have been affected by protracted and violent strikes.3 For example, in the platinum industries, labour stoppages since 2012 have cost the sector approximately R18 billion lost in revenue and 900 000 oz in lost output. The five-month-long strike in early 2014 at Impala Platinum Mine amounted to a loss of about R400 million a day in revenue.4 The question that this article attempts to address is how violent strikes and their duration affect the growth of the economy in a developing country like South Africa. It also addresses the question of whether there is a need to change the policies regulating industrial action in South Africa to make them more favourable to economic growth.

#### Strikes decrease the productivity of business

Israelstam 17 [Ivan. Ivan Israelstam is the Chief Executive of Labour Law Management Consulting. “What is the impact of strikes for employers and employees?”. 11-22-2017. Skills Portal. https://www.skillsportal.co.za/content/what-impact-strikes-employers-and-employees.]

The loss of production and of customers is usually the first consequence of a strike. However, indirect strike costs incurred later can be just as serious. In the case of *NUM and others vs Chrober Slate (Pty) Ltd* (2008, 3 BLLR 287) the mine dismissed its quarry workers and factory staff due to an unprocedural strike by the quarry workers. The employer admitted that the factory staff were not to blame for the work stoppage as it had been the quarry workers who had refused to work. The dismissals of the factory staff were found to be unfair and the Labour Court ordered the mine to reinstate the 42 dismissed employees with back pay. In order to avoid the snowballing costs and loss of business that strikes can cause the employer needs to understand: What constitutes a strike in legal terms, The economic effects of a strike for both parties, The effects of a strike on the employment relationship, How to resolve constructively the conflict that causes industrial action, How to minimise the damage caused by a strike, and How to bring a strike to a speedy end. WHAT CONSTITUTES A STRIKE? A strike is any concerted withholding of labour by a group of employees in support of a demand made by them to the employer. Examples of this are work stoppages, go-slows, overtime bans and work-to-rule. THE ECONOMIC EFFECTS OF A STRIKE FOR BOTH PARTIES. The employer is likely to lose money due to delayed service to clients or to lost production time. The employees will lose their pay due to the no work, no pay principle. If the strikers are dismissed they will lose their livelihoods altogether. THE EFFECTS OF A STRIKE ON THE EMPLOYMENT RELATIONSHIP. Once the strike is over, even if the business has not been closed down by it, the feelings of hostility resulting from the strike can severely damage teamwork, productivity and profitability. HOW TO RESOLVE CONSTRUCTIVELY THE CONFLICT THAT CAUSES INDUSTRIAL ACTION. Before the conflict gets to the stage of impasse that results in a strike the parties need to utilise the services of an expert in conflict resolution. The CCMA was set up with the purpose of helping the parties to resolve conflict peacefully. However, in practice, the warring parties too often go to the CCMA because the law says they must rather than in a sincere attempt to sort out their differences. In other words, by the time the parties end up at the CCMA the conflict is often beyond the point of no return. For this reason, during times of industrial peace, employers and employees should identify and agree upon the use of a trained and reputable conflict resolution expert to be called in when the parties are unable to solve the problem themselves. HOW TO MINIMISE THE DAMAGE CAUSED BY A STRIKE. Employees should allow the business to continue to run in order to avert the likelihood of a closure that could result in job losses. Employers should use the services of a reputable labour broker who can provide alternative labour during the strike. Both parties should behave in a civil and professional manner towards each other. HOW TO BRING A STRIKE TO A SPEEDY END. Where the parties are unable to find common ground they should not delay in bringing in the services of their mutually agreed strike resolution expert. An expert in this field will not only have techniques of bringing the parties together but will also be able to see solutions that the emotions of the parties have prevented them from seeing. The expert should also be able to help the parties rebuild their relationship once the strike is over.

#### A strike in one industry automatically threatens another, suppliers interlinked

Dr. Bernd Waas, Goethe University Frankfurt, Germany, 2012, Strike as a Fundamental Right of the Workers and its Risks of Conflicting with other Fundamental Rights of the Citizens, https://www.islssl.org/wp-content/uploads/2013/01/Strike-Waas.pdf

Third, as strikes are a means of balancing power between the employer and the workers, socio-economic conditions which influence this relationship may have to be considered when determining the rules on strikes. To give only two examples: Today, **many companies are highly dependent on each other. Some of them may even form clusters. A move to reduce in-process inventory and associated carrying costs has made just in time production prevalent among, for instance, car manufacturers. Accordingly, a strike at a supplier will quickly start affecting the customers,** a fact that lends additional power to unions and can therefore not be easily disregarded when determining the rules on strikes.

#### Err Negative – over-estimate the effect on Strikes on the economy since traditional economic measures underestimate the damage.

Babb No Date Katrina Babb "Chapter 11: The Economic Impact of Unions" <http://isu.indstate.edu/conant/ecn351/ch11/chapter11.htm> (Professor of Economic at Indiana State)

Strikes ­ Simple statistics on strike activity suggest that strikes are relatively rare and the associated aggregate economic losses are relatively minimal. Table 11-3 provides data on major work stoppages, defined as those involving 1000 or more workers and lasting at least one full day or one work shift. But these data **can be misleading** **as a measure of the costliness of a strike.** On the one hand, employers in the struck industry may have anticipated the strike and worked their labor force overtime to accumulate inventories to supply customers during the strike period, so that the work lost data overstates the actual loss. On the other hand, the amount lost **can be understated** by the data if production in associated industries ( those that buy inputs from the struck industry or sell products to it) **is disrupted**. As a broad generalization, the adverse effects of a strike on nonstriking firms and customers are likely to be greater **when services are involved** and less when products are involved. Remember, that strikes are the result of the failure of both parties to the negotiation, so it is inaccurate to attribute all of the costs associated with a strike to labor alone.

## Impact

### ! – Econ Decline

#### Economic decline causes nuclear war – collapses faith in deterrence

Tønnesson, 15—Research Professor, Peace Research Institute Oslo; Leader of East Asia Peace program, Uppsala University (Stein, “Deterrence, interdependence and Sino–US peace,” International Area Studies Review, Vol. 18, No. 3, p. 297-311, dml)

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### XT – Laundry List

#### Collapse causes multiple scenarios for nuclear war- collapses democracy, heg, and the international system causes terrorism, Middle East war, resource war, and naval conflict- empirics prove

Burrows and Harris 9 Mathew J. Burrows is a counselor in the National Intelligence Council (NIC), the principal drafter of Global Trends 2025: A Transformed World, Jennifer Harris is a member of the NIC’s Long Range Analysis Unit, “Revisiting the Future: Geopolitical Effects of the Financial Crisis”, The Washington Quarterly, April, http://www.ciaonet.org/journals/twq/v32i2/f\_0016178\_13952.pdf

Increased Potential for Global Conflict Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groupsinheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world. What Kind of World will 2025 Be? Perhaps more than lessons, history loves patterns. Despite widespread changes in the world today, there is little to suggest that the future will not resemble the past in several respects. The report asserts that, under most scenarios, the trend toward greater diffusion of authority and power that has been ongoing for a couple of decades is likely to accelerate because of the emergence of new global players, the worsening institutional deficit, potential growth in regional blocs, and enhanced strength of non-state actors and networks. The multiplicity of actors on the international scene could either strengthen the international system, by filling gaps left by aging post-World War II institutions, or could further fragment it and incapacitate international cooperation. The diversity in both type and kind of actor raises the likelihood of fragmentation occurring over the next two decades, particularly given the wide array of transnational challenges facing the international community. Because of their growing geopolitical and economic clout, the rising powers will enjoy a high degree of freedom to customize their political and economic policies rather than fully adopting Western norms. They are also likely to cherish their policy freedom to maneuver, allowing others to carry the primary burden for dealing with terrorism, climate change, proliferation, energy security, and other system maintenance issues. Existing multilateral institutions, designed for a different geopolitical order, appear too rigid and cumbersome to undertake new missions, accommodate changing memberships, and augment their resources. Nongovernmental organizations and philanthropic foundations, concentrating on specific issues, increasingly will populate the landscape but are unlikely to affect change in the absence of concerted efforts by multilateral institutions or governments. Efforts at greater inclusiveness, to reflect the emergence of the newer powers, may make it harder for international organizations to tackle transnational challenges. Respect for the dissenting views of member nations will continue to shape the agenda of organizations and limit the kinds of solutions that can be attempted. An ongoing financial crisis and prolonged recession would tilt the scales even further in the direction of a fragmented and dysfunctional international system with a heightened risk of conflict. The report concluded that the rising BRIC powers (Brazil, Russia, India, and China) seem averse to challenging the international system, as Germany and Japan did in the nineteenth and twentieth centuries, but this of course could change if their widespread hopes for greater prosperity become frustrated and the current benefits they derive from a globalizing world turn negative.

#### Downturn causes great power war, protectionism, prolif, heg decline, autocracies, terrorism, disease- history proves

Green and Schrage 9 Michael, Senior Advisor and Japan Chair at CSIS and Associate Professor at Georgetown, Steven, CSIS Scholl Chair in International Business and a former senior official with the US Trade Representative's Office, State Department and Ways & Means Committee, “It's not just the economy”, Asia Times, 3/26, http://www.atimes.com/atimes/Asian\_Economy/KC26Dk01.html

Facing the worst economic crisis since the Great Depression, analysts at the World Bank and the US Central Intelligence Agency are just beginning to contemplate the ramifications for international stability if there is not a recovery in the next year. For the most part, the focus has been on fragile states such as some in Eastern Europe. However, the Great Depression taught us that a downward global economic spiral can even have jarring impacts on great powers. It is no mere coincidence that the last great global economic downturn was followed by the most destructive war in human history. In the 1930s, economic desperation helped fuel autocratic regimes and protectionism in a downward economic-security death spiral that engulfed the world in conflict. This spiral was aided by the preoccupation of the United States and other leading nations with economic troubles at home and insufficient attention to working with other powers to maintain stability abroad. Today's challenges are different, yet 1933's London Economic Conference, which failed to stop the drift toward deeper depression and world war, should be a cautionary tale for leaders heading to next month's London Group of 20 (G-20) meeting. There is no question the US must urgently act to address banking issues and to restart its economy. But the lessons of the past suggest that we will also have to keep an eye on those fragile threads in the international system that could begin to unravel if the financial crisis is not reversed early in the Barack Obama administration and realize that economics and security are intertwined in most of the critical challenges we face. A disillusioned rising power? Four areas in Asia merit particular attention, although so far the current financial crisis has not changed Asia's fundamental strategic picture. China is not replacing the US as regional hegemon, since the leadership in Beijing is too nervous about the political implications of the financial crisis at home to actually play a leading role in solving it internationally. Predictions that the US will be brought to its knees because China is the leading holder of US debt often miss key points. China's currency controls and full employment/export-oriented growth strategy give Beijing few choices other than buying US Treasury bills or harming its own economy. Rather than creating new rules or institutions in international finance, or reorienting the Chinese economy to generate greater long-term consumer demand at home, Chinese leaders are desperately clinging to the status quo (though Beijing deserves credit for short-term efforts to stimulate economic growth). The greater danger with China is not an eclipsing of US leadership, but instead the kind of shift in strategic orientation that happened to Japan after the Great Depression. Japan was arguably not a revisionist power before 1932 and sought instead to converge with the global economy through open trade and adoption of the gold standard. The worldwide depression and protectionism of the 1930s devastated the newly exposed Japanese economy and contributed directly to militaristic and autarkic policies in Asia as the Japanese people reacted against what counted for globalization at the time. China today is similarly converging with the global economy, and many experts believe China needs at least 8% annual growth to sustain social stability. Realistic growth predictions for 2009 are closer to 5%. Veteran China hands were watching closely when millions of migrant workers returned to work after the Lunar New Year holiday last month to find factories closed and jobs gone. There were pockets of protests, but nationwide unrest seems unlikely this year, and Chinese leaders are working around the clock to ensure that it does not happen next year either. However, the economic slowdown has only just begun and nobody is certain how it will impact the social contract in China between the ruling communist party and the 1.3 billion Chinese who have come to see President Hu Jintao's call for "harmonious society" as inextricably linked to his promise of "peaceful development". If the Japanese example is any precedent, a sustained economic slowdown has the potential to open a dangerous path from economic nationalism to strategic revisionism in China too. Dangerous states It is noteworthy that North Korea, Myanmar and Iran have all intensified their defiance in the wake of the financial crisis, which has distracted the world's leading nations, limited their moral authority and sown potential discord. With Beijing worried about the potential impact of North Korean belligerence or instability on Chinese internal stability, and leaders in Japan and South Korea under siege in parliament because of the collapse of their stock markets, leaders in the North Korean capital of Pyongyang have grown increasingly boisterous about their country's claims to great power status as a nuclear weapons state. The junta in Myanmar has chosen this moment to arrest hundreds of political dissidents and thumb its nose at fellow members of the 10-country Association of Southeast Asian Nations. Iran continues its nuclear program while exploiting differences between the US, UK and France (or the P-3 group) and China and Russia - differences that could become more pronounced if economic friction with Beijing or Russia crowds out cooperation or if Western European governments grow nervous about sanctions as a tool of policy. It is possible that the economic downturn will make these dangerous states more pliable because of falling fuel prices (Iran) and greater need for foreign aid (North Korea and Myanmar), but that may depend on the extent that authoritarian leaders care about the well-being of their people or face internal political pressures linked to the economy. So far, there is little evidence to suggest either and much evidence to suggest these dangerous states see an opportunity to advance their asymmetrical advantages against the international system. Challenges to the democratic model The trend in East Asia has been for developing economies to steadily embrace democracy and the rule of law in order to sustain their national success. But to thrive, new democracies also have to deliver basic economic growth. The economic crisis has hit democracies hard, with Japanese Prime Minister Aso Taro's approval collapsing to single digits in the polls and South Korea's Lee Myung-bak and Taiwan's Ma Ying Jeou doing only a little better (and the collapse in Taiwan's exports - particularly to China - is sure to undermine Ma's argument that a more accommodating stance toward Beijing will bring economic benefits to Taiwan). Thailand's new coalition government has an uncertain future after two years of post-coup drift and now economic crisis. The string of old and new democracies in East Asia has helped to anchor US relations with China and to maintain what former secretary of state Condoleezza Rice once called a "balance of power that favors freedom". A reversal of the democratic expansion of the past two decades would not only impact the global balance of power but also increase the potential number of failed states, with all the attendant risk they bring from harboring terrorists to incubating pandemic diseases and trafficking in persons. It would also undermine the demonstration effect of liberal norms we are urging China to embrace at home. Protectionism The collapse of financial markets in 1929 was compounded by protectionist measures such as the Smoot-Hawley tariff act in 1932. Suddenly, the economic collapse became a zero-sum race for autarkic trading blocs that became a key cause of war. Today, the globalization of finance, services and manufacturing networks and the World Trade Organization (WTO) make such a rapid move to trading blocs unlikely. However, protectionism could still unravel the international system through other guises. Already, new spending packages around the world are providing support for certain industries that might be perceived by foreign competitors as unfair trade measures, potentially creating a "Smoot-Hawley 2.0" stimulus effect as governments race to prop up industries. "Buy American" conditionality in the US economic stimulus package earlier this year was watered down somewhat by the Obama administration, but it set a tempting precedent for other countries to put up barriers to close markets. Nations pushing the bounds of their trade commitments could overload the circuits of a system that can take two years to determine violations - more than enough time for a global meltdown. Climate change legislation is also likely to become a stalking horse for protectionism as legislatures enthusiastically embrace punitive tariffs against Chinese or Indian goods that are produced outside of the framework for reducing greenhouse gas emissions. Finally, competitive devaluation - already being pursued by China in the view of some economists - could intensify international protectionism and friction. Global trade has already contracted for the first time in over two decades and governments have only just begun exploring unilateral measures that could cause further barriers. Meanwhile, trade liberalization has stalled in the Doha Round of the WTO and the Obama administration has come into office expressing strong reservations about major bilateral free trade agreements already negotiated with allies like South Korea and Columbia. Even if the clarion call of protectionism does not lead to the kind of autarkic blocs that contributed to war in the 1930s, it could still distract governments from collaboration on common threats and slow the prospects for more rapid recovery.

#### Economic collapse causes a nuclear disaster

Burrows, counselor in the NIC, and Harris, member of the NIC’s Long Range Analysis Unit, 09[Mathew J. Burrows is a counselor in the National Intelligence Council (NIC), the principal drafter of Global Trends 2025: A Transformed World, Jennifer Harris is a member of the NIC’s Long Range Analysis Unit, “Revisiting the Future: Geopolitical Effects of the Financial Crisis”, The Washington Quarterly, April, <http://www.ciaonet.org/journals/twq/v32i2/f_0016178_13952.pdf>, accessed: 7/13/13]

Increased Potential for Global Conflict Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. 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Terrorist groups in 2025 will likely be a combination of descendants of long established groups inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attack and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. 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Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world. What Kind of World will 2025 Be? Perhaps more than lessons, history loves patterns. Despite widespread changes in the world today, there is little to suggest that the future will not resemble the past in several respects. The report asserts that, under most scenarios, the trend toward greater diffusion of authority and power that has been ongoing for a couple of decades is likely to accelerate because of the emergence of new global players, the worsening institutional deficit, potential growth in regional blocs, and enhanced strength of non-state actors and networks. 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The report concluded that the rising BRIC powers (Brazil, Russia, India, and China) seem averse to challenging the international system, as Germany and Japan did in the nineteenth and twentieth centuries, but this of course could change if their widespread hopes for greater prosperity become frustrated and the current benefits they derive from a globalizing world turn negative.

#### Both recent and historical analysis prove this

Green and Schrage 09 (Senior Advisor and Japan Chair @ CSIS and Associate Professor @ Georgetown University AND CSIS School Chair in International Business and Former Senior Official with the US Trade Representative’s Office (Michael J. and Steven P., “It’s not just the economy,” State Department and Ways & Means Committee, Asia Times, 3/26, <http://www.atimes.com/atimes/asian_economy/kc26dk01.html>)

Facing the worst economic crisis since the Great Depression, analysts at the World Bank and the US Central Intelligence Agency are just beginning to contemplate the ramifications for international stability if there is not a recovery in the next year. For the most part, the focus has been on fragile states such as some in Eastern Europe. However, the Great Depression taught us that a downward global economic spiral can even have jarring impacts on great powers. It is no mere coincidence that the last great global economic downturn was followed by the most destructive war in human history. In the 1930s, economic desperation helped fuel autocratic regimes and protectionism in a downward economic-security death spiral that engulfed the world in conflict. This spiral was aided by the preoccupation of the United States and other leading nations with economic troubles at home and insufficient attention to working with other powers to maintain stability abroad. Today's challenges are different, yet 1933's London Economic Conference, which failed to stop the drift toward deeper depression and world war, should be a cautionary tale for leaders heading to next month's London Group of 20 (G-20) meeting.

#### Economic decline guarantees multiple scenarios for nuclear war and turns every other impact

Harris and Burrows ‘9 - PhD in European History @ Cambridge and Counselor of the US National Intelligence Council AND Member of the National Intelligence Council’s Long Range Analysis Unit (Mathew J. and Jennifer, “Revisiting the Future: Geopolitical Effects of the Financial Crisis,” April, Washington Quarterly, <http://www.twq.com/09april/docs/09apr_Burrows.pdf>)

Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample Revisiting the Future opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups\_inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. 36 Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

#### Economic decline causes war – studies prove

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(Jedediah, Director of Cooperative Threat Reduction at the U.S. Department of Defense, 2010, Economic Integration, Economic Signaling and the Problem of Economic Crises, in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215)

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent stales. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level. Pollins (20081 advances Modclski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 19SJ) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fcaron. 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately. Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level. Copeland's (1996. 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states arc likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 Third, others have considered the link between economic decline and external armed conflict at a national level. Mom berg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write. The linkage, between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict lends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other (Hlomhen? & Hess. 2(102. p. X9> Economic decline has also been linked with an increase in the likelihood of terrorism (Blombcrg. Hess. & Wee ra pan a, 2004). which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. "Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DcRoucn (1995), and Blombcrg. Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force arc at least indirecti) correlated. Gelpi (1997). Miller (1999). and Kisangani and Pickering (2009) suggest that Ihe tendency towards diversionary tactics arc greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked lo an increase in the use of force. In summary, rcccni economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict al systemic, dyadic and national levels.' This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

#### Economic decline increases chance of nuclear conflict

Richard Heinberg, Senior Fellow of the Post Carbon Institute and is widely regarded as one of the world’s foremost Peak Oil educators, November 16th 2012, “Conflict and Change in the Era of Economic Decline: Part 1 - The 21st century landscape of conflict,” http://www.resilience.org/stories/2012-12-04/conflict-and-change-in-the-era-of-economic-decline-part-1-the-21st-century-landscape-of-conflict

When empires crumble, as they always do, the result is often a free-for-all among previous subject nations and potential rivals as they sort out power relations. The British Empire was a seeming exception to this rule: in that instance, the locus of military, political, and economic power simply migrated to an ally across the Atlantic. A similar graceful transfer seems unlikely in the case of the U.S., as economic decline during the 21st century will be global in scope. A better analogy to the current case might be the fall of Rome, which led to centuries of incursions by barbarians as well as uprisings in client states. Disaster per se need not lead to violence, as Rebecca Solnit argues in her book A Paradise Built in Hell: The Extraordinary Communities that Arise in Disaster. She documents five disasters – the aftermath of Hurricane Katrina; earthquakes in San Francisco and Mexico City; a giant ship explosion in Halifax, Canada; and 9/11 – and shows that rioting, looting, rape, and murder were not automatic results. Instead, for the most part, people pulled together, shared what resources they had, cared for the victims, and in many instances found new sources of joy in everyday life. However, the kinds of social stresses we are discussing now may differ from the disasters Solnit surveys, in that they comprise a “long emergency,” to borrow James Kunstler’s durable phrase. For every heartwarming anecdote about the convergence of rescuers and caregivers on a disaster site, there is a grim historic tale of resource competition turning normal people into monsters. In the current context, a continuing source of concern must be the large number of nuclear weapons now scattered among nine nations. While these weapons primarily exist as a deterrent to military aggression, and while the end of the Cold War has arguably reduced the likelihood of a massive release of these weapons in an apocalyptic fury, it is still possible to imagine several scenarios in which a nuclear detonation could occur as a result of accident, aggression, pre-emption, or retaliation. We are in a race – but it’s not just an arms race; indeed, it may end up being an arms race in reverse. In many nations around the globe the means to pay for armaments and war are starting to disappear; meanwhile, however, there is increasing incentive to engage in international conflict as a way of re-channeling the energies of jobless young males and of distracting the general populace, which might otherwise be in a revolutionary mood. We can only hope that historical momentum can maintain The Great Peace until industrial nations are sufficiently bankrupt that they cannot afford to mount foreign wars on any substantial scale.

#### Economic depression leads to global war

Richard Duncan, chief economist at Singapore-based Blackhorse Asset Management, former financial sector specialist at the World Bank and global head of investment strategy at ABN AMRO Asset Management, studied literature and economics at Vanderbilt University (1983) and international finance at Babson College (1986), February 24th 2012,” The New Depression: The Breakdown of the Paper Money Economy”

The consequences of a New Great Depression would extend far beyond the realm of economics. Hungry people will fight to survive. Governments will use force to maintain internal order at home. This section considers the geopolitical repercussion of economic collapse, beginning with the United States. First, the U.S. government’s tax revenues would collapse with the depression. Second, because global trade would shrivel up, other countries would no longer help finance the U.S. budget deficit by buying government bonds because they would no longer have the money to do so. At present, the rest of the world has a $500 billion annual trade surplus with the United States. The central banks of the United States’ trading partners accumulate that surplus as foreign exchange reserves and invest most of those reserves into U.S. government bonds. An economic collapse would cause global trade to plummet and drastically reduce (if not eliminate altogether) the U.S. trade deficit. Therefore, this source of foreign funding for the U.S. budget deficit would dry up. Consequently, the government would have to sharply curtail its spending, both at home and abroad. Domestically, social programs for the old, the sick, and the unemployed would have to be slashed. Government spending on education and infrastructure would also have to be curtailed. Much less government spending would result in a dramatic increase in poverty and, consequently, in crime. This would combine to produce a crisis of the current two-party political system. Astonishment, frustration, and anger at the economic breakdown would radicalize politics. New parties would form at both extremes of the political spectrum. Given the great and growing income inequality going into the crisis, the hungry have-nots would substantially outnumber the remaining wealthy. On the one hand, a hard swing to the left would be the outcome most likely to result from democratic elections. In that case, the tax rates on the top income brackets could be raised to 80 percent or more, a level last seen in 1963. On the other hand, the possibility of a right-wing putsch could not be ruled out. During the Great Depression, the U.S. military was tiny in comparison with what it became during World War II and during the decades of hot, cold, and terrorist wars that followed. In this New Great Depression, it might be the military that ultimately determines how the country would be governed. The political battle over America’s future would be bitter, and quite possibly bloody. It cannot be guaranteed that the U.S. Constitution would survive. Foreign affairs would also confront the United States with enormous challenges. During the Great Depression, the United States did not have a global empire. Now it does. The United States maintains hundreds of military bases across dozens of countries around the world. Added to this is a fleet of 11 aircraft carriers and 18 nuclear-armed submarines. The country spends more than $650 billion a year on its military. If the U.S. economy collapses into a New Great Depression, the United States could not afford to maintain its worldwide military presence or to continue in its role as global peacekeeper. Or, at least, it could not finance its military in the same way it does at present. Therefore, either the United States would have to find an alternative funding method for its global military presence or else it would have to radically scale it back. Historically, empires were financed with plunder and territorial expropriation. The estates of the vanquished ruling classes were given to the conquering generals, while the rest of the population was forced to pay imperial taxes. The U.S. model of empire has been unique. It has financed its global military presence by issuing government debt, thereby taxing future generations of Americans to pay for this generation’s global supremacy. That would no longer be possible if the economy collapsed. Cost–benefit analysis would quickly reveal that much of America’s global presence was simply no longer affordable. Many – or even most – of the outposts that did not pay for themselves would have to be abandoned. Priority would be given to those places that were of vital economic interests to the United States. The Middle East oil fields would be at the top of that list. The United States would have to maintain control over them whatever the price. In this global depression scenario, the price of oil could collapse to $3 per barrel. Oil consumption would fall by half and there would be no speculators left to manipulate prices higher. Oil at that level would impoverish the oil-producing nations, with extremely destabilizing political consequences. Maintaining control over the Middle East oil fields would become much more difficult for the United States. It would require a much larger military presence than it does now. On the one hand, it might become necessary for the United States to reinstate the draft (which would possibly meet with violent resistance from draftees, as it did during the Vietnam War). On the other hand, America’s all-volunteer army might find it had more than enough volunteers with the national unemployment rate in excess of 20 percent. The army might have to be employed to keep order at home, given that mass unemployment would inevitably lead to a sharp spike in crime. Only after the Middle East oil was secured would the country know how much more of its global military presence it could afford to maintain. If international trade had broken down, would there be any reason for the United States to keep a military presence in Asia when there was no obvious way to finance that presence? In a global depression, the United States’ allies in Asia would most likely be unwilling or unable to finance America’s military bases there or to pay for the upkeep of the U.S. Pacific fleet. Nor would the United States have the strength to force them to pay for U.S. protection. Retreat from Asia might become unavoidable. And Europe? What would a cost–benefit analysis conclude about the wisdom of the United States maintaining military bases there? What valued added does Europe provide to the United States? Necessity may mean Europe will have to defend itself. Should a New Great Depression put an end to the Pax Americana, the world would become a much more dangerous place. When the Great Depression began, Japan was the rising industrial power in Asia. It invaded Manchuria in 1931 and conquered much of the rest of Asia in the early 1940s. Would China, Asia’s new rising power, behave the same way in the event of a new global economic collapse? Possibly. China is the only nuclear power in Asia east of India (other than North Korea, which is largely a Chinese satellite state). However, in this disaster scenario, it is not certain that China would survive in its current configuration. Its economy would be in ruins. Most of its factories and banks would be closed. Unemployment could exceed 30 percent. There would most likely be starvation both in the cities and in the countryside. The Communist Party could lose its grip on power, in which case the country could break apart, as it has numerous times in the past. It was less than 100 years ago that China’s provinces, ruled by warlords, were at war with one another. United or divided, China’s nuclear arsenal would make it Asia’s undisputed superpower if the United States were to withdraw from the region. From Korea and Japan in the North to New Zealand in the South to Burma in the West, all of Asia would be at China’s mercy. And hunger among China’s population of 1.3 billion people could necessitate territorial expansion into Southeast Asia. In fact, the central government might not be able to prevent mass migration southward, even if it wanted to. In Europe, severe economic hardship would revive the centuries-old struggle between the left and the right. During the 1930s, the Fascists movement arose and imposed a police state on most of Western Europe. In the East, the Soviet Union had become a communist police state even earlier. The far right and the far left of the political spectrum converge in totalitarianism. It is difficult to judge whether Europe’s democratic institutions would hold up better this time that they did last time. England had an empire during the Great Depression. Now it only has banks. In a severe worldwide depression, the country – or, at least London – could become ungovernable. Frustration over poverty and a lack of jobs would erupt into anti-immigration riots not only in the United Kingdom but also across most of Europe. The extent to which Russia would menace its European neighbors is unclear. On the one hand, Russia would be impoverished by the collapse in oil prices and might be too preoccupied with internal unrest to threaten anyone. On the other hand, it could provoke a war with the goal of maintaining internal order through emergency wartime powers. Germany is very nearly demilitarized today when compared with the late 1930s. Lacking a nuclear deterrent of its own, it could be subject to Russian intimidation. While Germany could appeal for protection from England and France, who do have nuclear capabilities, it is uncertain that would buy Germany enough time to remilitarize before it became a victim of Eastern aggression. As for the rest of the world, its prospects in this disaster scenario can be summed up in only a couple of sentences. Global economic output could fall by as much as half, from $60 trillion to $30 trillion. Not all of the world’s seven billion people would survive in a $30 trillion global economy. Starvation would be widespread. Food riots would provoke political upheaval and myriad big and small conflicts around the world. It would be a humanitarian catastrophe so extreme as to be unimaginable for the current generation, who, at least in the industrialized world, has known only prosperity. Nor would there be reason to hope that the New Great Depression would end quickly. The Great Depression was only ended by an even more calamitous global war that killed approximately 60 million people.

### XT – Econ Decline

#### Economic crisis is the most likely cause of great power conflict

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Relative calm has prevailed among the great powers since the demise of the Soviet Union. Large-scale warfare remains a possibility, but by and large interstate war has been confined to the margins of the international system, and limited in its intensity, with the operational realities of the world’s major armed forces characterized by alternative missions. Neoliberal globalization has been robust but economically problematic, characterized by slow growth, financial instability, and other factors contributing to social and political stress. East Asia, and especially China, constituted the principal exception to the slow growth characterizing these decades. East Asia has massively increased its share of world manufacturing, exports, and exchange reserves, while at the same time the EU expanded and consolidated the continent’s resources, with some “game-changing” implications (like the euro). Additionally, rising commodity prices have resulted in booms among resource exporters, particularly energy exporters, which have also permitted these nations to enjoy greater political leverage.

As a result, while the United States remains in a class of its own with regard to military power, and its large national market, there have been some substantial shifts in economic power from the United States and Japan to other actors over the past two decades. This is particularly true of China, the EU, and a select number of energy exporters, resulting in a more complex and diffuse distribution of power. At the same time the relationships of the major powers are less defined by concerns related to traditional, state-centered threats than at any time since the nineteenth century, if not earlier. While these may not be the traditional threats, they do present an unprecedented array of non-traditional security concerns in areas like energy, the environment, and finance, and physical threats presented by non-state actors, such as international terrorism and high-seas piracy. Despite these mounting threats, cooperation has consistently fallen short of the levels hoped for in the early 1990s.

Many of the current trends seem likely to continue through the foreseeable future. The interaction of the crises of the past several years (especially in energy and international finance) combined with long-mounting stresses in the global economy (slow growth, debt, ecological pressure) all raise the possibility of changes in some areas of development, particularly if these changes impact the world’s three principal loci of economic power: China, the European Union, and the United States. China may continue to grow rapidly, though perhaps less so as it matures, and begins to pursue goals beyond the mere maximizing of GDP. Even if the EU’s attempts at integration and expansion recede (as is plausible), Europe as a whole is likely to remain powerful, even if that power is less extensive and well-organized.

Meanwhile the US position is not unlike what the “declinists” of the 1980s and early 1990s anticipated. The most significant direct challenges to the United States some twenty years after the Cold War are not military, but economic: deindustrialization, balance of payments problems, debt, and surviving inside an ever-more integrated global economy and strained ecosystem. Relations among the great powers may yet grow more intense, but economic crisis seems the most likely cause of any future conflict, with the less traditional dimensions of security presenting the most realistic obstacles to the United States’ freedom of action if such events ever do materialize.

#### 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 capital325 (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.

#### Renders deterrence incredible

Tønnesson, history PhD, 15, Stein, well in Norway it’s called a “dr. philos” but that’s a PhD, Research Professor, Peace Research Institute Oslo; Leader of East Asia Peace program, Uppsala University, 2015, “Deterrence, interdependence and Sino–US peace,” International Area Studies Review, Vol. 18, No. 3, p. 297-311

Several recent works on China and Sino–US relations have made substantial contributions to the current understanding of how and under what circumstances a combination of nuclear deterrence and economic interdependence may reduce the risk of war between major powers. At least four conclusions can be drawn from the review above: first, those who say that interdependence may both inhibit and drive conflict are right. Interdependence raises the cost of conflict for all sides but asymmetrical or unbalanced dependencies and negative trade expectations may generate tensions leading to trade wars among interdependent states that in turn increase the risk of military conflict (Copeland, 2015: 1, 14, 437; Roach, 2014). The risk may increase if one of the interdependent countries is governed by an inward-looking socio-economic coalition (Solingen, 2015); second, the risk of war between China and the US should not just be analysed bilaterally but include their allies and partners. Third party countries could drag China or the US into confrontation; third, in this context it is of some comfort that the three main economic powers in Northeast Asia (China, Japan and South Korea) are all deeply integrated economically through production networks within a global system of trade and finance (Ravenhill, 2014; Yoshimatsu, 2014: 576); and fourth, decisions for war and peace are taken by very few people, who act on the basis of their future expectations. International relations theory must be supplemented by foreign policy analysis in order to assess the value attributed by national decision-makers to economic development and their assessments of risks and opportunities. If leaders on either side of the Atlantic begin to seriously fear or anticipate their own nation’s decline then they may blame this on external dependence, appeal to anti-foreign sentiments, contemplate the use of force to gain respect or credibility, adopt protectionist policies, and ultimately refuse to be deterred by either nuclear arms or prospects of socioeconomic calamities. Such a dangerous shift could happen abruptly, i.e. under the instigation of actions by a third party – or against a third party.

Yet as long as there is both nuclear deterrence and interdependence, the tensions in East Asia are unlikely to escalate to war. As Chan (2013) says, all states in the region are aware that they cannot count on support from either China or the US if they make provocative moves. The greatest risk is not that a territorial dispute leads to war under present circumstances but that changes in the world economy alter those circumstances in ways that render inter-state peace more precarious. If China and the US fail to rebalance their financial and trading relations (Roach, 2014) then a trade war could result, interrupting transnational production networks, provoking social distress, and exacerbating nationalist emotions. This could have unforeseen consequences in the field of security, with nuclear deterrence remaining the only factor to protect the world from Armageddon, and unreliably so. Deterrence could lose its credibility: one of the two great powers might gamble that the other yield in a cyber-war or conventional limited war, or third party countries might engage in conflict with each other, with a view to obliging Washington or Beijing to intervene.

#### Causes global instability and great power war

Harris, PhD, and Burrows 9 [Mathew, PhD European History at Cambridge, counselor in the National Intelligence Council (NIC) and Jennifer, member of the NIC’s Long Range Analysis Unit “Revisiting the Future: Geopolitical Effects of the Financial Crisis” <http://www.ciaonet.org/journals/twq/v32i2/f_0016178_13952.pdf>]

Increased Potential for Global Conflict Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample Revisiting the Future opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups\_inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks\_and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. 36 Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

#### Economic decline triggers lash-out and global war — economic institutions won’t check

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As we get closer to the centenary of Gavrilo Princip’s act of terrorism in Sarajevo, there is an ever more vivid fear: it could happen again. The approach of the hundredth anniversary of 1914 has put a spotlight on the fragility of the world’s political and economic security systems. At the beginning of 2013, Luxembourg’s Prime Minister Jean-Claude Juncker was widely ridiculed for evoking the shades of 1913. By now he is looking like a prophet. By 2014, as the security situation in the South China Sea deteriorated, Japanese Prime Minister Shinzo Abe cast China as the equivalent to Kaiser Wilhelm’s Germany; and the fighting in Ukraine and in Iraq is a sharp reminder of the dangers of escalation. Lessons of 1914 are about more than simply the dangers of national and sectarian animosities. The main story of today as then is the precariousness of financial globalization, and the consequences that political leaders draw from it. In the influential view of Norman Angell in his 1910 book The Great Illusion, the interdependency of the increasingly complex global economy made war impossible. But a quite opposite conclusion was possible and equally plausible – and proved to be the case. Given the extent of fragility, a clever twist to the control levers might make war easily winnable by the economic hegemon. In the wake of an epochal financial crisis that almost brought a complete global collapse, in 1907, several countries started to think of finance as primarily an instrument of raw power, one that could and should be turned to national advantage. The 1907 panic emanated from the United States but affected the rest of the world and demonstrated the fragility of the whole international financial order. The aftermath of the 1907 crash drove the then hegemonic power – Great Britain - to reflect on how it could use its financial power. Between 1905 and 1908, the British Admiralty evolved the broad outlines of a plan for financial and economic warfare that would wreck the financial system of its major European rival, Germany, and destroy its fighting capacity. Britain used its extensive networks to gather information about opponents. London banks financed most of the world’s trade. Lloyds provided insurance for the shipping not just of Britain, but of the world. Financial networks provided the information that allowed the British government to find the sensitive strategic vulnerabilities of the opposing alliance. What pre-1914 Britain did anticipated the private-public partnership that today links technology giants such as Google, Apple or Verizon to U.S. intelligence gathering. Since last year, the Edward Snowden leaks about the NSA have shed a light on the way that global networks are used as a source of intelligence and power. For Britain’s rivals, the financial panic of 1907 showed the necessity of mobilizing financial powers themselves. The United States realized that it needed a central bank analogous to the Bank of England. American financiers thought that New York needed to develop its own commercial trading system that could handle bills of exchange in the same way as the London market. Some of the dynamics of the pre-1914 financial world are now re-emerging. Then an economically declining power, Britain, wanted to use finance as a weapon against its larger and faster growing competitors, Germany and the United States. Now America is in turn obsessed by being overtaken by China – according to some calculations, set to become the world’s largest economy in 2014. In the aftermath of the 2008 financial crisis, financial institutions appear both as dangerous weapons of mass destruction, but also as potential instruments for the application of national power. In managing the 2008 crisis, the dependence of foreign banks on U.S. dollar funding constituted a major weakness, and required the provision of large swap lines by the Federal Reserve. The United States provided that support to some countries, but not others, on the basis of an explicitly political logic, as Eswar Prasad demonstrates in his new book on the “Dollar Trap.” Geo-politics is intruding into banking practice elsewhere. Before the Ukraine crisis, Russian banks were trying to acquire assets in Central and Eastern Europe. European and U.S. banks are playing a much reduced role in Asian trade finance. Chinese banks are being pushed to expand their role in global commerce. After the financial crisis, China started to build up the renminbi as a major international currency. Russia and China have just proposed to create a new credit rating agency to avoid what they regard as the political bias of the existing (American-based) agencies. The next stage in this logic is to think about how financial power can be directed to national advantage in the case of a diplomatic tussle. Sanctions are a routine (and not terribly successful) part of the pressure applied to rogue states such as Iran and North Korea. But financial pressure can be much more powerfully applied to countries that are deeply embedded in the world economy. The test is in the Western imposition of sanctions after the Russian annexation of Crimea. President Vladimir Putin’s calculation in response is that the European Union and the United States cannot possibly be serious about the financial war. It would turn into a boomerang: Russia would be less affected than the more developed and complex financial markets of Europe and America. The threat of systemic disruption generates a new sort of uncertainty, one that mirrors the decisive feature of the crisis of the summer of 1914. At that time, no one could really know whether clashes would escalate or not. That feature contrasts remarkably with almost the entirety of the Cold War, especially since the 1960s, when the strategic doctrine of Mutually Assured Destruction left no doubt that any superpower conflict would inevitably escalate. The idea of network disruption relies on the ability to achieve advantage by surprise, and to win at no or low cost. But it is inevitably a gamble, and raises prospect that others might, but also might not be able to, mount the same sort of operation. Just as in 1914, there is an enhanced temptation to roll the dice, even though the game may be fatal.

#### The impact is global conflict and instability

Tilford, History PhD, 8– PhD in history from George Washington University, served for 32 years as a military officer and analyst with the Air Force and Army (Earl, “Critical mass: economic leadership or dictatorship”, Cedartown Standard, lexis)

Could it happen again? Bourgeois democracy requires a vibrant capitalist system. Without it, the role of the individual shrinks as government expands. At the very least, the dimensions of the U.S. government economic intervention will foster a growth in bureaucracy to administer the multi-faceted programs necessary for implementation. Bureaucracies, once established, inevitably become self-serving and self-perpetuating. Will this lead to “socialism” as some conservative economic prognosticators suggest? Perhaps. But so is the possibility of dictatorship. If the American economy collapses, especially in wartime, there remains that possibility. And if that happens the American democratic era may be over. If the world economies collapse, totalitarianism will almost certainly return to Russia, which already is well along that path in any event. Fragile democracies in South America and Eastern Europe could crumble. A global economic collapse will also increase the chance of global conflict. As economic systems shut down, so will the distribution systems for resources like petroleum and food. It is certainly within the realm of possibility that nations perceiving themselves in peril will, if they have the military capability, use force, just as Japan and Nazi Germany did in the mid-to-late 1930s. Every nation in the world needs access to food and water. Industrial nations—the world powers of North America, Europe, and Asia—need access to energy. When the world economy runs smoothly, reciprocal trade meets these needs. If the world economy collapses, the use of military force becomes a more likely alternative. And given the increasingly rapid rate at which world affairs move; the world could devolve to that point very quickly.

#### Leads to global power vacuums—brings every conflict over the brink

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In the bad scenario, the eurozone unravels. The European Union still exists, but as an empty shell around a fragmented continent mired in a prolonged depression. Suffering from another global crisis, Japan remains ensnared in its decades-long slump. With the United States increasingly withdrawn, and few countries willing to follow an authoritarian and mercantilist China (assuming it does not adapt quickly to playing a more prominent global role), a large and dangerous global power vacuum is created. There is also a dearth of values and ideas, as the Washington Consensus becomes discredited and the world’s most successful economy, China, is built on a one-party, state-driven system. Progress on climate change, trade reform, financial and monetary system reform, and global governance grinds to a halt, and the trading system may be thrown into reverse by a revival of protectionism. A weaker and less secure international community reduces its aid effort, leaving impoverished or crisis-stricken countries to fend for themselves and, therefore, multiplying the chances of grievance and peripheral conflicts. The United States loses its proportionally greatest influence to regional hegemons—China in Asia and Russia in Eastern Europe and Central Asia—while Western Europe would remain divided and rudderless. The Middle East finds itself riven by numerous rivalries that occasionally erupt into open conflict and oil price shocks. More generally, the absence of leadership and confusion on values makes the reconciliation of disputes more difficult and tempts the strongest to take risks they would not otherwise take. Conclusion Which of the stories is more likely to be realized? I believe the good scenario is the more likely, though many would disagree. What is clear is that the outcome will depend crucially on today’s decisions, and, if mistakes are made, the bad scenario may well materialize. The overriding lesson of these two futures is that there is more at stake in current economic policy debates in Washington and Brussels than most people realize. A return of the United States and European economies to health over a reasonable time frame is vital for preserving the current international order and reestablishing a sound base for continued prosperity and peace.

#### Extinction — wrecks internal stability

Kemp, MIT Poli Sci PhD, 10 Geoffrey Kemp, Director of Regional Strategic Programs at The Nixon Center, served in the White House under Ronald Reagan, special assistant to the president for national security affairs and senior director for Near East and South Asian affairs on the National Security Council Staff, Former Director, Middle East Arms Control Project at the Carnegie Endowment for International Peace, 2010, The East Moves West: India, China, and Asia’s Growing Presence in the Middle East, p. 233-4

The second scenario, called Mayhem and Chaos, is the opposite of the first scenario; everything that can go wrong does go wrong. The world economic situation weakens rather than strengthens, and India, China, and Japan suffer a major reduction in their growth rates, further weakening the global economy. As a result, energy demand falls and the price of fossil fuels plummets, leading to a financial crisis for the energy-producing states, which are forced to cut back dramatically on expansion programs and social welfare. That in turn leads to political unrest: and nurtures different radical groups, including, but not limited to, Islamic extremists. The internal stability of some countries is challenged, and there are more “failed states.” Most serious is the collapse of the democratic government in Pakistan and its takeover by Muslim extremists, who then take possession of a large number of nuclear weapons. The danger of war between India and Pakistan increases significantly. Iran, always worried about an extremist Pakistan, expands and weaponizes its nuclear program. That further enhances nuclear proliferation in the Middle East, with Saudi Arabia, Turkey, and Egypt joining Israel and Iran as nuclear states. Under these circumstances, the potential for nuclear terrorism increases, and the possibility of a nuclear terrorist attack in either the Western world or in the oil-producing states may lead to a further devastating collapse of the world economic market, with a tsunami-like impact on stability. In this scenario, major disruptions can be expected, with dire consequences for two-thirds of the planet’s population.

#### Turns international norms --- ensures nuclear aggression

Cesare Merlini 11, nonresident senior fellow at the Center on the United States and Europe and chairman of the Board of Trustees of the Italian Institute for International Affairs, May 2011, “A Post-Secular World?”, Survival, Vol. 53, No. 2

Two neatly opposed scenarios for the future of the world order illustrate the range of possibilities, albeit at the risk of oversimplification. The first scenario entails the premature crumbling of the post-Westphalian system. One or more of the acute tensions apparent today evolves into an open and traditional conflict between states, perhaps even involving the use of nuclear weapons. The crisis might be triggered by a collapse of the global economic and financial system, the vulnerability of which we have just experienced, and the prospect of a second Great Depression, with consequences for peace and democracy similar to those of the first. Whatever the trigger, the unlimited exercise of national sovereignty, exclusive self-interest and rejection of outside interference would self-interest and rejection of outside interference would likely be amplified, emptying, perhaps entirely, the half-full glass of multilateralism, including the UN and the European Union. Many of the more likely conflicts, such as between Israel and Iran or India and Pakistan, have potential religious dimensions. Short of war, tensions such as those related to immigration might become unbearable. Familiar issues of creed and identity could be exacerbated. One way or another, the secular rational approach would be sidestepped by a return to theocratic absolutes, competing or converging with secular absolutes such as unbridled nationalism.

#### Global growth solves war

Royal, PhD, 10 – Jedediah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, 2010, “Economic Integration, Economic Signaling and the Problem of Economic Crises,” in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215

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

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

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

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

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

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

Furthermore, crises generally reduce the popularity of a sitting government. 'Diversionary theory' suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1990, DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force.

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

#### Economic decline causes nuclear war – loose nukes, counterbalancing, and regional instability

Mann ’14 (Eric Mann is a special agent with a United States federal agency, with significant domestic and international counterintelligence and counter-terrorism experience. Worked as a special assistant for a U.S. Senator and served as a presidential appointee for the U.S. Congress. He is currently responsible for an internal security and vulnerability assessment program. Bachelors @ University of South Carolina, Graduate degree in Homeland Security @ Georgetown. “AUSTERITY, ECONOMIC DECLINE, AND FINANCIAL WEAPONS OF WAR: A NEW PARADIGM FOR GLOBAL SECURITY,” May 2014, <https://jscholarship.library.jhu.edu/bitstream/handle/1774.2/37262/MANN-THESIS-2014.pdf>)

The conclusions reached in this thesis demonstrate how economic considerations within states can figure prominently into the calculus for future conflicts. The findings also suggest that security issues with economic or financial underpinnings will transcend classical determinants of war and conflict, and change the manner by which rival states engage in hostile acts toward one another. The research shows that security concerns emanating from economic uncertainty and the inherent vulnerabilities within global financial markets will present new challenges for national security, and provide developing states new asymmetric options for balancing against stronger states.¶ The security areas, identified in the proceeding chapters, are likely to mature into global security threats in the immediate future. As the case study on South Korea suggest, the overlapping security issues associated with economic decline and reduced military spending by the United States will affect allied confidence in America’s security guarantees. The study shows that this outcome could cause regional instability or realignments of strategic partnerships in the Asia-pacific region with ramifications for U.S. national security. Rival states and non-state groups may also become emboldened to challenge America’s status in the unipolar international system.¶ The potential risks associated with stolen or loose WMD, resulting from poor security, can also pose a threat to U.S. national security. The case study on Pakistan, Syria and North Korea show how financial constraints affect weapons security making weapons vulnerable to theft, and how financial factors can influence WMD proliferation by contributing to the motivating factors behind a trusted insider’s decision to sell weapons technology. The inherent vulnerabilities within the global financial markets will provide terrorists’ organizations and other non-state groups, who object to the current international system or distribution of power, with opportunities to disrupt global finance and perhaps weaken America’s status. A more ominous threat originates from states intent on increasing diversification of foreign currency holdings, establishing alternatives to the dollar for international trade, or engaging financial warfare against the United States.

#### The impact is supported by statistical research – most robust predictor of conflict

Reghr 13 – Senior Fellow in Arctic Security at The Simons Foundation Ernie, 2-4-13, “Intrastate Conflict: Data, Trends and Drivers” http://www.isn.ethz.ch/Digital-Library/Articles/Special-Feature/Detail/?lng=en&id=158597&tabid=1453496807&contextid774=158597&contextid775=158627

“The most robustly significant predictor of [armed] conflict risk and its duration is some indicator of economic prosperity. At a higher income people have more to lose from the destructiveness of conflict; and higher per-capita income implies a better functioning social contract, institutions and state capacity.”[3] This correlation between underdevelopment and armed conflict is confirmed in a 2008 paper by Thania Paffenholz[4] which notes that “since 1990, more than 50% of all conflict-prone countries have been low income states…. Two thirds of all armed conflicts take place in African countries with the highest poverty rates. Econometric research found a correlation between the poverty rate and likelihood of armed violence….[T]he lower the GDP per capita in a country, the higher the likelihood of armed conflict.” Of course, it is important to point out that this is not a claim that there is a direct causal connection between poverty and armed conflict. To repeat, the causes of conflict are complex and context specific, nevertheless, says Paffenholz, there is a clear correlation between a low and declining per capita income and a country’s vulnerability to conflict. It is also true, on the other hand, that there are low income countries that experience precipitous economic decline, like Zambia in the 1980s and 1990s, without suffering the kind of turmoil that has visited economically more successful countries like Kenya and Cote d’Ivoire. Referring to both Zambia and Nigeria, Pafenholz says these are cases in which “the social compact” has proven to be resilient. Both have formal and informal mechanisms that are able to address grievances in ways that allowed them to be aired and resolved or managed without recourse to violence. A brief review of literature on economics and armed conflict, published in the Journal of the Royal Society of Medicine, indicates the complexity and imprecision behind the question, “does poverty cause conflict?” While many of the “world’s poorest countries are riven by armed conflict,” and while poverty, conflict and under-development set up a cycle of dysfunction in which each element of the cycle is exacerbated by the other, it is also the case that “conflict obviously does not just afflict the poorest countries” – as Northern Ireland and the former Yugoslavia demonstrate. “Many poor countries are not at war; shared poverty may not be a destabilizing influence. Indeed, economic growth can destabilize, as the wars in countries afflicted by an abundance of particular natural resources appear to show.”[5] Another review of the literature makes the general point that “the escalation of conflict during economic downturns is more likely in countries recovering from conflict, or fragile states.” That makes Africa especially vulnerable on two counts: economic deprivation and recent armed conflict are present in a relatively high number of states, making the continent especially vulnerable to economic shocks. As a general rule, “weak economies often translate into weak and fragile states and the presence of violent conflict, which in turn prevents economic growth.” One study argues that “the risk of war in any given country is determined by the initial level of income, the rate of economic growth and the level of dependency on primary commodity exports.” Changes in rates of economic growth thus lead to changes in threats of conflict. As unemployment rises in fragile states this can “exacerbate conflict due to comparatively better income opportunities for young men in rebel groups as opposed to labour markets.”[6] The concentration of armed conflict in lower income countries is also reflected in the conflict tabulation by Project Ploughshares over the past quarter century. The 2009 Human Development Index ranks 182 countries in four categories of Human Development – Very High, High, Medium, Low. Of the 98 countries in the Medium and Low categories of human development in 2009, 55 per cent experienced war on their territories in the previous 24 years. In the same period, only 24 per cent of countries in the High human development category saw war within their borders, while just two (5 per cent) countries in the Very High human development ranking had war on their territory (the UK re Northern Ireland and Israel). The wars of the recent past were overwhelmingly fought on the territories of states at the low end of the human development scale. A country’s income level is thus a strong indicator of its risk of being involved in sustained armed conflict. Low income countries lack the capacity to create conditions conducive to serving the social, political, and economic welfare of their people. And when economic inequality is linked to differences between identity groups, the correlation to armed conflict is even stronger. In other words, group based inequalities are especially destabilizing.[7] These failures in human security are of course heavily shaped by external factors, notably international economic and security conditions and the interests of the major powers (in short, globalization),[8] and these factors frequently combine with internal political/religious/ethnic circumstances that create conditions especially conducive to conflict and armed conflict.

#### Economic decline causes nuclear war

Merlini 11 – Cesare Merlini 11, nonresident senior fellow at the Center on the United States and Europe and chairman of the Board of Trustees of the Italian Institute for International Affairs, May 2011, “A Post-Secular World?”, Survival, Vol. 53, No. 2

Two neatly opposed scenarios for the future of the world order illustrate the range of possibilities, albeit at the risk of oversimplification. The first scenario entails the premature crumbling of the post-Westphalian system. One or more of the acute tensions apparent today evolves into an open and traditional conflict between states, perhaps even involving the use of nuclear weapons. The crisis might be triggered by a collapse of the global economic and financial system, the vulnerability of which we have just experienced, and the prospect of a second Great Depression, with consequences for peace and democracy similar to those of the first. Whatever the trigger, the unlimited exercise of national sovereignty, exclusive self-interest and rejection of outside interference would likely be amplified, emptying, perhaps entirely, the half-full glass of multilateralism, including the UN and the European Union. Many of the more likely conflicts, such as between Israel and Iran or India and Pakistan, have potential religious dimensions. Short of war, tensions such as those related to immigration might become unbearable. Familiar issues of creed and identity could be exacerbated. One way or another, the secular rational approach would be sidestepped by a return to theocratic absolutes, competing or converging with secular absolutes such as unbridled nationalism**.**

### ! – Financial System Collapse

#### Nuclear war

Merlini, Senior Fellow – Brookings, 11

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Two neatly opposed scenarios for the future of the world order illustrate the range of possibilities, albeit at the risk of oversimplification. The first scenario entails the premature crumbling of the post-Westphalian system. One or more of the acute tensions apparent today evolves into an open and traditional conflict between states, perhaps even involving the use of nuclear weapons. The crisis might be triggered by a collapse of the global economic and financial system, the vulnerability of which we have just experienced, and the prospect of a second Great Depression, with consequences for peace and democracy similar to those of the first. Whatever the trigger, the unlimited exercise of national sovereignty, exclusive self-interest and rejection of outside interference would likely be amplified, emptying, perhaps entirely, the half-full glass of multilateralism, including the UN and the European Union. Many of the more likely conflicts, such as between Israel and Iran or India and Pakistan, have potential religious dimensions. Short of war, tensions such as those related to immigration might become unbearable. Familiar issues of creed and identity could be exacerbated. One way or another, the secular rational approach would be sidestepped by a return to theocratic absolutes, competing or converging with secular absolutes such as unbridled nationalism.

### AT – Impact Slow

**Nature of international relations means that conflict will arise fast from collase**

Craig **Turpin**, Executive editor of New Jersey newspapers, 10/14 **2008**, Critical Mass: Economic leadership or dictatorship, http://www.nj.com/cranford/index.ssf/2008/10/critical\_mass\_economic\_leaders.html

A **global economic collapse will** also increase the chance of global conflict. As economic systems shut down, so will the distribution systems for resources like petroleum and food. It is certainly within the realm of possibility that nations perceiving themselves in peril will, if they have the military capability, use force, just as Japan and Nazi Germany did in the mid-to-late 1930s. Every nation in the world needs access to food and water. Industrial nations -- the world powers of North America, Europe, and Asia -- need access to energy. When the world economy runs smoothly, reciprocal trade meets these needs. If the world economy collapses, the use of military force becomes a more likely alternative. And given the increasingly rapid rate at which world affairs move; the world could devolve to that point very quickly.

### AT – Intervening Actors

#### Global institutions can’t check – too weak and regional regimes block

Ngaire Woods 9/6/13 (Dean of the Blavatnik School of Government, University of Oxford, project syndicate, “global institutions after the crisis” <http://www.project-syndicate.org/commentary/the-empty-promise-of-global-institutions-after-the-crisis-by-ngaire-woods>)

When Lehman Brothers collapsed and the global financial crisis erupted five years ago, many glimpsed a silver lining: the promise of more effective global economic governance. But, despite a flurry of early initiatives, the world remains as far from that goal as ever. The Financial Stability Board (FSB), established after the G-20 summit in London in April 2009, has no legal mandate or enforcement powers, nor formal processes for including all countries. The International Monetary Fund still awaits the doubling of its capital (another early vow), while its existing resources are heavily tied up in Europe and its governance reforms are stalled. The World Bank has received a modest increase in resources, but it has yet to build capacity to lend rapidly and globally beyond existing borrowers and loan arrangements, and its income trajectory is diminishing. Yet the need for effective global economic governance remains more urgent than ever. Banks and other financial firms roam internationally, greatly assisted by market-opening rules embedded in trade and investment treaties, but with no legally enforceable responsibility to provision adequately for their own losses when things go wrong. Instead, massive risks have supposedly been held at bay by voluntary standards promulgated by a patchwork of public and private “standard-setting” organizations. The crisis proved that this was inadequate. The titans of Wall Street and the City of London were exposed as hugely over-leveraged. Extraordinary profits when their bets paid off increased their financial and political power – which they still enjoy – with taxpayers left to bail them out when their bets turned bad. The G-20 promised stronger global institutions to prevent this from recurring. But the FSB is not a treaty-based global regulator with enforcement powers. It continues to be a “standard setter” in a world with strong incentives to evade standards and negligible sanctions for doing so. Furthermore, although the FSB’s standards are ostensibly “universal,” it does not represent all countries or have formal mechanisms to inform and consult them. Regulators face a Sisyphean task, owing to the absence of strong and consistent political support for reining in the financial titans. A well-resourced financial sector intensively lobbies the most influential governments in global finance. The reforms of the IMF, another pillar of global financial management, cannot be implemented until the US Congress approves them – and there is no sign of that. Even the new Basel 3 banking standards have been diluted and postponed. For Brazil, Russia, India, and China, the delay in reforming the IMF is a serious annoyance. They became major contributors to the Fund’s emergency loan pool (the New Arrangements to Borrow) immediately after the crisis and now provide 15.5% of the NAB’s resources. But the greater voice and voting power that they were promised – commensurate with their status as four of the IMF’s top ten shareholders – has not been delivered. Even the selection of the organization’s managing director remains a European droit du seigneur. More seriously, an astounding 89.2% of the IMF’s General Resources Account is outstanding to European countries, with just three countries (Greece, Portugal, and Ireland) accounting for 68%. The IMF’s resources are neither adequate nor available to respond to a crisis elsewhere. Similarly, the G-20’s pledge in 2009 to protect the poorest and most fragile countries and communities from the effects of the crisis remains unfulfilled. The World Bank is at the heart of these efforts, because it can pool risks globally and offset the capriciousness of official and private-sector aid flows, which create “donor darlings” (like Rwanda) and “donor orphans.” But, while the Bank has more than doubled its lending relative to the four years prior to 2008, this was achieved mostly by front-loading existing loans. Crisis-hit countries that were not already borrowers were largely left out. The Bank’s failure to lend to new clients partly reflects its slowness. Even after its loan cycle had been speeded up, the Bank took an average of 13.5 months to approve credits – a long time for a country to await “emergency” help. But the Bank is also hampered by worsening resource constraints, as the biggest post-crisis capital infusions went to regional development banks. The African Development Bank’s capital was increased by 200%, as was the Asian Development Bank’s. The Inter-American Development Bank got a 70% increase. Meanwhile, the World Bank received an increase of 30%, while its lending arm for the poorest countries, the International Development Association, received an increase of only 18%. Crucially, it is not obvious that the Bank has “buy-in” from emerging economies, with Brazil, Russia, India, and China, which pledged significant resources to the IMF, pledging only about 1% of IDA funding. Further exacerbating the Bank’s financial woes, its powerful creditors have opted to “pull back” its lending in order to protect its resources. As a result, compared to the regional development banks, the Bank will be lending less to fee-paying clients, who provide income, and engaging in more “concessional lending,” which does not. The 2008 crisis highlighted the need for international cooperation to regulate finance and mitigate the effects of a crisis. Yet the global resources and instruments needed to manage (if not avert) the next crisis have not been secured. Instead, regions and countries are quietly finding their own ways to manage finance, create pooled emergency funds, and strengthen development finance – an outcome that heralds a more fragmented and decentralized set of regulatory regimes and a modest de-globalization of finance and aid.

#### Institutions fail – lack of trust

Harold James 8/2/13 (Professor of History and International Affairs at Princeton University and Professor of History at the European University Institute, Florence, project syndicate, “the snowden time bomb” http://www.project-syndicate.org/commentary/edward-snowden-and-the-end-of-economic-summitry-by-harold-james)

In the aftermath of the global financial crisis, world leaders repeated a soothing mantra. There could be no repeat of the Great Depression, not only because monetary policy was much better (it was), but also because international cooperation was better institutionalized. And yet one man, the American former intelligence contractor Edward Snowden, has shown how far removed from reality that claim remains. Prolonged periods of strain tend to weaken the fabric of institutional cooperation. The two institutions that seemed most dynamic and effective in 2008-2009 were the International Monetary Fund and the G-20; the credibility of both has been steadily eroded over the long course of the crisis. Because the major industrial economies seem to be on the path to recovery – albeit a feeble one – no one seems to care very much that the mechanisms of cooperation are worn out. They should. There are likely to be many more financial fires in various locations, and the world needs a fire brigade to put them out. The IMF’s resources were extended in 2009, and the organization was supposed to be reformed in order to give emerging markets more voice. But little progress has been made. The Fund was the centerpiece of the post-1945 global economic system. It subsequently played a central role in the management of the 1980’s debt crisis and in the post-communist economic transition after 1989. But every major international crisis since then has chipped away at its authority. The 1997-1998 Asian financial crisis undermined its legitimacy in Asia, as many governments in the region believed that the crisis was being exploited by the United States and US financial institutions. The post-2007 Great Recession discredited the IMF further for three reasons. First, the initial phase of the crisis looked like an American phenomenon. Second, the IMF’s heavy involvement in the prolonged euro crisis looked like preferential treatment of Europe and Europeans. In particular, the demand that, because the world was focused on Europe, another European (and another French national) should succeed the IMF’s then-managing director, Dominique Strauss-Kahn, was incomprehensible to the large emerging-market countries. Eventually, as in the Asian crisis, European governments and the European Commission fell out with the Fund and began to blame its analysis for having confused and unsettled markets. On the big issues underlying the global financial crisis – the problem of current-account imbalances and deciding which countries should adjust, and reconciling financial reform with a pro-growth agenda – the IMF cannot say much more, or say it more effectively, than it could before the crisis. The G-20 was the great winner of the financial crisis. The older summits (the G-7 or, with the addition of Russia, the G-8), as well as the G-7 finance ministers’ meetings, were no longer legitimate. They consisted of countries that had actually caused the problems; they were dominated by the US; and they suffered from heavy over-representation of mid-sized European countries. The G-20, by contrast, brought in the big emerging markets, and its initial promise was to provide a way to control and direct the IMF. The new mood of global economic regime change was captured in the official photograph that was widely used in coverage of the most successful of the G-20 summits, held in London in April 2009. In the short term, the London summit mitigated financial contagion emanating from southern Europe; gave the World Bank additional resources to deal with the problem of trade finance for emerging-market exports; appeared to give the IMF more firepower and legitimacy; and seemed to catalyze coordinated fiscal stimulus to restore confidence. But only the more technical of these four achievements – the first two – stood the test of time. Everything else that was agreed at the London summit turned sour. The follow-up summits were lame. The idea of coordinated fiscal stimulus became problematic when it became obvious that many European governments could not take on more debt without unsettling markets and pushing themselves into an unsustainable cycle of increasingly expensive borrowing. And yet, however limited the London summit’s achievements proved to be, the summit process itself was not fully discredited until Snowden’s intelligence revelations. It may be that leaders and their staffs were naive in believing that their communications were really secure. But Snowden’s revelations that the London summit’s British hosts allegedly monitored the participants’ communications make it difficult to imagine that the genuine intimacy of earlier summits can ever be recreated. And, with the espionage apparently directed mostly at representatives of emerging economies, the gulf between the advanced countries and those on the rise has widened further. World leaders appear partly ignorant and partly deceptive in responding to the allegations. They are probably right to emphasize how little they really know about surveillance. It is in the nature of complex data-gathering programs that no one really has an overview. But the lack of transparency surrounding data surveillance and mining means that, when a whistleblower leaks information, everyone can subsequently use it to build their own version of how and why policy is made. The revelations thus encourage wild conspiracy theories. The substantive aftermath of the London summit has already caused widespread disenchantment with the G-20 process. The Snowden affair has blown up any illusion about trust between leaders – and also about leaders’ competence. By granting Snowden asylum for one year, Russian President Vladimir Putin, will have the bomber in his midst when he hosts this year’s summit in Saint Petersburg.

### AT – Interdependence Checks

#### Interdependence doesn’t check.

Nakano 15 (Ryoko, ASSISTANT PROFESSOR, DEPARTMENT Of JAPANESE STUDIES

National University Of Singapore, 3-16-15, *The Pacific Review*, “The Sino–Japanese territorial dispute and threat¶ perception in power transition,” <http://www.tandfonline.com/doi/pdf/10.1080/09512748.2015.1013493>, AS)

Concluding thoughts¶ Sino-Japanese relations have entered a critical period of mutual suspicion¶ and hostility. Following the escalation of the territorial dispute in 2010,¶ both governments, and the public in both countries, have been trapped in a¶ power-conflict discourse dominated by claims to political authority and to¶ the control of territory. As with other territorial disputes, the Sino¶ Japanese territorial dispute has a power-political dimension. As its influence¶ and economic power within the Asia-Pacific region grow, China reinforces¶ its military power and demonstrates its preparedness to defend its¶ territory. In response, Japan strengthens its surveillance capabilities and its¶ security ties with the United States to prepare for any military conflict and¶ intimidation around the disputed islands. With the increasing perception¶ of a power transition, economic interdependence seems to apply only limited¶ constraints on the escalation of the dispute. Now that China has developed¶ its trade partnerships and increasingly become its own provider of investment across the world, its considerable economic relations with Japan have not deterred it from confronting the former ODA provider.¶ Meanwhile, Japan continues to demonstrate its determination to make no compromise over the territorial issue. As both parties seek protective and¶ expressive power, they are responsible for the increase in the threat perceptions.¶ Thus, the escalation of the Sino-Japanese territorial dispute is an aspect of power transition between challenging and status quo states.¶ The Sino-Japanese territorial dispute is also shaped by argument over¶ the character and moral purposes of the participants. Japan designates the¶ Senkaku Islands as a no man’s land that it acquired in accordance with¶ international law. Any Chinese intrusion into this area is described as invasive,¶ without consideration of the possibility that China has legitimate concerns¶ about its own security. China fundamentally challenges Japanese¶ conceptions of justice associated with borders by insisting that the Diaoyu¶ Islands have belonged to China since ancient times and that Japan stole¶ the Chinese territory at the height of Japanese imperialism. For China,¶ there was no international law that legitimized this action of invasion, and¶ hence the territory should revert to China. Such a division in normative¶ consciousness existed prior to 2012, but is now spread widely across Japan¶ and China, and even beyond. The race to construct a valid claim for justice¶ and for just treatment in the international arena adds a further complication¶ to the dispute, and makes it more difficult to resolve the issue.¶ While the escalation of the territorial dispute raises the immediate possibility of armed conflict between Japan and China, the long-term consequences¶ of aspects of the dispute are most alarming. Faced with antiJapanese¶ demonstrations and Chinese official actions to claim the islands,¶ many Japanese who were originally not particularly passionate about the¶ defense of the territory now perceive China as a real threat and believe¶ that China always uses history to claim the moral high ground against¶ Japan. Although Japan’s wartime history is indeed an ethical issue, in that¶ it involves reflection on the lives and deaths of people during war, Japanese¶ people are increasingly treating it not as an ethical issue but as a political¶ one. The Chinese perception of Japan has been consolidated around the¶ image that Japan has not repented its aggression of the late nineteenth century.¶ The normative rift between the Japanese and Chinese nations is,¶ regrettably, now much wider than before despite 40 years of interaction¶ and negotiation. Whether Japan and China can revive links between¶ them that are sufficient to halt the downward spiral in their relations is yet¶ to be seen.

#### Nuke war

Auslin 9 – Michael Auslin, Resident Scholar at the American Enterprise Institute, and Desmond Lachman, Resident Fellow at the American Enterprise Institute, “The Global Economy Unravels”, Forbes, 3-6, http://www.aei.org/article/100187

What do these trends mean in the short and medium term? The Great Depression showed how social and global chaos followed hard on economic collapse. The mere fact that parliaments across the globe, from America to Japan, are unable to make responsible, economically sound recovery plans suggests that they do not know what to do and are simply hoping for the least disruption. Equally worrisome is the adoption of more statist economic programs around the globe, and the concurrent decline of trust in free-market systems. The threat of instability is a pressing concern. China, until last year the world's fastest growing economy, just reported that 20 million migrant laborers lost their jobs. Even in the flush times of recent years, China faced upward of 70,000 labor uprisings a year. A sustained downturn poses grave and possibly immediate threats to Chinese internal stability. The regime in Beijing may be faced with a choice of repressing its own people or diverting their energies outward, leading to conflict with China's neighbors. Russia, an oil state completely dependent on energy sales, has had to put down riots in its Far East as well as in downtown Moscow. Vladimir Putin's rule has been predicated on squeezing civil liberties while providing economic largesse. If that devil's bargain falls apart, then wide-scale repression inside Russia, along with a continuing threatening posture toward Russia's neighbors, is likely. Even apparently stable societies face increasing risk and the threat of internal or possibly external conflict. As Japan's exports have plummeted by nearly 50%, one-third of the country's prefectures have passed emergency economic stabilization plans. Hundreds of thousands of temporary employees hired during the first part of this decade are being laid off. Spain's unemployment rate is expected to climb to nearly 20% by the end of 2010; Spanish unions are already protesting the lack of jobs, and the specter of violence, as occurred in the 1980s, is haunting the country. Meanwhile, in Greece, workers have already taken to the streets. Europe as a whole will face dangerously increasing tensions between native citizens and immigrants, largely from poorer Muslim nations, who have increased the labor pool in the past several decades. Spain has absorbed five million immigrants since 1999, while nearly 9% of Germany's residents have foreign citizenship, including almost 2 million Turks. The xenophobic labor strikes in the U.K. do not bode well for the rest of Europe. A prolonged global downturn, let alone a collapse, would dramatically raise tensions inside these countries. Couple that with possible protectionist legislation in the United States, unresolved ethnic and territorial disputes in all regions of the globe and a loss of confidence that world leaders actually know what they are doing. The result may be a series of small explosions that coalesce into a big bang.

### Impact --- Econ --- studies

#### There’s robust empirical support for our impact

Howell 13 (Patrick, B.A. from Emory University. “Economic Crises and the Initiation of Militarized Disputes,” A Thesis Submitted to the Graduate Faculty of The University of Georgia in Partial Fulfillment of the Requirements for the Degree Master of Arts, 2013, https://getd.libs.uga.edu/pdfs/howell\_patrick\_d\_201305\_ma.pdf)

The findings are clear: economic crises are an important trigger for shifts in a state’s rate of dispute initiation. By using a large sample of states over a period of 185 years, this conclusion then can also be taken as generalizable to the entire population of states in the international system. In addition to providing support for issue crossover and the influence economic troubles can play on foreign policy decisions, the findings here also support the methodological rationale for using economic crises as explicit, observable events, instead of as trends in other variables (e.g. GDP growth). Of course, this is not to say that all work on this topic is final. There exist a number of areas where this research agenda can be improved upon and/or extended to in order to provide a more holistic account of where and how economic crises exactly apply political pressure on leaders. First, the study of diversionary war exists in both quantitative tests and in more fine toothed examinations of actual cases (Levy and Vakili 1992; Fravel 2010). Exploring the internal processes within states in such a fashion can also produce a deeper understanding of the exact causal mechanisms through which prospect theory operates. Aggregation and levels of analysis become a basic concern with applying prospect theory outside of the laboratory and to states and governments. After all, “prospect theory is developed as a theory of individual decision making, the question is whether it is applicable to collective decision making” (Vis 2011, 337). Here a unitary actor assumption is made from the outset, but it is also possible that the observed effect is driven instead by individual decision-makers themselves (for example, Fuhrmann and Early 2008, who keep the level of analysis only on President Bush). A deeper case study of a few select cases with an eye towards process might reveal whether the increase in conflict initiation is due to a single policy entrepreneur or leader, or if it is the result of collective behavior (as perhaps even aides, legislators, and bureaucrats seek to compensate for the detrimental effects that accompany an economic crisis separately or in concert). Examination of specific cases might also provide a more accurate picture for policymakers of the strategy that can accompany an economic crisis and inducement of diversionary tendencies in another state. Smith (Smith 1998) hypothesizes diversionary actions as a strategic game, and finds that potential target states should then adopt a policy of strategic avoidance – disengaging from any scenario that might make them a target from a diversionary conflict initiated by an opposing state in dire straits. This question of strategic avoidance occurs most often in the study of the United States (Fordham 2005; Meernik 2005), with evidence that other states avoid and/or initiate fewer disputes with the United States when the American economy is performing poorly. The empirical test here using a proportionbased dependent variable might already be capturing some degree of a strategic avoidance effect, in that some of the variation in the proportion of initiation could be because the rate of other states initiating disputes on the crisis-stricken state is decreasing. If strategic avoidance is occurring, it actually increases the strength of aspects of the diversionary war literature (in that other states are actually behaving according to expectations of diversionary actions), but much more work and nuance would be needed to separate where then the logic in strategic avoiders is originating. The final implication of the findings to be discussed here is the role of institutions in this analysis. As stated above, the institutional controls that were included in the estimation demonstrated null effects on the overall rate of militarized dispute initiation. This finding is interesting considering the enshrined role that institutions and regime types tend to play within scholarly work on diversionary war. Similar to the mixed results of GDP indicators, mixed and contradictory results can be found throughout the body of work on diversionary war: some find that the diversionary effects exist mainly in democratic settings (Gelpi 1997; Davies 2002; Brul´e and Williams 2009), while others find that diversionary effects occur in autocratic settings (Miller 1999; Lai and Slater 2005; Pickering and Kisangani 2010). One method of reconciling the conflicting conclusions of whether democratic or autocratic leaders are more likely to engage in diversionary behavior is in direct tests comparing the two regime types. Typically, these comparisons have either found the two regime types differ in the targets that are selected by each (Bueno De Mesquita and Siverson 1995), or have found some fault with the way that the regime types themselves are defined, due to differing incentives for differing subtypes of regimes (Pickering and Kisangani 2005). In order to examine the difference between democracies and autocracies, I split the sample from Model 2 into either of the regime types, using a score of 6 in the Polity2 measure as a cut-point. Splitting the sample has the effect of interacting regime type with all independent variables, giving regime specific effects not only for economic crises, but also all control variables.1 The results of this regime split can be found in Table 2. As can be seen here, the effect of economic crises is positive and significant in both institutional settings. Comparing the coefficients for economic crisis in Table 2 with those of the original Model 2, the likely explanation for why the institutional variables in the original model did not have an impact on crisis initiation is because all democracies and autocracies possess relatively similar incentives for increasing crisis initiation following economic crises, so any variation across institutions was only averaged out. However, the results presented in Table 2 also provide support for a difference existing in the process of how diversionary conflict might occur in either regime type, due to the differences in control variable significance. This lends some credence to the separation of democracies and autocracies for study of diversionary war, but provides no evidence that the effect should only exist in one or the other. The similarity in the main independent variable of economic crises, though, furthers the assertion that the effect of economic crises increasing dispute initiation can be viewed as a general behavior of all states in the international system. Conclusions Altogether, there can be said to be a robust, positive relationship between the occurrence of economic crises and the rate of dispute initiation by states. This effect is especially strong and demonstrable when time ordering is preserved by examining how crises in the previous year affect states in their current year. These findings can also be said to have a relatively high degree of substantive import as well. As Figure 1 showed, the occurrence of each subsequent economic crisis increases the chances of a state initiating disputes by almost 3%. The nearly 20 percentage point increase in dispute initiation across the range of the lagged economic crisis variable also represents a substantial impact, especially considering the rare event nature of militarized disputes to begin with. This generalizable finding can have far-reaching impact to both the study of diversionary war in academia, as well as directly for policymakers. In academe settings, there is good evidence to support the use of acute economic crises over those variables based on the slowershifting trends of GDP or public opinion measurements. Economic crises act as an explicit trigger that can mark a leader’s shift into a losses frame and engage in riskier behavior consistent with both prospect theory and diversionary war hypotheses. Meanwhile, applying this observed effect to the real world would seem to indicate that if a state goes through an economic crisis, other states should have increased wariness in their dealings with the crisis-stricken state and/or be more prepared for the possibility of a new dispute emerging in the wake of such an event.

#### Stats go Neg---growth solves war

* GPI = global peace index
* GCI = global competitive index

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(Ivo, “An Empirical Study on Economic Prosperity and Peace”, Spring 2013, <http://www.socr.ucla.edu/docs/KaManHo_UCLA_USJ_paper_2013_text.pdf>, UCLA)

Moreover, the data of GPI was expanded to additional new countries in a more rapid pace than the data of GCI each year. As a result, the number of missing values for GCI increased every year. In 20 11, there were 25 "new" countries that had their GPI score available, but not the corresponding GCI scores. The median of GPI scores (154 countries) was 1.92 while within the 25 "new" countries, 22 had their GPI scores larger than the overall median of 1.92. The average GPI score indicated that these missing values of GCI might not be at random. The newly investigated countries tended to be less peaceful and had missing values on GCI. A missing value on GCI reflected that the country was paid less attention to in terms of competiveness. With these missing values on GCI, the Discrimination Analysis between GCI and GPI could not be performed and the positive relationship between economic prosperity and peacefulness was underestimated: if there were less missing values on GCI, the statistical evidences of the finding of the significant positive association between economic prosperity and peace would be even stronger. THE INTEGRATION OF THE DISCRIMINATION ANALYSIS AND THE LOG-LINEAR REGRESSION MODEL CONNECTED THE TWO APPROACHES In Table 5, the first column displayed the colored labels produced by the Discrimination Analysis while the second column displayed the residuals £ produced by the Log-Linear Regression Model of all the observations (without missing values in any variables) in the year 2010. In the second column, the residuals £ were ranked in descending order in terms of absolute values. Interesting patterns can be discovered in the observation of the two columns of 92 observations: since the residuals £ were ranked in the table, the "location" of a country (top or bottom in Table 5) indicated some information about the group that the particular country belonged to. Let observation No.23 (Syria) be the 25th percentile, observation No.46 (Austria) be the 50th percentile, and observation No.69 (Belgium) be the 75th percentile. All the "red" countries located at the bottom of the table above 7th percentile. Twelve out of thirteen (92.31 %) The Discrimination Analysis was presented to complement the Log-Linear Model because of the limitation of the regression function. Inserting a regression to the data means that the connection between a particular explanatory variable and the response variable is represented by one single coefficient. However, that coefficient represents the overall trend of the data but is not necessarily representative of an individual country's data. This limitation of a regression in investigating the relationship between the explanatory variables and the response variable of an individual country gives incentives to further examine correlations for individual countries. For instance, for the 2010 data of North America, the range of the correlation between the variable GPI and GCI was -0.94 to 0.96, while the range of the correlation between GPI and exports was -0.59 to 0.95. Suppose the coefficient of GCI were 0.01 (the average of -0.94 and 0.96), then the coefficient 0.01 would be representative of the overall trend, i.e. when the coefficient for individual countries between GPI and GCI was close to 0.01. However, for countries with extreme values of coefficient (close to either -0.94 or 0.96), the value 0.01 could not be considered representative in helping to explain the relationship between GPI and GCI. Many more inconsistent relationships between variables could be found and these details given by the study of correlations suggested that a different model other than the Log-Linear Regression Model is necessary. Robert Solow's article "A Contribution to the Theory of Economic Growth" is known as the cornerstone of the modem Neoclassical Growth Model in which economic growth is separated into technical progress, capital, and labor (Solow, 1956). In his calculation, four-fifths of the growth in the United States output was derived by technical progress (Solow, 1956). Understanding that labor, capital, and technical process are the ingredients that generate economic growth helps to explain why the between economic prosperity and peace in the Log-Linear Model was 0.55. Under the assumption of the Neoclassical Growth Model, economic growth is driven by technology, capital, and labor, but not exogenous factors such as history, policy, and social structure that could ultimately shape the condition of peacefulness (Harberger, 2005). However, the purpose of the present study is not to argue that peace should be a new variable to be added to the Neoclassical Growth Model. Instead, it is to enhance the understanding about the interaction between economic prosperity and peace and to state a challenge to the assumptions of the Neoclassical Growth Model. In addition, the original Neoclassical Growth Theory assumed that capital was subject to diminishing returns in a closed economy. Diminishing returns implies that marginal or per-unit output of production decreases as the amount of production increases. A closed economy is a self-sufficient system without international trade or external assistance. A model capturing economic growth in a closed economy may not be sufficient for discussion of the present empirical study because in real life international trade is a significant component in the world economy. Therefore, it was necessary to take Lucas (1988) and Romer's (1991) expansion with international trade into consideration. Economic prosperity in this study was captured by the variables trade, GCI, and exportslimports as a percentage of GDP. The selection of these variables in the two approaches was justified by Lucas's finding of the positive association between exports and economic development (Lucas, 1988). The variables in the LogLinear Model were representative of the endogenous factors including labor, wage rate of labor, capital, technology, and international trade in an open economy. The underlying justification was that large amounts of exports and imports entailed correspondingly large amounts of labor, capital, and technology as long as international trade, an indicator that the Log-Linear Model was a good candidate to represent elementary components of the Neoclassical Growth Model, was present. The interaction between the explanatory variables and the response variable GPI provided helpful insights into the interaction between economic prosperity and peace. The Log-Linear Model presented an overall statistically significant trend between economic prosperity and peace. The Discrimination Analysis presented a further investigation between economic prosperity and peace by dividing countries into four types. The results of the "yellow" and the "green" countries complemented the finding in the Log-Linear Model such that economic prosperity and peacefulness have a positive association, or alternatively a negative correlation between GPI and GCI. In addition, the discussions of the "red" and the "blue" countries revealed that each set of countries shared some characteristics, for instance the "red" countries tended to involve in certain armed conflicts. In this approach, the classification method, without intentionally maximizing the success rate in the analysis, fitted the evidence of similar characteristics between countries that fell into the same group. Shared characteristics, such as engagements in conflicts, could be found by further investigation among different groups of countries implied that these countries truly belonged to the same group. For example, based on the numerical values of GCI and GPI, France and the United States in 2011 were classified to be "red" countries, both of which were simultaneously involved in the armed conflict in Afghanistan. Furthermore, this classification exposed that the overall trend of the Log-Linear Model could be interpreted as four distinct groups. The four groups, i.e. four performance groups distinguished by colors, demonstrated how economic prosperity and peace interacted with each other at a certain level of competitiveness and peacefulness. In the integration part, the "red" and the "green" countries had a tendency to have smaller values of residuals £ compared to other countries, which implied that the statistically significant variables GCI, military, and trade explained a larger proportion of peace within the "red" and the "green" countries. A small residual in a regression indicated that the geometric distance between the point of the observation and the fitting straight line of the linear model. One common characteristic of the "red" and the "green" countries was that they were more competitive relative to other countries with a GCI > 4.72, meaning that these economies are prosperous or would potentially become prosperous. These more competitive economies were equipped with sufficient labor, capital, technology, population, and other endogenous elements that determined economic growth according to the mechanisms of the Neoclassical Modem Growth Model. In the present study, these endogenous elements were represented by the variables GCI, exports, imports, and population. To compare, correlating with larger residuals £ within the "blue" countries, the endogenous forces of the growth theory explained the smaller proportion of peacefulness. In other words, the exogenous forces such as history, policy, and other factors beyond the endogenous mechanisms of economic development played a larger role in explaining peacefulness for the "blue" countries. When the endogenous forces (for example trading and competitiveness) of the growth mechanism were more active, they contributed more in terms of explaining economic prosperity; when they were less active, the exogenous forces entered the fray and played a more important role in explaining economic prosperity. If the exogenous forces serve as criteria that enable growth, then there should not be any discernible differences of residuals among different types of countries. Table 5 compared the color labels produced by the Discrimination Analysis and the residuals produced by the Log-Linear Model. The four colors were classified according to GCI and GPI, which reflected both endogenous and exogenous forces. On the other hand, the residuals overwhelmingly reflected exogenous forces. The result of the integration of the two approaches showed that less competitive countries were usually attached to larger residuals. The difference in magnitude of the residuals implied that the exogenous forces ' potentially present a mechanical impact on economic prosperity. The integration result stated a fair challenge to the model Neoclassical Growth Theory's assumption that the exogenous forces do not have any mechanical impact on growth. The different residuals among various types of countries were not produced by luck because observations were classified according to the variables GCI and GPI in magnitude instead of any random classification rules. In conclusion, this study explored the relationship that peacefulness, as a condition shaped by exogenous factors, interacted with economic growth or prosperity-there was a clear association between economic prosperity and peacefulness. Peaceful countries participated more in trading activities and achieved greater economic prosperity. The endogenous forces including trading and competitiveness explained the larger proportion of peace in more competitive economies, while the proportion became smaller in less competitive economies. This result challenges the Neoclassical Modern Growth Theory's assumption that exogenous forces do not have any mechanical impact on growth. Moreover, this study paved the way for future research on the interactions between economic prosperity and peace and the interplay between the endogenous and exogenous factors of economic growth.

### Impact --- Econ --- AT: no diversion

#### Diversionary theory’s true

Rothkopf 9 – David Rothkopf, Visiting Scholar at the Carnegie Endowment for International Peace, 3-11, 2009, “Security and the Financial Crisis,” Testimony Before the House Armed Services Committee, CQ Congressional Testimony, lexis

--Destabilizing Bilateral or Regional Effects of the Crisis: The weakening of states can produce instability that spills across borders or can produce social pressures that increase migration and create associated tensions along borders. The rise of opposition groups can create an opportunity for like-minded neighbors to support their activities and thus cause rifts and potential conflicts to spread. Political and economic weakness in nations can be seen by opportunistic neighbors (some wishing to produce distractions from their own crises) as an invitation to intervene in their neighbors politics or even to step in and take control of neighboring territories or to seek to use force to resolve in their favor long-simmering disputes. In the same vein, old animosities may be inflamed by the crisis either because they produce tensions that play into the origins of old rivalries or because political leaders seek to play on those rivalries to produce a distraction from their inability to manage the economic crisis. Need may enhance tensions and produce conflicts over shared or disputed resources. A desire to preserve national resources, jobs, or capital may produce reactive economic, border or other policies that can increase tension with neighbors. This can include both trade and capital markets protectionism (in traditional and new forms see below), closed or more tightly monitored borders, more disputes on cross-border issues and thus both an increase in tensions and a decreased ability to effectively cooperate with neighbors on issues of common concern.

#### Best studies confirm

Pickering 9 – Department of Political Science at Kansas State, citing the International Military Intervention dataset (Jeffrey and Emizet, British Journal of Political Science, 39:483-515, “The Dividends of Diversion”, ProQuest)

In this article, we contend that the Argentinian use of diversionary force was an anomaly in 1982, but the British diversion was not. Contrary to common normative assumptions, leaders in mature, established democracies are more prone to use foreign military force for domestic political gain than even the most contemptible autocrats. This argument seems paradoxical, because policy makers in established democracies have presumably not only accepted norms which emphasize negotiation, compromise and the value of human life, they operate within systems designed to check their own authority. We maintain that it is these very checks which often compel decision makers in mature democracies to divert. Institutional and partisan restraints prevent them from implementing effective domestic policy when their electoral prospects dim, forcing them to at least consider diversionary force. Leaders in the most liberal states in the international system may consequently, and seemingly illogically, fall into an illiberal pattern of using foreign military force to solve domestic problems. We have followed our own earlier extension of Bruce Bueno de Mesquita and his associates’ institutional approach, rational choice literature on voting and research on democratic audience costs to develop the three major components of our argument.7 We define ‘audience costs’ as the penalty that leaders incur for failing to keep commitments or for initiating disastrous policies.8 Following Michael Doyle’s conceptualization, we define mature democracies as countries with sovereignty, market and private economies, judicial rights and representative political institutions.9 The institutional approach highlights the institutional barriers that leaders in mature democracies encounter when they try to find domestic solutions to certain domestic problems. The rational choice literature on voting demonstrates how difficult it is for leaders in mature democracies to regain popular support when the country has experienced domestic economic difficulties. Even domestic policy which successfully resolves economic problems and increases growth often does little to boost the political executive’s popular support and may even have the seemingly contradictory effect of reducing the leader’s standing in public opinion polls further.10 Since the voting public is not inclined to reward successful economic policy, embattled leaders in mature democracies may turn to foreign policy to regain their political credibility and to improve their chances of retaining office. The decision to use diversionary force is made easier when leaders are confident that the military operation will be both a military success and provide the domestic political boost they are seeking. Recent research on audience costs suggests that military missions launched by leaders in mature democracies have a high probability of achieving both of these outcomes. Of course, a good deal of institutional variation exists among countries typically labelled ‘mature democracies’. The final component of our theory refines our earlier approach further by developing hypotheses on the impact that institutional differences have on mature democracies’ diversionary proclivities. To determine whether the leaders of mature democracies, and especially certain types of mature democracies, are more likely both to use diversionary force and to reap political rewards from doing so than other leaders, we test the reciprocal relationships which exist between the use of foreign military force and the domestic political and economic variables which may cause it. Our study is certainly not the first to analyse mature democracies’ propensity to use diversionary military force. A number of studies have been undertaken on the subject with, to date, mixed results.11 Our analysis is, however, the first to separate out and test the diversionary behaviour of several distinct types of established democracies and to determine whether diversionary force by these actors ‘works’ by producing domestic political and economic benefits for leaders. To our knowledge, it is also the first to develop an integrated, multi-layer theory that attempts to bring greater clarity to the seemingly illogical phenomenon of democratic diversion.

### Impact --- Econ --- AT: resiliency

#### Small shocks can derail the economy

Irwin 16 – Neil Irwin, Senior Economic Correspondent at The New York Times, Former Washington Post Columnist and Economics Editor of Wonkblog, “Will the Next President Face a Recession? Don’t Assume So”, New York Times, 10-27, http://www.nytimes.com/2016/10/28/upshot/will-the-next-president-face-a-recession-dont-assume-so.html

There is a decent argument that the United States economy is more susceptible to recession now than it has been for most of the last several decades, for two reasons.

First, growth has been around 2 percent a year, below the 3 to 4 percent that was commonplace in the second half of the 20th century. That means there is less of a growth cushion. It takes a smaller negative shock to pull the economy into contraction territory.

Second, the Fed may find itself with less room to reduce the damage of the next downturn. In modern recessions, the central bank has cut rates by an average of 5.5 percent, according to research by the Fed economist David Reifschneider. With rates below 0.5 percent and on track to rise very slowly, any small shock in the next few years could cause major economic damage, especially if the Fed’s less conventional monetary policy tools either go unused or don’t prove effective.

#### Econ’s fragile

Hansen, 16 – Steven Hansen, international business and industrial consultant, 3-26-2016, “The Economy Keeps Stumbling Along”, Seeking Alpha, http://seekingalpha.com/article/3961069-economy-keeps-stumbling-along

Once a month, I assemble an economic forecast based on analysis of various data points which have led the economy. Historically, most of the time the economy trends up or trends down - but recently the economy simply has been frozen with little change in the rate of growth. My view of the economy is at Main Street level - not necessarily GDP. My position is that GDP has disconnected from the real economy. A thinking person might say that GDP never projected the real economy - and it was never more obvious with the current situation where rate of change of growth slowed to a crawl. The jumping around of GDP in a flat economy is noticeable. We will be releasing our economic forecast next week - and conditions have been flat (near the zero growth line) for three months. All indicators I view outside the elements of our forecast are mixed and confused. Nothing is strong. One of my favorite indicators to understand if the rate of economic growth is accelerating or decelerating is the relationship between the year-over-year growth rate of non-farm private employment and the year-over-year real growth rate of retail sales. This index is currently showing no growth differential. When retail sales grow faster than the rate of employment gains (above zero on the below graph) - the rate of growth of the economy is usually accelerating.

#### It’s not resilient

Rockefeller 16 – Barbara Rockefeller, Rockefeller Treasury Services, Inc., “The Fed Should Not Have Raised Rates”, FX Street, 2-4, http://www.fxstreet.com/analysis/strategic-currency-briefing/2016/02/04/

We were not the only person appalled by the press reports on negative yields. Not only Europe, but now Japan! There is simply no way for negative yields to build anything. It takes a return on capital to get capital working. Negative yields are always and everywhere a Bad Thing. Underling the dollar’s crash yesterday is the sneaking suspicion the Fed has it all wrong and the US will get negative rates, too. The Fed should not have raised rates in December. It was either too late or too early, but whichever, wrong. The economy is not resilient, let alone robust, and the Fed is over-optimistic about everything.

Given this gloomy stance by a large group, NY Fed Pres Dudley was the trigger. The Dudley comments were emailed far and wide and made the front page of the FT today. Remember, Dudley is the guy who was worried about liquidity once rates began to go up, and devised a special repo facility to grease the skids. Yesterday he said in an interview with Market News that global turmoil may be a roadblock that inspires a further surge in the dollar, and if it continues, would have “significant consequences back to the US.”

He also said “One thing I think we can say with more confidence is that financial conditions are considerably tighter than they were at the time of the December meeting. So if those financial conditions were to remain in place by the time we get to the March meeting we would have to take that into consideration in terms of that monetary policy decision.”

Two things: we have a Fed talking about the dollar, and not just any Fed—the head of the New York Fed. As we know from long experience—and Dudley should know, too—any mention of the dollar by a Fed official is always toxic. Secondly, how can anything be much changed in a little over two months? The one big thing that has occurred since the Fed hike is the China equity market meltdown the first week of January. Again, this gives the impression that when China sneezes, the US catches cold.

The FT goes on to say the primary deduction from the Dudley comments is no more rate hikes this year. Fed funds futures “indicate that there is now about a 60 per cent chance that the Fed stays its hand for the rest of 2016, and only a 7 per cent chance that the US central bank tightens policy just twice this year, according to Bloomberg data.”

Oh, please. Talk about an overreaction! The FT itself provides a short rebuttal. The same day as Dudley spoke, “This year would mark the seventh consecutive year of expansion in the US economy, a trend that would continue through at least 2017, according to forecasts from Economic Advisory Committee of the American Bankers Association on Wednesday.

“Nevertheless, the outside risks of a recession are growing, forecasters have warned. There was a one-in-five chance of recession in the next 12 months, according to a survey of 51 economists by the Financial Times conducted in the days after the Fed’s January meeting. In the FT’s December survey, economists had put the odds of a US recession at 15 per cent during the next two years.”

**Global economy’s no longer resilient---rapid change in financial architecture makes shocks to the system highly destabilizing**

Walter Russell **Mead 14**, Professor of Foreign Affairs and Humanities at Bard College; Editor-at-Large of The American Interest magazine, 11/13/14, “The Risk of Nation-State Conflict,” <http://www.the-american-interest.com/2014/11/16/the-risk-of-nation-state-conflict/>

Finally, one should note that international economic policy has been one of America’s best tools in ensuring the development of a peaceful and stable international order. However, the same rapid change that destabilizes international politics has made and will make the task of international economic management significantly more challenging. It is not only that the international economy is developing both financial and trade linkages that challenge the ability of policy makers to develop effective policies to stabilize the international financial and economic systems. It is also the case that technological advances are steadily transforming financial markets, speeding up the pace of trading, allowing for the development of increasingly complex financial instruments and trading strategies that collectively produce new kinds of risk that both market participants and regulators struggle to understand. Economic theory and economic policy tools are likely to lag behind the new economic realities that will be created in the coming years and decades; this will be an added factor that tends to destabilize international politics.