# Wages Disadvantage

# Negative

## 1NC

#### **Current increases in wages are boosting the economy – any shift could lead to a recession**

Manyika ’18 (James Manyika, Has a PHD from Oxford, senior partner at McKinsey & Company and chairman and director of the McKinsey Global Institute “The U.S. Economy Is Suffering from Low Demand. Higher Wages Would Help,” *Harvard Business Review*, https://hbr.org/2018/02/the-u-s-economy-is-suffering-from-low-demand-higher-wages-would-help)

A little over a century ago, Henry Ford doubled the minimum pay of his workers to $5 a day. When other employers followed suit, it became clear that Ford had sparked a chain reaction. Higher pay throughout the industry helped lead to more sales, creating a virtuous cycle of growth and prosperity. Could we be at another Henry Ford moment? Some major companies have announced plans to boost employee pay. Target raised its minimum wage to $11 this past fall and committed to $15 by 2020. More recently, Walmart announced plans to match that increase to $11. In banking, Wells Fargo and Fifth Third Bancorp also announced pay increases for minimum wage employees. These pay increases have occurred against a backdrop of weak economic growth and rising income inequality. Economic growth has been stuck in low gear for almost a decade now, averaging around 2% a year since 2010 while productivity growth, the key to increasing living standards, has been languishing near historic lows since the financial crisis. But more recently there has been a glimmer of hope. After stagnating for years, wages have begun picking up slightly, as has productivity growth, while corporate profits remain near record highs. Are these recent wage increases merely necessary in light of a tightening labor market, or could they start a broader trend that may change our economic growth trajectory? After a year-long analysis of seven developed countries and six sectors, we have concluded that demand matters for productivity growth and that increasing demand is key to restarting growth across advanced economies. The impact of demand on productivity growth is often underappreciated. Looking closer at the period following the financial crisis, 2010 to 2014, we find that weak demand played a key role in the recent productivity growth decline to historic lows. In fact, about half of the slowdown in productivity growth — from an average of 2.4% in the United States and Western Europe in 2000 to 2004 to 0.5% a decade later — was due to weak demand and uncertainty. For example, in the mid-1990s to the mid-2000s, rising consumer purchasing power boosted productivity growth in both the retail and the auto sector, by encouraging a shift to higher-value goods that can be supplied at higher productivity levels. In the auto sector, as customers in the early 2000s purchased higher value-added SUVs and premium vehicles in both the United States and Germany, they spurred incremental productivity growth of 0.4 to 0.5 percentage points. Today, that trend has slowed slightly in both countries, contributing only 0.3 percentage points to productivity growth in the period 2010 to 2014. Similarly, in retail, we estimate that consumers shifting to higher-value goods, for example higher-value wines or premium yogurts, contributed 45% to the 1995-2000 retail productivity acceleration in the United States. This subsequently waned, dragging down productivity growth. To put it simply, when consumers have more to spend, they buy more sophisticated things. That’s good not just for consumers and producers, but for the overall economy, because making more sophisticated, higher-value things makes everyone involve more productive, and therefore helps increase overall standards of living. In addition, we found two other ways weak demand hurt productivity growth in the aftermath of the financial crisis: a reduction in economies of scale and weak investment. First, the economies of scale effect. In finance, productivity growth declined particularly in the United States, United Kingdom, and Spain due to contractions in lending volumes that banks were unable to fully offset with staff cuts due to the need for fixed labor (for example to support branch networks and IT infrastructure or to deal with existing loans and bad debt). The utilities sector, which has seen flattening demand growth due to both energy efficiency policies as well as a decline in economic activity during the crisis, was similarly not able to downsize labor due to the need for labor to support electricity distribution and the grid infrastructure, and here, too, productivity growth fell. Second, the effect of weak investment. We have found from our global surveys of businesses that almost half of companies that are increasing their investment budgets are doing so because of an increase in demand. Demand is the single most important factor driving corporate investment decisions. Investment, in turn, is critical for productivity growth, as it equips workers with more – and with more recent and innovative – equipment, software, and structures. But we have seen capital intensity growth fall to the lowest levels in post-WWII history. Weaker demand leads to weaker investment and creates a vicious cycle for productivity and income growth. Of course, the financial crisis is long since over, and the economy has recovered, at least by some measures. So what’s to worry about? Won’t demand return to pre-recession levels, and thereby increase productivity? Unfortunately, there is reason to believe that some of the drags on demand for goods and services may be more structural than crises-related. Slowing population growth means less rapid expansion of the pool of consumers. And rising income inequality is shifting purchasing power from those most likely to spend to those more likely to save. This is reflected in slowing growth expectations in many markets. For example, across our sectors and countries studied, in the decade from 1995 to 2004, growth in demand for goods and services averaged 4.6%, slowed to 2.3% in 2010 to 2014, and is forecast to slightly increase to 2.8% in 2014 to 2020. Today, there is concern about where the next wave of growth will come from. Some prominent economists worry that we may be stuck in a vicious cycle of economic underperformance for some time. Our analyses strongly suggest that supporting sustained demand growth needs to be part of the answer. Demand may deserve attention to help boost productivity growth not only during the recovery from the financial crisis but also in terms of longer-term structural leakages and their impact on productivity. Suitable tools for this longer-term situation include: focusing on productive investment as a fiscal priority, growing the purchasing power of low-income consumers with the highest propensity to consume, unlocking private business and residential investment, and supporting worker training and transition programs to ensure that periods of transition do not disrupt incomes. Companies play a key role in promoting growth through investment and innovation as well as supporting their workforce through training programs. Yet companies may also want to consider the words of Ford when he said: “The owner, the employees, and the buying public are all one and the same, and unless an industry can so manage itself as to keep wages high and prices low it destroys itself, for otherwise it limits the number of its customers. One’s own employees ought to be one’s own best customers.” While this is certainly not true for individual companies, it is true for the broader economy, and we might be at a rare point where the representatives of employees and employers alike share a common interest in healthy wage growth.

#### **Increased immigration reduces wages**

Borjas ’13 (George J. Borjas is Professor of Economics and Social Policy at the Harvard Kennedy School, “Immigration and the American Worker; A Review of the Academic Literature” April 2013, Center For Immigration Studies)

Early research measuring the labor market impact of immigration focused on comparing outcomes in different cities. This approach is now seen as inadequate because the movement of goods, labor, and capital tends to diffuse the impact of immigration across the country. • Classifying workers by education level and age and comparing differences across groups over time shows that a 10 percent increase in the size of an education/age group due to the entry of immigrants (both legal and illegal) reduces the wage of native-born men in that group by 3.7 percent and the wage of all native-born workers by 2.5 percent. • The results from the education/age comparisons align well with what is predicted by economic theory. Further support for the results from the education/age comparisons can be found in studies using the same method in other countries. • A theory-based framework predicts that the immigrants who entered the country from 1990 to 2010 reduced the average annual earnings of American workers by $1,396 in the short run. Because immigration (legal and illegal) increased the supply of workers unevenly, the impact varies across skill groups, with high school dropouts being the most negatively affected group. • The same type of education/age comparison used to measure the wage impact shows that a 10 percent increase in the size of a skill group reduced the fraction of native-born blacks in that group holding a job by 5.1 percentage points. • Immigration has its largest negative impact on the wage of native workers who lack a high school diploma, a group that make up a modest (and, in recent decades, shrinking) share of the workforce. These workers are among the poorest Americans. The children of these workers make up a disproportionate number of the children in poverty: 24.8 percent of all children of the native-born working poor live in households headed by a high school dropout. Findings from Recent Studies: Could All Americans Gain from Immigration? • Some research argues that virtually all American workers gain from immigration because immigrants and native workers with the same level of education and age do not compete with each other, but in fact complement each other. Although the early empirical studies that examined this assumption claimed that there were substantial complementarities, the published version of these studies reports much weaker, if any, complementarities (Ottaviano and Peri, 2006 and 2012; Borjas, Grogger, and Hanson, 2012). • In fact, even if the extent of complementarity is at the upper end of the estimated range in the most recent studies, immigration still reduced the wage of native high school dropouts by between 2 to 5 percent (depending on whether the effect is measured in the long run or the short run). • Some studies also argue that native high school dropouts and high school graduates are interchangeable in the workplace (Card, 2009; Ottaviano and Peri, 2012). If true, the impact of immigration on the relative size of the low-skill workforce is small and the wage impact of immigration is correspondingly small. The data, however, do not provide convincing evidence that high school dropouts and high school graduates are, in fact, interchangeable (Borjas, Grogger, and Hanson, 2012). Conclusion Economists have long known that immigration redistributes income in the receiving society. Although immigration makes the aggregate economy larger, the actual net benefit accruing to natives is small, equal to an estimated two-tenths of 1 percent of GDP. There is little evidence indicating that immigration (legal and/or illegal) creates large net gains for native-born Americans.

#### Sustaining growing wages is key to prevent economic collapse

Duke 16 (Brendan V.. Associate Director for Economic Policy, Center for American Progress; MPA, Princeton. “To Raise Productivity, Let’s Raise Wages.” Center for American Progress. September 2. <https://www.americanprogress.org/issues/economy/reports/2016/09/02/142040/to-raise-productivity-lets-raise-wages/>.)

Another method for boosting productivity is offered by Northwestern University economist Robert Gordon—one of the country’s leading productivity experts—in his recent book The Rise and Fall of American Growth. Gordon describes the period between 1929 and 1950 as “the Great Leap Forward” for productivity, which grew an astounding 3.2 percent per year—far more than any era since 1870 and double the growth rate since 1970.¶ Gordon argues that a key reason productivity surged during this period was that rising real wages provided an incentive for firms to invest in capital, such as machinery. When labor is cheap, businesses have little incentive to invest in capital because they can always hire another worker on the cheap. But higher wages reduce the price of capital relative to labor, nudging firms to make investments and raise productivity.¶ The 1929–1950 increase in wages was at first a result of several policies that directly raised workers’ wages, including the first federal minimum wage, the first federal overtime law, and the National Labor Relations Act, which made it easier for workers to join a union and bargain with their employers. The entry of the United States into World War II further drove investment higher, as the economy converted into what Gordon describes as a “maximum production regime.”¶ It is striking that during this period of rapid productivity growth, wages for production workers grew even faster than productivity growth did. The current debate about whether a typical worker’s compensation has kept track with the economy’s productivity typically envisions productivity growth as the precondition for wage growth. But Gordon’s research implies that the relationship can go both ways: Not only can productivity growth raise wages, but higher real wages also can boost productivity growth—the main reason for slow gross domestic product growth—by giving firms a reason to purchase capital.¶ Can higher wages raise productivity growth in 2017? Basic economic theory and common sense suggests that an increase in the price of labor—wages—achieved through higher labor standards will cause firms to invest in more capital, raising the economy’s productivity.¶ Some have tried to use this fact to claim that raising wages ultimately will hurt workers by causing them to be replaced with machines. But automation is just another way of saying productivity growth: Robots replacing humans means more output produced using fewer human hours—the literal definition of higher productivity. We can either have a productivity problem or an automation problem, but we cannot have both at the same time.¶ The sharp slowdown in productivity growth today heavily implies that we currently have too little automation rather than too much. At the same time, the evidence on policies that raise wages—such as the minimum wage—points to no noticeable effect on employment. Indeed, the New Deal and its rising labor standards were also a period of rapid employment growth.¶ A more important question is whether we have enough of the other key ingredient for the productivity growth that made the 1930s possible: innovation. Technological change itself is another reason firms purchase new capital—otherwise, investment amounts to “stacking wooden ploughs on top of wooden ploughs.” Gordon makes clear that the 1930s were in fact one of the most innovative decades in history, as the economy began to harness the potential of the internal combustion engine and electrification. Firms ultimately could afford policies that raised wages because they could raise their productivity with new equipment featuring innovative technology.¶ There exists a vigorous debate today about whether we live in a period of very ordinary or extraordinary innovation. Some—such as Gordon himself—argue that productivity growth inevitably will be slower because today’s new technology is inherently less innovative than that of the 1930s. In that case, there still exists a strong justification for raising labor standards: Slow productivity growth makes it that much more important that its fruits be shared equitably.¶ But others—including Andrew McAfee and Erik Brynjolfsson of the Massachusetts Institute of Technology, the country’s leading growth optimists—argue that we live in a period of extraordinary technological change. Even so, recent innovations—such as 3-D printing and social media—have failed to raise productivity growth, even after accounting for the possible problems with how statistics measure it. Therefore, it may be the ability of firms to hire workers at wages that have barely grown since 2000—rather than purchasing new equipment and adopting new technology—that has prevented productivity from rising.¶ The truth likely falls somewhere in between the pessimists and the optimists, with healthy—if not necessarily explosive—productivity growth possible. In that case, policies that raise wages may be the key to unlocking productivity growth by increasing incentives for firms to invest in capital. Such wage-raising policies include making it easier for workers to bargain collectively, raising the federal minimum wage, and modernizing overtime rules. Fortunately, the Obama administration recently has taken action on the latter and proposed an increase in the overtime threshold to $47,000 per year.¶ Conclusion¶ The productivity and investment slowdown presents a direct threat to the growth of U.S. living standards. It is the main reason gross domestic product growth has slowed, and it is a challenge with which advanced economies across the world are grappling. Importantly, productivity has slowed regardless of countries’ corporate tax policies—some politicians’ favorite solution to every economic problem.¶ Policymakers should heed the advice of the International Monetary Fund and focus on attacking the main cause of the productivity slowdown—low aggregate demand. A substantial investment in infrastructure—as the Center for American Progress recently proposed—would go a long way toward getting business investment back on track.¶ An additional and complimentary avenue to raising productivity is policies that directly raise wages. Employers have little reason to invest in new capital and raise productivity when real wages are stagnant. When faced with higher labor costs, employers will invest and innovate—two of the keys to raising productivity.¶ Policymakers in the 1930s and 1940s turned the Great Depression and World War II into the most rapid growth in living standards our country has ever seen. Hopefully, their counterparts today can learn from their example.

#### US economic decline in an interconnected world collapses the global economy—nuclear war

Palmin, 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.

## Uniqueness

### Wages High Now

#### **Wages are growing now despite Trump**

Sperling 7-16-18 (JONATHAN SPERLING July 16, 2018 “Majority of U.S. Business Economists Believe Employment and Wages Likely to Grow “ http://fortune.com/2018/07/16/united-states-economy-growth-nabe/)

The majority of U.S. business economists believe that corporate sales, hiring, and wages are on track to rise throughout the next three months—but not due to the Trump administration’s corporate tax cuts or trade disputes. The results of a National Association for Business Economists’ Business Conditions Survey released on Monday shows that 68% of the 98 respondents predict that sales will grow over the next three months, while all of the panelists foresee [the country’s GDP](http://fortune.com/2018/06/20/americans-no-emergency-savings-gdp/) to expand over the course of the next year. “Labor market conditions are tight, with skilled labor shortages driving firms to raise pay, increase training, and consider additional automation,” Sara Rutledge, chair of NABE’s Business Conditions Survey, said in a statement. A majority of the respondents also reported that the corporate tax cuts pushed through Congress last year by President Donald Trump have not yet influenced corporations to increase hiring nor investment. The [Trump administration’s tariffs](http://fortune.com/2018/07/11/trump-china-trade-war-200b/) on goods from Canada, China, Mexico, and the European Union also have had no impact on companies hiring, investing, or pricing, according to 65% of respondents. Further job growth over the next three months is also in the cards according to the majority of respondents. The Net Rising Index for employment rose from 26 in April to 41 in July—an all-time high according to NABE. The forward-looking NRI rose from 30 to 38. The most optimistic respondents represent goods-producing firms—94% believe that sales from that sector will rise, while none believe sales will decline.

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A little over a century ago, Henry Ford doubled the minimum pay of his workers to $5 a day. When other employers followed suit, it became clear that Ford had sparked a chain reaction. Higher pay throughout the industry helped lead to more sales, creating a virtuous cycle of growth and prosperity. Could we be at another Henry Ford moment? Some major companies have announced plans to boost employee pay. Target raised its minimum wage to $11 this past fall and committed to $15 by 2020. More recently, Walmart announced plans to match that increase to $11. In banking, Wells Fargo and Fifth Third Bancorp also announced pay increases for minimum wage employees. These pay increases have occurred against a backdrop of weak economic growth and rising income inequality. Economic growth has been stuck in low gear for almost a decade now, averaging around 2% a year since 2010 while productivity growth, the key to increasing living standards, has been languishing near historic lows since the financial crisis. But more recently there has been a glimmer of hope. After stagnating for years, wages have begun picking up slightly, as has productivity growth, while corporate profits remain near record highs. Are these recent wage increases merely necessary in light of a tightening labor market, or could they start a broader trend that may change our economic growth trajectory? After a year-long analysis of seven developed countries and six sectors, we have concluded that demand matters for productivity growth and that increasing demand is key to restarting growth across advanced economies. The impact of demand on productivity growth is often underappreciated. Looking closer at the period following the financial crisis, 2010 to 2014, we find that weak demand played a key role in the recent productivity growth decline to historic lows. In fact, about half of the slowdown in productivity growth — from an average of 2.4% in the United States and Western Europe in 2000 to 2004 to 0.5% a decade later — was due to weak demand and uncertainty. For example, in the mid-1990s to the mid-2000s, rising consumer purchasing power boosted productivity growth in both the retail and the auto sector, by encouraging a shift to higher-value goods that can be supplied at higher productivity levels. In the auto sector, as customers in the early 2000s purchased higher value-added SUVs and premium vehicles in both the United States and Germany, they spurred incremental productivity growth of 0.4 to 0.5 percentage points. Today, that trend has slowed slightly in both countries, contributing only 0.3 percentage points to productivity growth in the period 2010 to 2014. Similarly, in retail, we estimate that consumers shifting to higher-value goods, for example higher-value wines or premium yogurts, contributed 45% to the 1995-2000 retail productivity acceleration in the United States. This subsequently waned, dragging down productivity growth. To put it simply, when consumers have more to spend, they buy more sophisticated things. That’s good not just for consumers and producers, but for the overall economy, because making more sophisticated, higher-value things makes everyone involve more productive, and therefore helps increase overall standards of living. In addition, we found two other ways weak demand hurt productivity growth in the aftermath of the financial crisis: a reduction in economies of scale and weak investment. First, the economies of scale effect. In finance, productivity growth declined particularly in the United States, United Kingdom, and Spain due to contractions in lending volumes that banks were unable to fully offset with staff cuts due to the need for fixed labor (for example to support branch networks and IT infrastructure or to deal with existing loans and bad debt). The utilities sector, which has seen flattening demand growth due to both energy efficiency policies as well as a decline in economic activity during the crisis, was similarly not able to downsize labor due to the need for labor to support electricity distribution and the grid infrastructure, and here, too, productivity growth fell. Second, the effect of weak investment. We have found from our global surveys of businesses that almost half of companies that are increasing their investment budgets are doing so because of an increase in demand. Demand is the single most important factor driving corporate investment decisions. Investment, in turn, is critical for productivity growth, as it equips workers with more – and with more recent and innovative – equipment, software, and structures. But we have seen capital intensity growth fall to the lowest levels in post-WWII history. Weaker demand leads to weaker investment and creates a vicious cycle for productivity and income growth. Of course, the financial crisis is long since over, and the economy has recovered, at least by some measures. So what’s to worry about? Won’t demand return to pre-recession levels, and thereby increase productivity? Unfortunately, there is reason to believe that some of the drags on demand for goods and services may be more structural than crises-related. Slowing population growth means less rapid expansion of the pool of consumers. And rising income inequality is shifting purchasing power from those most likely to spend to those more likely to save. This is reflected in slowing growth expectations in many markets. For example, across our sectors and countries studied, in the decade from 1995 to 2004, growth in demand for goods and services averaged 4.6%, slowed to 2.3% in 2010 to 2014, and is forecast to slightly increase to 2.8% in 2014 to 2020. Today, there is concern about where the next wave of growth will come from. Some prominent economists worry that we may be stuck in a vicious cycle of economic underperformance for some time. Our analyses strongly suggest that supporting sustained demand growth needs to be part of the answer. Demand may deserve attention to help boost productivity growth not only during the recovery from the financial crisis but also in terms of longer-term structural leakages and their impact on productivity. Suitable tools for this longer-term situation include: focusing on productive investment as a fiscal priority, growing the purchasing power of low-income consumers with the highest propensity to consume, unlocking private business and residential investment, and supporting worker training and transition programs to ensure that periods of transition do not disrupt incomes. Companies play a key role in promoting growth through investment and innovation as well as supporting their workforce through training programs. Yet companies may also want to consider the words of Ford when he said: “The owner, the employees, and the buying public are all one and the same, and unless an industry can so manage itself as to keep wages high and prices low it destroys itself, for otherwise it limits the number of its customers. One’s own employees ought to be one’s own best customers.” While this is certainly not true for individual companies, it is true for the broader economy, and we might be at a rare point where the representatives of employees and employers alike share a common interest in healthy wage growth.

## Links

### Generic

#### Any increase in immigration exacerbates the economic divide between the wealthy and the poor because it decreases wages for lower skilled jobs

Rubenstiein ‘16 (Edwin Rubenstein has a MA in public finance @ Columbia, president of ESR research,, “THE NEGATIVE ECONOMIC IMPACT OF IMMIGRATION ON AMERICAN WORKERS,” February 2016, *Negative Population Growth*, http://www.npg.org/wp-content/uploads/2016/02/2016NegativeEconomicImpactForumPaper.pdf)

Immigrant workers increased U.S. GDP by about $1.6 trillion, or 10.7%, in 2013. The vast bulk of this gain went to the immigrants themselves. Only 2% went to natives 20. For native-born Americans, immigration’s major impact is distributional: it lowers the wages of native-born workers and raises the income of their employers and other upper-income natives who derive a disproportionate share of income from capital gains, stock options, and other non-wage income. The difference between what native-born winners win and native-born losers lose is called the “immigration surplus.” It measures the net income gain accruing to native-born Americans as a result of immigration. In 2013 Harvard economist George Borjas estimated the surplus to be about $35 billion — a mere 0.24% of GDP21. This modest surplus is the difference between an enormous $437 billion gain accruing to employers and a slightly less enormous $402 billion wage loss suffered by native-born workers. Three factors influence the immigration surplus calculation: • Labor’s share of GDP, which for decades has been around 70% in the U.S. • The immigrant share of employment, which Borjas puts at 15%. (As seen in Figure 3, BLS data shows it to be 16.6% in 2014.) • The “wage elasticity,” the percent reduction in native wages resulting from a 10% increase in the immigrant labor force. Following Borjas, we assume a wage elasticity of negative 3.5, implying that each 10% increase in foreign-born workers reduces native wages by 3.5%. The negative wage elasticity implies that immigrant and native-born workers of similar education and skill levels are substitutes for each other, so that an increase in the supply of one group will reduce wages of the other. To most of us, this is a self-evident truth. The formula for the immigration surplus contains another important insight: the greater the drop in native wages due to immigration, the greater the economic gain to the nation from immigration. No pain. No gain. No problem? Except that the pain from immigration resides primarily with nativeborn workers, while the gain rests mainly with their employers. At the end of the day, the 1965 Immigration Act may be the most regressive public policy ever enacted by the federal government. Conclusion Immigrant workers increase U.S. GDP, but the vast bulk of the gain goes to the immigrants themselves: only 2% goes to native-born Americans22. By increasing the number of workers in the economy, immigration lowers the wages of native-born workers. At the same time, however, native-born employers gain from immigration because they can now hire workers at lower wages. Native-born consumers also gain — especially the wealthy. Similarly, natives who derive most of their income from dividends, capital gains, and other non-wage income gain as immigration drives up corporate profits. Immigration’s biggest winners, then — at least among U.S. natives — are the wealthy, while its biggest losers are found disproportionately among the nation’s poor and middle-class. Clearly, immigration exacerbates the economic divide between haves and have-nots. Current levels of over 1 million legal admissions per year — and de facto amnesty and nonenforcement policies that serve to protect those aliens who are here unlawfully — are only placing greater economic strain on those citizens who can afford it least. Congress must revisit the current policy of mass immigration to reduce this injustice.

#### Immigration hurts the economy

Edsall ’16 (Thomas B. Edsall SEPT. 29, 2016 ttps://www.nytimes.com/2016/09/29/opinion/campaign-stops/what-does-immigration-actually-cost-us.html)

Last week, as soon as the National Academy of Sciences issued “[The Economic and Fiscal Consequences of Immigration](https://www.nap.edu/catalog/23550/the-economic-and-fiscal-consequences-of-immigration),” its 509-page report, interest groups on the left and right immediately claimed vindication. “National Academy of Sciences Study Confirms Immigrants Benefit America,” [America’s Voice](http://americasvoice.org/press_releases/national-academy-sciences-study-confirms-immigrants-benefit-america/), a liberal advocacy group, declared from the pro-immigration side. Frank Sharry, the group’s executive director, issued a statement assessing the study: On the fringes of the immigration debate, you have Donald Trump and his small band of nativists peddling fears and falsehoods. For those of us who inhabit a fact-driven reality, you have a growing body of credible research demonstrating the benefits of immigrants and the burdens of following Trump’s radical proposals. Conservatives calling for more restrictions on immigration read the same report but had a very different interpretation. “National Academy of Sciences Study of Immigration: Workers and Taxpayers Lose, Businesses Benefit,” the [Center for Immigration Studies](http://cis.org/NAS-Study-Workers-and-Taxpayers-Lose-Businesses-Benefit) wrote. Steven Camarota, director of research at the center, said that the report demonstrated that immigration lowers the wages of American workers, to the benefit of immigrants themselves and of corporations: Immigration is primarily a redistributive policy, transferring income from workers to owners of capital and from taxpayers to low-income immigrant families. These opposing views demonstrate the complexity of the core findings in the academy’s report, which is multifaceted enough to allow for competing interpretations. The report suggests that immigration is not a clear-cut issue in which one side is right and the other wrong, but that there are both costs and benefits. The crux of the problem is that the plusses and minuses are not distributed equally. The academy found, for example, that the willingness of less-skilled immigrants to work at low pay reduced consumption costs — the costs to consumers of goods and services like health care, child care, food preparation, house cleaning, repair and construction — for millions of Americans. This resulted in “positive net benefits to the U.S. economy during the last two decades of the 20th century.” These low-wage workers simultaneously generated “a redistribution of wealth from low- to high-skilled native-born workers.” The frequent harshness of these trade-offs in real life is masked by the academic language of the report, which points out that native-born workers who are substitutes for immigrants “will experience negative wage effects” — in other words, lower wages. The report continues: In summary, the immigration surplus stems from the increase in the return to capital that results from the increased supply of labor and the subsequent fall in wages. Natives who own more capital will receive more income from the immigration surplus than natives who own less capital, who can consequently be adversely affected. While acknowledging these conflicts, the academy comes down [decisively on the pro-immigration side](http://www8.nationalacademies.org/onpinews/newsitem.aspx?RecordID=23550) of the debate: Immigration is integral to the nation’s economic growth. The inflow of labor supply has helped the United States avoid the problems facing other economies that have stagnated as a result of unfavorable demographics, particularly the effects of an aging work force and reduced consumption by older residents. In addition, the infusion of human capital by high-skilled immigrants has boosted the nation’s capacity for innovation, entrepreneurship, and technological change. The academy’s report provides ammunition to both sides in the contentious debate over whether immigrants raise state and local tax burdens for education, health care and other welfare benefits or whether those costs are more than compensated for through taxes paid by immigrants: For the 2011-2013 period, the net cost to state and local budgets of first generation adults is, on average, about $1,600 each. In contrast, second and third-plus generation adults create a net positive of about $1,700 and $1,300 each, respectively, to state and local budgets. These estimates imply that the total annual fiscal impact of first generation adults and their dependents, averaged across 2011-13, is a cost of $57.4 billion, while second and third-plus generation adults create a benefit of $30.5 billion and $223.8 billion, respectively. In its analysis, the liberal group [America’s Voice](http://americasvoice.org/press_releases/national-academy-sciences-study-confirms-immigrants-benefit-america/) cited the academy’s statement almost verbatim. [The conservative Center for Immigration Studie](http://cis.org/NAS-Study-Workers-and-Taxpayers-Lose-Businesses-Benefit)s, on the other hand, interpreted the data to mean that immigrants do not pay enough in taxes to cover their consumption of public services at the present This ideological schism has shaped the current presidential election as well as ongoing congressional debates. Democrats have become increasingly pro-immigration while Republican voters and many members of Congress generally stand in opposition. It is this split that lies at the core of the contest between [Hillary Clinton](https://www.hillaryclinton.com/issues/immigration-reform/) and [Donald Trump](https://www.donaldjtrump.com/positions/immigration-reform). Clinton described the principles underlying her position on immigration in [a speech](http://www.huffingtonpost.com/chris-weigant/candidate-speech-series-h_b_7814688.html) she gave in North Las Vegas last year: If we claim we are for family, then we have to pull together and resolve the outstanding issues around our broken immigration system. The American people support comprehensive immigration reform not just because it’s the right thing to do — and it is — but because they know it strengthens families, strengthens our economy, and strengthens our country. The [principles underlying Trump’s position](https://www.donaldjtrump.com/positions/immigration-reform) are diametrically opposed to those of Clinton. On his website, Trump declares: When politicians talk about “immigration reform” they mean: amnesty, cheap labor and open borders. The Schumer-Rubio immigration bill was nothing more than a giveaway to the corporate patrons who run both parties. Real immigration reform puts the needs of working people first – not wealthy globetrotting donors. We are the only country in the world whose immigration system puts the needs of other nations ahead of our own. Trump supporters, who are 87 percent white, are substantially more hostile to immigrants than the general public. [A Pew study](http://www.pewresearch.org/fact-tank/2016/08/25/5-facts-about-trump-supporters-views-of-immigration/) in August found that two thirds of Trump loyalists describe immigration as a “very big problem.” Half of Trump voters believe immigrants “are more likely than American citizens to commit serious crimes,” a figure that rises to 59 percent among his strongest supporters. In terms of work, 35 percent of Trump voters say immigrants take jobs from Americans, compared with 24 percent of all voters. [A March 2016 Pew poll](http://www.people-press.org/2016/03/31/2-views-on-immigration-diversity-social-issues/section2_1) found that a majority of all voters, 57 percent, said immigrants strengthen the country through hard work, compared with 20 percent of Trump voters. Thirty-five percent of all voters said immigrants burden the country “by taking jobs, housing and health care,” compared with 69 percent of Trump supporters. The accompanying chart from the book “Polarized America” by the political scientists [Nolan McCarty](https://www.princeton.edu/~nmccarty/), [Keith T. Poole](http://spia.uga.edu/faculty-member/keith-poole/) and [Howard Rosenthal](http://politics.as.nyu.edu/object/HowardRosenthal) illustrates the linkage between immigration and political polarization. The chart shows that over the period from 1879 to 2013, divisions between House Democrats and Republicans rose when the level of immigration was high and dropped when the level fell. More Immigrants, More Polarization The two trends have roughly tracked one another since the 1880s. 14% 12 Percent of population that is foreign born 10 8 6 4 2 1880s- 90s 1900s- 10s 1920s- 30s 1940s- 50s 1960s- 70s 1980s- 90s 2000- 13 0 Polarization in Congress 1 MORE POLARIZED 0.8 0.6 LESS POLARIZED 0.4 Distance between the means of the two parties on a liberal-conservative spectrum. Source: Keith T. Poole, University of Georgia By The New York Times The intensity of the conflict over immigration is on view in the contrasting arguments of pro- and anti- immigration forces on a relatively obscure issue, remittances sent by immigrants to their families in their native countries. Conservative organizations seeking to reduce immigration levels argue that remittances are a drain on the American economy. [Limits To Growth](http://www.limitstogrowth.org/articles/2013/11/15/remittances-to-latin-america-americas-loss-in-billions-of-dollars/), for example, describes remittances as money “strip-mined from the United States by foreign workers” that could have been used for productive investment in this country. The academy’s report disputes that claim, citing studies showing that very small adverse economic consequences result from remittances, and numerous benefits, including having a substantial and important role in moving funds from rich to poor countries, which is needed to speed up global growth and reduce cross-country inequality and possibly also international migration. The views of [Pia Orrenius](http://www.dallasfed.org/research/economists/orrenius.cfm), vice president and senior economist at the Dallas Federal Reserve, reveal the complications of the politics of immigration. Orrenius served on the National Academy of Sciences panel that produced the report and she makes the case that the “[Benefits of Immigration Outweigh the Costs](http://www.bushcenter.org/catalyst/north-american-century/benefits-of-immigration-outweigh-costs.html):” Immigration fuels the economy. When immigrants enter the labor force, they increase the productive capacity of the economy and raise GDP.” In addition, she continued, “immigrants grease the wheels of the labor market by flowing into industries and areas where there is a relative need for workers — where bottlenecks or shortages might otherwise damp growth. When immigrants enter the labor force, they increase the productive capacity of the economy and raise GDP. But, Orrenius acknowledges there are downsides. Immigration lowers the wages of competing workers, while raising the return to capital and the wages of complementary workers. In other words, the immigration surplus does not accrue equally to everyone. It goes primarily to the owners of capital, which includes business and landowners and investors. Orrenius points out where the disadvantages of immigration primarily accrue: Competing workers’ wages fall, at least in the initial transition period as the economy adjusts to the new labor inflow. Research suggests that previous immigrants suffer more of the adverse wage effects than do natives. Research also suggests any negative wage effects are concentrated among low-skilled — not high-skilled — workers. This conclusion, which is supported by many of the empirical studies included in the report, goes to the heart of a Democratic dilemma, which the party rarely addresses publicly. On one hand, support for liberalized immigration policies, including a path to legal status and citizenship for the undocumented, is crucial to winning support from Hispanic voters. A [majority of Latino voters](http://www.latinodecisions.com/files/1913/6357/1744/Latino_Consortium_Toplines_-_March_18_Release.pdf) have relatives, friends and co-workers who are in this country illegally and who live in fear of deportation. Among Democrats of all ethnicities and races, support for immigration and immigrants has risen steadily. [Pew Research](http://www.pewresearch.org/fact-tank/2016/04/15/americans-views-of-immigrants-marked-by-widening-partisan-generational-divides/) found in August that 78 percent of Democrats agreed with the statement that immigrants “strengthen the country through hard work,” a view shared by 35 percent of Republicans. 88 percent of Democrats said undocumented immigrants should be granted legal status to stay in the United States. Newsletter Sign Up [Continue reading the main story](https://www.nytimes.com/2016/09/29/opinion/campaign-stops/what-does-immigration-actually-cost-us.html#continues-post-newsletter) Opinion Today Every weekday, get thought-provoking commentary from Op-Ed columnists, The Times editorial board and contributing writers from around the world. Sign Up You will receive emails containing news content, updates and promotions from The New York Times. You may opt-out at any time

#### **Immigration Hurts US workers**

Borjas ’16 (George J. Borjas is Professor of Economics and Social Policy at the Harvard Kennedy School. “Yes, Immigration Hurts American Workers” October 2016 https://www.politico.com/magazine/story/2016/09/trump-clinton-immigration-economy-unemployment-jobs-214216)

I’ve been studying immigration for 30 years, but 2016 was the first time my research was cited in a convention speech. When he accepted his party’s nomination in July, Donald Trump used one of my economic papers to back up his plan to crack down on immigrants and build a physical wall: “Decades of record immigration have produced lower wages and higher unemployment for our citizens, especially for African-American and Latino workers,” he told the cheering crowd. But he was telling only half the story. Hillary Clinton, for her part, seemed to be telling only the other half. At her convention a week later, Clinton claimed that immigrants, both legal and illegal, improve the economy for everyone. She told the crowd: “I believe that when we have millions of hardworking immigrants contributing to our economy, it would be self-defeating and inhumane to try to kick them out. Comprehensive immigration reform will grow our economy.” Here’s the problem with the current immigration debate: Neither side is revealing the whole picture. Trump might cite my work, but he overlooks my findings that the influx of immigrants can potentially be a net good for the nation, increasing the total wealth of the population. Clinton ignores the hard truth that not everyone benefits when immigrants arrive. For many Americans, the influx of immigrants hurts their prospects significantly. This second message might be hard for many Americans to process, but anyone who tells you that immigration doesn’t have any negative effects doesn’t understand how it really works. When the supply of workers goes up, the price that firms have to pay to hire workers goes down. Wage trends over the past half-century suggest that a 10 percent increase in the number of workers with a particular set of skills probably lowers the wage of that group by at least 3 percent. Even after the economy has fully adjusted, those skill groups that received the most immigrants will still offer lower pay relative to those that received fewer immigrants. Both low- and high-skilled natives are affected by the influx of immigrants. But because a disproportionate percentage of immigrants have few skills, it is low-skilled American workers, including many blacks and Hispanics, who have suffered most from this wage dip. The monetary loss is sizable. The typical high school dropout earns about $25,000 annually. According to census data, immigrants admitted in the past two decades lacking a high school diploma have increased the size of the low-skilled workforce by roughly 25 percent. As a result, the earnings of this particularly vulnerable group dropped by between $800 and $1,500 each year. We don’t need to rely on complex statistical calculations to see the harm being done to some workers. Simply look at how employers have reacted. A decade ago, Crider Inc., a chicken processing plant in Georgia, was raided by immigration agents, and 75 percent of its workforce vanished over a single weekend. Shortly after, Crider placed an ad in the local newspaper announcing job openings at higher wages. Similarly, the flood of recent news reports on abuse of the H-1B visa program shows that firms will quickly dismiss their current tech workforce when they find cheaper immigrant workers. Immigration redistributes wealth from those who compete with immigrants to those who use immigrants—from the employee to the employer. But that’s only one side of the story. Somebody’s lower wage is always somebody else’s higher profit. In this case, immigration redistributes wealth from those who compete with immigrants to those who use immigrants—from the employee to the employer. And the additional profits are so large that the economic pie accruing to all natives actually grows. I estimate the current “immigration surplus”—the net increase in the total wealth of the native population—to be about$50 billion annually. But behind that calculation is a much larger shift from one group of Americans to another: The total wealth redistribution from the native losers to the native winners is enormous, roughly a half-trillion dollars a year. Immigrants, too, gain substantially; their total earnings far exceed what their income would have been had they not migrated. When we look at the overall value of immigration, there’s one more complicating factor: Immigrants receive government assistance at higher rates than natives. The higher cost of all the services provided to immigrants and the lower taxes they pay (because they have lower earnings) inevitably implies that on a year-to-year basis immigration creates a fiscal hole of at least $50 billion—a burden that falls on the native population. What does it all add up to? The fiscal burden offsets the gain from the $50 billion immigration surplus, so it’s not too farfetched to conclude that immigration has barely affected the total wealth of natives at all. Instead, it has changed how the pie is split, with the losers—the workers who compete with immigrants, many of those being low-skilled Americans—sending a roughly $500 billion check annually to the winners. Those winners are primarily their employers. And the immigrants themselves come out ahead, too. Put bluntly, immigration turns out to be just another income redistribution program.

### H1B

#### **H1B visas steal jobs from citizens and decrease wages**

Borjas ’16 (George J. Borjas is Professor of Economics and Social Policy at the Harvard Kennedy School. “High-Skill Immigration: The H-1B Program” March 10, 2016, https://gborjas.org/2016/03/10/high-skill-immigration-the-h-1b-program/)

The H-1B visa-holders end up in Boston and Silicon Valley, and not in Flint or Detroit, for a very good reason. They will almost surely be hired by firms in cities where the tech sector is already shifting the technology frontier, and there will be patenting and productivity growth in those cities regardless of whether the H-1Bs show up or not. Put simply, correlation is not causation. Kirk Doran, Alexander Gelber, and Adam Isen revisit the whole H-1B question using an experimental approach. It turns out that some of the H-1B visas are randomly distributed to firms through a lottery. Doran, Gelber, and Isen then compare the firms that won the lottery to the firms that did not. Here is what they conclude: We compare winning and losing firms in the Fiscal Year 2006 and 2007 lotteries for H-1B visas…Winning additional H-1B visas causes at most a moderate increase in firms’ overall employment, and these H-1Bs therefore substantially crowd out firms’ employment of other workers. Additional H-1Bs generally have insignificant and at most modest effects on firms’ patenting and use of the research and experimentation tax credit. There is some evidence that additional H-1Bs lead to lower average employee earnings and higher firm profits. In short, the experimental data does not document any spillovers, and instead suggests that natives get paid less and are crowded out of firms that won the lottery. Who would have thought that the labor demand curve was downward sloping? Finally, as I was preparing this post earlier in the week, John Bound sent me a new paper (coauthored with Gaurav Khanna and Nicolas Morales) entitled “Understanding the Economic Impact of the H-1B Program on the U.S.” This is one of the most thoughtful studies I have ever read on the H-1B program. The authors construct a (very technical) model of the economy that addresses the impact on workers, consumers, and firms, while avoiding the conceptual problems and empirical issues that plague most of the non-experimental work. This is how Bound, Khanna, and Morales summarize their findings: [H-1B immigrants] increased the overall welfare of US natives, and had significant distributional consequences. In the absence of immigration, wages for US computer scientists would have been 2.6% to 5.1% higher and employment in computer science for US workers would have been 6.1% to 10.8% higher in 2001. On the other hand, complements in production benefited substantially from immigration…Firms in the IT sector also earned substantially higher profits. The H-1B program inevitably created winners and losers, and the losers were the native high-tech workers. And I should emphasize that “native” really means pre-existing–as many of the pre-existing high-tech workers were probably born abroad. So what is my take on all this? The evidence that the H-1B program produces sizable beneficial spillovers ranges from non-existent to weak. I can’t say I’m surprised. After all, the experimental studies strongly suggest that spillovers can only be detected in a very specific context: The high-skill workers have exceptional skills; they interact closely with the native workers who will benefit from the spillovers; and their number is sufficiently small relative to the market. It is hard to believe that the annual flow of 65,000 college graduates in the H-1B visa program meets those conditions.

#### Economic models prove that the plan would decline wages

Salzman 7 (Harold Salzman is a Senior Research Associate at The Urban Institute, Globalization of R&D and Innovation: Implications for U.S. STEM Workforce and Policy, Submitted to the Subcommittee on Technology and Innovation of the Committee on Science and Technology U.S. House of Representatives, November 6, 2007)

A few labor market studies, notably by Richard Freeman and colleagues (2004, 2006), have focused on the quality of STEM jobs. These studies conclude that the decline in the native STEM worker pool may reflect a weakening demand, a comparative decline in STEM wages, and labor-market signals to students about low relative wages in STEM occupations. Indeed, research finds that the real wages in STEM occupations declined over the past two decades and labor-market indicators suggest little shortage (Espenshade 1999). Some researchers see these demand-side market forces causing highly qualified students to pursue other careers. A well-accepted model of cyclical patterns of student and worker supply is the cobweb model (Freeman 1976). This research finds, in accordance with market mechanisms, that an increase in wages leads to an increase in job seekers but, in turn, a large supply of job seekers can depress wages. Declining wages will result in reduced student enrollments, although there is a lag in enrollment response. For example, research finds that a previous decline in mathematics enrollments through 1996 corresponded to this cycle (Davis 1997). For this reason, caution is needed in increasing the supply of STEM graduates, particularly at the graduate degree level, without considering the level of demand and impact on future supply.

#### Current Trump restrictions have practically ended the H1B visa category – the plan changes that

DaSilva 18 (Chantal Da Silva “H-1B VISA IS 'OVER': HIGHLY SKILLED FOREIGN WORKERS LOOK TO CANADA AS TRUMP CRACKS DOWN ON PROGRAM,” Newsweek, https://www.newsweek.com/h-1b-visa-over-highly-skilled-workers-look-take-their-skills-north-canada-820468)

Highly skilled foreign workers who have come to the U.S. on H-1B visas are looking to take their skills north, as the Trump administration moves to place tighter restrictions on the program. Vikram Rangnekar, the founder of MovNorth.com—a platform that helps foreign workers in the tech industry make the move from the United States to Canada—said his site has attracted thousands of people looking to head north over recent months. Many of those looking to make the move are H-1B visa holders, or highly skilled foreign professionals working in areas with shortages of qualified American workers. "The H-1B visa is over," Rangnekar told Newsweek. "A lot of places like the U.S., Australia and Singapore are shutting their doors, and people in the tech world are saying, 'Where can I go to set up a life?'"

### Open Borders

#### **Opening the border would decrease wages**

Eskow ’16 (Richard (RJ) Eskow is a freelance writer and the host of The Zero Hour, a weekly radio and TV program. He is also Senior Advisor for Health & Economic Justice at Social Security Works, ““Open Borders”: A Gimmick, Not a Solution” August 5, 2016, https://www.huffingtonpost.com/rj-eskow/open-borders-a-gimmick-no\_b\_7945140.html)

Far from being treated as ‘guests,’” the report said, “these workers are systematically exploited and abused.” The report also found that the program “harms the interests of U.S. workers, as well, by undercutting wages and working conditions for those who labor at the lowest rungs of the economic ladder.” The conditions endured by past “guest workers” have been nothing short of horrifying. They include young people on student guest worker visas forced to work 25-hour shifts without overtime while paying exorbitant rents to sleep in their boss’s basement; and seafood workers forced to endure 16- to 24-hour work days, and 80-hour work weeks, laboring until their hands went numb but threatened with beatings if they stopped. Proposals like “open borders” aren’t made in a vacuum. We already know how such programs lead to abuse — and the victims are likely to be immigrants themselves. The Downward Spiral Bier argues that workers from other countries should work for $2 or $3 per hour once they get here. That, in a nutshell, is why Sanders is right and the open-borders crowd is wrong. The open-borders idea is inextricably linked to an approach in which US wages, along with those of foreign workers, are trapped in a race to the bottom. This approach would lead to a downward spiral for the middle class, as powerful corporate forces impose their will on an inexhaustible supply of cheap and replaceable labor. Bier mocks the idea that an open borders policy means “doing away with the concept of the nation state.” But his policy prescription would leave a sovereign people unable to set its own minimum wage or determine its own employment policies. False Choice Perhaps the term “open border” should be replaced with the phrase “cheap lawnmowing,” since that is the essence of the argument as one writer presents it. In characteristically hyperbolic libertarian style, Jason Brennan’s “Libertarianism: What Everyone Needs to Know” says this about the idea:

## Internal Link

### Wages K2 Economy

#### Sustaining growing wages is key to prevent economic collapse

Duke 16 (Brendan V.. Associate Director for Economic Policy, Center for American Progress; MPA, Princeton. “To Raise Productivity, Let’s Raise Wages.” Center for American Progress. September 2. <https://www.americanprogress.org/issues/economy/reports/2016/09/02/142040/to-raise-productivity-lets-raise-wages/>.)

Another method for boosting productivity is offered by Northwestern University economist Robert Gordon—one of the country’s leading productivity experts—in his recent book The Rise and Fall of American Growth. Gordon describes the period between 1929 and 1950 as “the Great Leap Forward” for productivity, which grew an astounding 3.2 percent per year—far more than any era since 1870 and double the growth rate since 1970.¶ Gordon argues that a key reason productivity surged during this period was that rising real wages provided an incentive for firms to invest in capital, such as machinery. When labor is cheap, businesses have little incentive to invest in capital because they can always hire another worker on the cheap. But higher wages reduce the price of capital relative to labor, nudging firms to make investments and raise productivity.¶ The 1929–1950 increase in wages was at first a result of several policies that directly raised workers’ wages, including the first federal minimum wage, the first federal overtime law, and the National Labor Relations Act, which made it easier for workers to join a union and bargain with their employers. The entry of the United States into World War II further drove investment higher, as the economy converted into what Gordon describes as a “maximum production regime.”¶ It is striking that during this period of rapid productivity growth, wages for production workers grew even faster than productivity growth did. The current debate about whether a typical worker’s compensation has kept track with the economy’s productivity typically envisions productivity growth as the precondition for wage growth. But Gordon’s research implies that the relationship can go both ways: Not only can productivity growth raise wages, but higher real wages also can boost productivity growth—the main reason for slow gross domestic product growth—by giving firms a reason to purchase capital.¶ Can higher wages raise productivity growth in 2017? Basic economic theory and common sense suggests that an increase in the price of labor—wages—achieved through higher labor standards will cause firms to invest in more capital, raising the economy’s productivity.¶ Some have tried to use this fact to claim that raising wages ultimately will hurt workers by causing them to be replaced with machines. But automation is just another way of saying productivity growth: Robots replacing humans means more output produced using fewer human hours—the literal definition of higher productivity. We can either have a productivity problem or an automation problem, but we cannot have both at the same time.¶ The sharp slowdown in productivity growth today heavily implies that we currently have too little automation rather than too much. At the same time, the evidence on policies that raise wages—such as the minimum wage—points to no noticeable effect on employment. Indeed, the New Deal and its rising labor standards were also a period of rapid employment growth.¶ A more important question is whether we have enough of the other key ingredient for the productivity growth that made the 1930s possible: innovation. Technological change itself is another reason firms purchase new capital—otherwise, investment amounts to “stacking wooden ploughs on top of wooden ploughs.” Gordon makes clear that the 1930s were in fact one of the most innovative decades in history, as the economy began to harness the potential of the internal combustion engine and electrification. Firms ultimately could afford policies that raised wages because they could raise their productivity with new equipment featuring innovative technology.¶ There exists a vigorous debate today about whether we live in a period of very ordinary or extraordinary innovation. Some—such as Gordon himself—argue that productivity growth inevitably will be slower because today’s new technology is inherently less innovative than that of the 1930s. In that case, there still exists a strong justification for raising labor standards: Slow productivity growth makes it that much more important that its fruits be shared equitably.¶ But others—including Andrew McAfee and Erik Brynjolfsson of the Massachusetts Institute of Technology, the country’s leading growth optimists—argue that we live in a period of extraordinary technological change. Even so, recent innovations—such as 3-D printing and social media—have failed to raise productivity growth, even after accounting for the possible problems with how statistics measure it. Therefore, it may be the ability of firms to hire workers at wages that have barely grown since 2000—rather than purchasing new equipment and adopting new technology—that has prevented productivity from rising.¶ The truth likely falls somewhere in between the pessimists and the optimists, with healthy—if not necessarily explosive—productivity growth possible. In that case, policies that raise wages may be the key to unlocking productivity growth by increasing incentives for firms to invest in capital. Such wage-raising policies include making it easier for workers to bargain collectively, raising the federal minimum wage, and modernizing overtime rules. Fortunately, the Obama administration recently has taken action on the latter and proposed an increase in the overtime threshold to $47,000 per year.¶ Conclusion¶ The productivity and investment slowdown presents a direct threat to the growth of U.S. living standards. It is the main reason gross domestic product growth has slowed, and it is a challenge with which advanced economies across the world are grappling. Importantly, productivity has slowed regardless of countries’ corporate tax policies—some politicians’ favorite solution to every economic problem.¶ Policymakers should heed the advice of the International Monetary Fund and focus on attacking the main cause of the productivity slowdown—low aggregate demand. A substantial investment in infrastructure—as the Center for American Progress recently proposed—would go a long way toward getting business investment back on track.¶ An additional and complimentary avenue to raising productivity is policies that directly raise wages. Employers have little reason to invest in new capital and raise productivity when real wages are stagnant. When faced with higher labor costs, employers will invest and innovate—two of the keys to raising productivity.¶ Policymakers in the 1930s and 1940s turned the Great Depression and World War II into the most rapid growth in living standards our country has ever seen. Hopefully, their counterparts today can learn from their example.

### Wages K2 Income Inequaltiy

#### Increasing wages is key to prevent income inequality

Santacreu 17 (Ana Maria Santacreu Economist, Asso"How Income Inequality Is Affected by Labor Share," 7-31-2017https://www.stlouisfed.org/on-the-economy/2017/july/income-inequality-affected-labor-share)

The labor share of most advanced economies has declined since the 1980s, and this decline has been associated with an increase in income inequality. This post finds that, indeed, inequality increased more in advanced economies that experienced a larger decline in the labor share.1 Measuring Labor Share The labor share is the share of gross domestic product (GDP) that is paid as compensation in the form of wages, salaries and other benefits (such as pensions and insurance), and it is informative about the distribution of income between labor and capital. As seen in the figure below, labor share declined 3.3 percentage points in advanced economies from 1980 to 2015.2 The Role of Technological Progress The labor share (αL) is computed as the ratio of labor income (W \* L) to nominal income (P \* Y), or equivalently, as the ratio of relative wages (W / P) to labor productivity (Y / L): αL = (W \* L) / (P \* Y) = (W / P) / (Y / L) Hence, changes in the labor share can be explained by changes in the real wage and by changes in labor productivity. Productivity Increases Outpacing Wage Increases One of the explanations for the decline of the labor share has been an increase in productivity that has outpaced an increase in real wages, with several studies attributing half the decline to this trend. This increase in productivity has been driven by technological progress, as manifested in a decline in the relative price of investment (that is, thrice of investment relative to the price of consumption).3 As the relative price of investment decreases, the cost of capital goes down, and firms have an incentive to substitute capital for labor. As a result, the labor share declines. The decline in the labor share that results from a decline in the relative price of investment has contributed to an increase in inequality

## Impacts

### Income Inequality

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#### Inequality undermines human rights and magnifies all other forms of exclusion.

GSDRC ;15, GSDRC is a partnership of research institutes, think-tanks and consultancy organisations. We provide bespoke research and consultancy services in addition to the regularly updated information resources available on this website, Latest Cite: 2015, “The impact of inequality”, <http://gsdrc.org/topic-guides/poverty-and-inequality/understanding-and-addressing-extreme-poverty-and-inequality/the-impact-of-inequality/> --

Inequality undermines social justice and human rights and the interconnectedness of inequalities means some groups have consistently worse opportunities than those of their fellow citizens (UNDP, 2013; World Bank, 2006). Among the most common group identities resulting in exclusion are gender, race, caste, ethnicity, religion, region, and disability status, although more evidence is needed (World Bank, 2013). Inequalities have resulted in the poorest sections of the world’s population, including many women, youth, older persons, persons with disabilities, indigenous peoples and rural populations, making less progress towards the MDGs (Kabeer, 2010; World Bank, 2013). Even people at the higher end of the income distribution may face social exclusion through political persecution or discrimination based on age, gender, sexual orientation, or disability (World Bank, 2013). Excluding these groups has had substantial social, political, and economic costs for the groups themselves and wider society (World Bank, 2013). The poor often face discrimination, stigma and negative social stereotypes that reduce their social participation and opportunities for employment, and reduce political support for targeted measures (UNICEF & UN Women, 2013). Partially as a result, there are large differences in the education, health and nutrition of households of different wealth levels within countries (UNDP, 2013). Inequalities between classes (large-scale groupings of people identified according to economic criteria) have widened both within and between countries (Greig et al., 2006). Class intersects with gender, ethnicity and other identities to compound poverty and inequality (Greig et al., 2006).

### Economic Decline

#### In a world of Trump economic collapse escalates to war

Street ’16 (Tim Street – Masters in War Studies @ King’s College London, Fellow of the Sustainable Security Programme at the Oxford Research Group, “President Trump: Successor to the Nuclear Throne,” November 2016, http://www.css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/resources/docs/ORG-President%20Trump-Successor%20to%20the%20Nuclear%20Throne.pdf)

As well as mapping out the US’s current nuclear weapons policies and its regional relationships, it is important to reflect upon how domestic political dynamics under a Trump presidency might drive Washington’s behaviour internationally, particularly given the nuclear shadow that always hangs over conflicts involving the US. For example, in the near-term, Trump’s economic plan and the great expectations amongst the American working class that have been generated, may have particularly dangerous consequences if, as seems likely, the primary beneficiaries are the very wealthy. Reviewing Trump’s economic plans, Martin Wolf of the Financial Times concludes that ‘the longer-term consequences are likely to be grim, not least for his angry, but fooled, supporters. Next time, they might be even angrier. Where that might lead is terrifying’. Gillian Tett has also highlighted the ‘real risks’ that Trump’s policies could ‘spark US social unrest or geopolitical uncertainty’. Elsewhere, George Monbiot in the Guardian, makes the stark assertion that the inability of the US and other governments to respond effectively to public anger means he now believes that ‘we will see war between the major powers within my lifetime’. If these warnings weren’t troubling enough, no less a figure than Henry Kissinger argued on BBC’s Newsnight that ‘the more likely reaction’ to a Trump presidency from terror groups ‘will be to do something that evokes a reaction’ from Washington in order to ‘widen the split’ between it and Europe and damage the US’s image around the world. Given that Trump has already vowed to ‘bomb the shit out of ISIS’ and refused to rule out the use of nuclear weapons against the group, it goes without saying that such a scenario could have the gravest consequences and must be avoided so that the US does not play into the terrorists’ hands. Looking more widely, President-elect Trump’s existing and potential cabinet appointments, which Glenn Greenwald has summarised as ‘empowering…by and large…the traditional, hard, hawkish right-wing members of the Republican Party’ also point to the US engaging in future overseas conflicts, rather than the isolationism which many in the foreign policy establishment criticised Trump for proposing during the presidential campaign. William Hartung and Todd Harrison have drawn attention to the fact that defence spending under Trump could be almost $1trillion (spread over ten years) more than Obama’s most recent budget request. Such projections, alongside Trump’s election rhetoric, suggest that the new nuclear monarch will try to push wide open the door to more spending on nuclear weapons and missile defense, a situation made possible, as we have seen, by Obama’s inability to implement progressive change in this area at a time of persistent Republican obstruction. Conclusion The problem now, for the US and the world, is that if Trump does make good on his campaign promises then this will have several damaging consequences for international peace and security and that if Trump does not sufficiently satisfy his supporters then this will likely pour fuel on the flames at home, which may then quickly spread abroad. The people of the US and the world thus now have a huge responsibility to act as a restraining influence and ensure that the US retains an accountable, transparent and democratic government. This responsibility will only grow if crises or shocks take place in or outside the US which ambitious and extremist figures take advantage of, framing them as threats to national security in order to protect their interests and power. If such scenarios emerge the next administration and its untried and untested President will find themselves with a range of extremely powerful tools and institutional experience at their disposal, including nuclear weapons, which may prove too tempting to resist when figuring out how to respond to widespread anger, confusion and unrest, both at home and abroad.

#### Growing economic inequality drives diversionary nationalism and sparks international conflict due to greater military intervention

Solt ‘11 Frederick, Ph.D. in Political Science from University of North Carolina at Chapel Hill, currently Associate Professor of Political Science at the University of Iowa, Assistant Professor, Departments of Political Science and Sociology, Southern Illinois at the time of publication (“Diversionary Nationalism: Economic Inequality and the Formation of National Pride,” *The Journal of Politics*, 73.3)

One of the oldest theories of nationalism is that states instill the nationalist myth in their citizens to divert their attention from great economic inequality and so forestall pervasive unrest. Because the very concept of nationalism obscures the extent of inequality and is a potent tool for delegitimizing calls for redistribution, it is a perfect diversion, and states should be expected to engage in more nationalist mythmaking when inequality increases. The evidence presented by this study supports this theory: across the countries and over time, where economic inequality is greater, nationalist sentiments are substantially more widespread. This result adds considerably to our understanding of nationalism. To date, many scholars have focused on the international environment as the principal source of threats that prompt states to generate nationalism; the importance of the domestic threat posed by economic inequality has been largely overlooked. However, at least in recent years, domestic inequality is a far more important stimulus for the generation of nationalist sentiments than the international context. Given that nuclear weapons—either their own or their allies’—rather than the mass army now serve as the primary defense of many countries against being overrun by their enemies, perhaps this is not surprising: nationalism-inspired mass mobilization is simply no longer as necessary for protection as it once was (see Mearsheimer 1990, 21; Posen 1993, 122–24). Another important implication of the analyses presented above is that growing economic inequality may increase ethnic conflict. States may foment national pride to stem discontent with increasing inequality, but this pride can also lead to more hostility towards immigrants and minorities. Though pride in the nation is distinct from chauvinism and outgroup hostility, it is nevertheless closely related to these phenomena, and recent experimental research has shown that members of majority groups who express high levels of national pride can be nudged into intolerant and xenophobic responses quite easily (Li and Brewer 2004). This finding suggests that, by leading to the creation of more national pride, higher levels of inequality produce environments favorable to those who would inflame ethnic animosities. Another and perhaps even more worrisome implication regards the likelihood of war. Nationalism is frequently suggested as a cause of war, and more national pride has been found to result in a much greater demand for national security even at the expense of civil liberties (Davis and Silver 2004, 36–37) as well as preferences for “a more militaristic foreign affairs posture and a more interventionist role in world politics” (Conover and Feldman 1987, 3). To the extent that these preferences influence policymaking, the growth in economic inequality over the last quarter century should be expected to lead to more aggressive foreign policies and more international conflict. If economic inequality prompts states to generate diversionary nationalism as the results presented above suggest, then rising inequality could make for a more dangerous world. The results of this work also contribute to our still limited knowledge of the relationship between economic inequality and democratic politics. In particular, it helps explain the fact that, contrary to median-voter models of redistribution (e.g., Meltzer and Richard 1981), democracies with higher levels of inequality do not consistently respond with more redistribution (e.g., Bénabou 1996). Rather than allowing redistribution to be decided through the democratic process suggested by such models, this work suggests that states often respond to higher levels of inequality with more nationalism. Nationalism then works to divert attention from inequality, so many citizens neither realize the extent of inequality nor demand redistributive policies. By prompting states to promote nationalism, greater economic inequality removes the issue of redistribution from debate and therefore narrows the scope of democratic politics.

### AT—No Impact

#### This time is different—decline goes nuclear

Martin **Armstrong 14**, the former chairman of Princeton Economics International Ltd, Cited by Greg Hunter, “Violent War Cycles-Global Economic Decline-Martin Armstrong,” 9-14-14, <http://usawatchdog.com/violent-war-cycles-global-economic-decline-martin-armstrong-4/>)

Global economic expert Martin Armstrong says **two big violent cycles** **are happening for the first time in 300 years.** **Domestic and international** **unrest is consuming the world**. Armstrong contends, “**Both** of these **cycles are converging at the same time**, and **this hasn’t happened since the 1700’s.** That was the American Revolution, the French Revolution and etcetera. That was the revolution against monarchies, so to speak. **This is not** **just Ukraine, Russia and the U.S.** **You have the** **Mid**dle **East** going crazy. **Gaza** is starting up again with **Israel**. You go over to **Asia** and you have civil unrest in Thailand, **and** the overwhelming part of the population in **China** wants to go to war with **Japan** as payback.” **Why all the violence around the world?** Armstrong contends, “**When everyone is** fat and **happy, nobody cares**. **Everybody lives together peacefully.** **When you turn the economy down**, that’s when **people start getting mad**. They lost something, and **they want to blame somebody else** for whatever injury they suffered. We look at the entire world . . . what you are looking at on a global scale is the emerging markets: China, Russia, South America, Brazil, South East Asia, their stock markets peaked in 2007. They have been in a declining economic trend . . . so you have the economic pressure building. This is what’s going on in Russia as well. We are making a serious mistake by thinking that Russia can’t fight. My sources say that they anticipated the sanctions on Putin would make the oligarchs turn against him and force him to back out. That’s not going to happen. **We are going into a period of economic decline,** and whenever that happens, **government needs an external enemy**.” So, when markets crashed in 2007, what did Congress do? They did investigations and went after Wall Street. They never admit it has anything to do with them. . . . If Putin were to back off, they would eat him for lunch. He would be overthrown within Russia.” On the subject of new sanctions from the U.S. and EU, Armstrong says, “Europe is already in an economic decline, and it is a very, very serious one. Even the IMF has come out and said there are major problems with deflation, which is what you get from a Great Depression, and that is really what the EU is going through. I don’t see any hope of the EU bottoming out before 2020. It’s going to get worse.” So, is this going to lead to war between NATO and Russia? Armstrong says, “That seems to be what’s happening.” On the Middle East, Armstrong charges, “The United States has made a complete mess of the Middle East. The real truth behind the Benghazi affair, that ambassador that was killed . . . he was effectively an arms dealer. They were providing all the arms in Libya to overthrow Gadhafi. When that was done, those same arms were sent to this group called ISIS who was against Syria. You have to realize that Saudi Arabia was really the one behind the funding of all of this. Why? They wanted a pipeline through Syria. The problem now is that everyone was trying to fund somebody else to do their dirty work, and now you have an Islamic State that is rising and it is taking territory from both sides.” On the direction of the price of gold, Armstrong predicts, “I personally think you are going to see gold emerge as a currency of the underground economy. It’s not a hedge against inflation, and we have done every study imaginable. So, why are countries like China buying all this gold? Armstrong says, “People are buying gold, not because they think it will be going up, but simply as a hedge against government.” On the recent strength of the U.S. dollar, Armstrong says, “The central banks only have the dollar, that’s it. It is the reserve currency. We had a former Obama economist who just came out a few days ago and said the risk to the United States is a strong dollar, and we should give up the reserve currency position. Why? Because they realize there is no other choice. What are you going to do, put your retirement money in rubles? How about Yuan? There is no place you can go. It’s only dollars.” So, is the dollar is not going to fall out of bed anytime soon? Armstrong says, “Not yet. You have to take the dollar up, and that will bring gold down short term. Also, as war begins to happen, you have to realize that capital flees from wherever conflict is. The more conflict you have in the Middle East and Europe, the more money is going to come this way (to the U.S.)” In closing, Armstrong gave an ominous prediction and said, “**The next decline** we will see **is going to be far worse than the last one**. Each one is building in intensity.”

# Affirmative

### Non-Unique

#### **Their data is wrong – wages have stagnated and the economy is struggling**

Ludwig 7-16-18 (Eugene A. Ludwig is the founder and chief executive officer of Promontory Financial Group. He was formerly comptroller of the currency under the Clinton administration, “Strong GDP and jobs numbers don't tell the whole story about America's economic reality” July 16, 2018, https://www.cnbc.com/2018/07/10/strong-gdp-and-jobs-numbers-dont-tell-the-whole-story-about-americas.html)

All these measures support the notion that times are good. They tell us most Americans should be doing better than in past generations. They tell us our economic policy is sound, and the status quo is working. But a different picture emerges looking at the homeless people by the Fed building and visiting my hometown, York, Pennsylvania, where wages have stagnated and factories have closed. So I’ve been working with a Yale economist, Philip Kalikman, to uncover what’s really going on in America. What we’ve found is that there’s an increasing imbalance between the haves and have-nots. Though total aggregate national income is up somewhat, real wage gains have at best stagnated for most. More than [50 percent of income gains](https://eml.berkeley.edu/~saez/saez-UStopincomes-2015.pdf) from 2009 to 2015 went to the wealthiest 1 percent of Americans, according to Emmanuel Saez of the University of California at Berkeley. The New York Times reported in 2016 that the median American family still [makes hardly more](https://www.nytimes.com/2016/09/14/business/economy/us-census-household-income-poverty-wealth-2015.html) than in the 1990s. Since 2000, [costs of essentials](http://myf.red/g/jaZ3) have increased dramatically, according to the St. Louis Fed. Educational costs are up 132.8 percent, housing 59.5 percent, healthcare 53.4 percent, and food 51.6 percent. Over the same period, real median wages for full-time employed earners are up only 4.8 percent. Consumer and student loan debts are replacing mortgage debt for many. Young people are so [cash-constrained](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2017Q4.pdf) and crippled by debt that they are forming households later, delaying investment in homes and neglecting other productive investments in their futures, according to the New York Fed. The weakened social safety net is having a profound effect. In 2009, families with poor credit experienced a destabilizing event, such as a medical issue or job loss, every 87 days. By 2016, they endured such an event every 30 days, according to a book by University of Pennsylvania professor Lisa Servon. Yet families on net are working much harder, in large part because more families have two earners instead of one, according to UC Hastings College of the Law professor Joan Williams. So if measures like GDP and unemployment are true, why are huge portions of middle- and low-income groups struggling? The problem lies with the numbers. The common measures used to explain our economy’s health, from a macroeconomic perspective, paint a misleading picture. At the heart of the problem is the difference between the aggregate and the individual. If Bill Gates, whose net worth is north of $90 billion, moved into a struggling Detroit neighborhood, we would measure the average wealth in his new ZIP code as being phenomenally higher in the year he moved than in the year prior. But incomes for many – in Detroit, the per capita annual income is $15,562 – wouldn’t have changed. This situation is characteristic of distributional inequality. The more unequal a distribution, the more measurements such as totals and averages are dominated by relatively few of the individuals in the distribution. No matter how happy or secure Bill Gates feels, his move to Detroit will not increase his ZIP code’s average reported sense of security or well-being. This distributional effect masks important developments in Americans’ economic security. GDP and unemployment percentages as measures of our health are at the root of the problem. In reality, most Americans actually are poorer now than they were before. There are a number of policy changes that are necessary to turn around the economic situation for middle- and lower-income people. We need to increase our infrastructure spending, which will have the double benefit of creating jobs and improving the highways, bridges and tunnels crumbling around us. We need to provide educational opportunities, including skills training and a focus on STEM, that don’t saddle families with debt and that do lead to actual well-paying jobs. And we need to support business competitiveness by, among other things, funding the Export-Import Bank of the United States; its funding decline has allowed good jobs to bleed abroad. This brings us back to last month's jobs numbers. And GDP. And the stock market. They clearly tell us the economy is strong, but we need real facts that help our policymakers understand how our society is faring in this economy. We need the Fed and other governmental bodies to use new measures that bring the economic reality facing our country into focus. Because if policymakers can’t see there’s a problem, how will they know what to fix?

#### **Wages are decreasing now for multiple reasons**

Smith ’18 (Noah Smith previously Assistant Prof of Finance at Stony Brook, and Bloomberg Opinion Columnist, Everything Is Booming Except for Wages, February 23, 2018, <https://www.bloomberg.com/view/articles/2018-02-23/u-s-economic-growth-isn-t-translating-into-bigger-paychecks>)

What’s going on? Why are low unemployment, robust business investment and soaring confidence measures not causing faster real wage growth? Basic economics -- the theory of supply and demand that every undergraduate learns in their introductory courses -- suggests that as labor markets get tighter, real wages should rise. So why is the theory not working? One possible reason is that employers are growing increasingly powerful. Recent research by economists José Azar, Ioana Marinescu and Marshall Steinbaum has found that rising concentration in labor markets -- a decrease in the number of employers competing for workers -- has led to suppression of wages. Another new paper by Efraim Benmelech, Nittai Bergman and Hyunseob Kim reached the same conclusion. Economic theory says that when there are only a few employers, the supply-and-demand model breaks down, and powerful companies start holding wages below what a competitive market would provide. This theory also predicts that minimum wage laws wouldn’t throw people out of work -- exactly what many researchers are now finding. A second possibility is that low unemployment is making workers less productive. When layoffs loom, employees tend to work harder in order to keep their jobs, but when the economy reaches full employment, the pressure comes off. Labor productivity isn’t perfectly correlated with wages, but it does have some effect. A third possible reason is simply caution after the long, deep recession. Nominal wage cuts are very rare -- in econ jargon, wages are sticky downwards. So employers know that if they hand their workers raises, they won’t be able to take those raises back if the boom proves short-lived. Hence, burned by the experience of a lost decade, companies may be holding off on raising pay until they’re sure the good times are really back. So there are both benign and malign explanations for why wages aren’t taking off. Economists are no doubt working even now to figure out what’s actually going on. But one thing is certain -- unless economic growth starts translating into bigger raises for the average American worker, the boom will feel hollow to many people.

## Wages Not Key

#### Wages not key to the economy

Smith ’18 (Noah Smith previously Assistant Prof of Finance at Stony Brook, and Bloomberg Opinion Columnist, Everything Is Booming Except for Wages, February 23, 2018, <https://www.bloomberg.com/view/articles/2018-02-23/u-s-economic-growth-isn-t-translating-into-bigger-paychecks>)

It’s now safe to say that the U.S. economy is in a boom. Small business leaders are saying it. Measures of business optimism, tracked by the National Federation of Independent Business, areat all-time highs: A Feel-Good Time NFIB Small Business Optimism Index These heady survey measures haven’t yet been matched by hard data, but the hard numbers are looking good too. Business investment as a percent of gross domestic product is almost as high as it’s been since the recession: Counting on a Brighter Future Investment as a share of gross domestic product Meanwhile, broad measures of unemployment are as low as at the peak of the mid-2000s boom: That's More Like It Total unemployed, plus all marginally attached workers plus total employed part time for economic reasons And job creation continues at a healthy clip. Back to Normal Monthly change in total nonfarm payroll In other words, it’s time to stop calling this a recovery, and start calling it a boom. This is very good news for President Donald Trump, whose 2020 re-election bid will be strengthened by good economic times, even though the degree to which presidential policies really affect the economy is dubious. But one important economic indicator remains disturbingly subdued -- wages. In dollar terms, wage growth has been superficially healthy -- in January, average hourly earnings rose 2.9 percent from a year earlier. But consumer prices increased 2.1 percent during the same period. In other words, real hourly earnings grew by only 0.8 percent -- less than half the real growth rate of the overall economy. Meanwhile, the NFIB survey reports that 31 percent of employers are paying their workers more. But this is also presumably unadjusted for inflation. Because inflation is positive in most years, wages tend to go up on average every year. But that doesn’t mean workers are actually getting more purchasing power.

## Link Defense

### Generic

#### **Recent studies prove that increased immigration has little impact on wages**

Tanfani ’18 (JOSEPH TANFANI, Fact check: Do immigrants really hurt wages for American-born workers? LA TIMES, Jan. 30, 2018, http://www.latimes.com/politics/la-na-pol-essential-washington-updates-fact-check-do-immigrants-really-hurt-1517361800-htmlstory.html#)

President Trump claimed his immigration clampdown will protect American workers because U.S. policies “have allowed millions of low-wage workers to compete for jobs and wages against the poorest Americans.” It’s a long-standing argument by groups advocating for a slowdown in legal immigration. But economic studies have questioned that premise, instead finding that the influx of people and workers instead provides an overall lift to the economy. One study from the National Academies of Sciences, Engineering and Medicine found that the overall effect on wages was very small, with the greatest impact on low-skilled jobs. Overall, the study said, the influx of new people and entrepreneurs buoyed the long-term growth of the economy. “The panel's comprehensive examination revealed many important benefits of immigration — including on economic growth, innovation and entrepreneurship — with little to no negative effects on the overall wages or employment of native-born workers in the long term,” said Francine D. Blau, a Cornell University professor and chair of the panel that conducted the study.

### H1B

#### The plan doesn’t hurt wages and even if it does the benefits H1B provides to the economy outweigh

Smith ‘18 (Noah Smith previously Assistant Prof of Finance at Stony Brook, and Bloomberg Opinion Columnist, C”uts to Skilled Immigration Degrade a U.S. Strength, March 12, 2018, <https://www.bloomberg.com/view/articles/2018-03-12/cuts-to-h-1b-visas-for-skilled-immigrants-hurt-u-s-economy>)

So far, these trends have received little attention. Skilled immigration isn’t the kind of issue that gets masses of activists marching in the streets. Democrats tend to focus on protection for undocumented immigrants. Republicans used to pay lip service to the idea of skilled immigration -- and some still do -- but spend the vast majority of their energy on trying to curb family-based legal immigration. Meanwhile, tech companies support more H-1Bs, but some workers oppose the program, believing that it steals jobs and/or reduces wages for native-born Americans. This is a big problem, because skilled immigrants are a key part of the U.S. economy. First of all, they’re highly entrepreneurial -- between 1995 and 2005, immigrants started more than half of the new businesses in Silicon Valley. As of 2011, more than 40 percent of Fortune 500 companies were started by immigrants or their children. It’s impossible to know ahead of time which immigrants will start these companies, but they’re much more likely to be those with decent technical training who come from families with a tradition of starting businesses -- in other words, skilled immigrants. They’re also highly innovative. A 2017 study by economists Ufuk Akcigit, John Grigsby and Tom Nicholas examined patenting records, and concluded: Technology areas with higher levels of foreign-born expertise experienced much faster patent growth between 1940 and 2000, in terms of both quality and quantity, than otherwise equivalent technology areas. They go on to list a number of famous American inventions whose creators were born elsewhere. As for driving down native-born Americans’ wages, there is evidence that the worry is vastly overblown. It’s true that the H-1B program tethers employees to their employers; for a worker on an H-1B to switch to a different company, the procedure can be time-consuming and annoying. There is some evidence that companies that win the chance to hire more H-1B workers pay lower wages. But there’s also evidence showing that H-1B workers are not paid less than native-born Americans, after accounting for their age and skill level. Moreover, studies that find negative impacts of H-1Bs tend to look only at the specific companies that hire skilled workers. The presence of more smart people in an industry or a city cause new ideas and technologies to flourish. These then diffuse to companies, allowing business to innovate faster, hire more workers and pay higher wages. Skilled foreigners help keep new ideas flowing in technology clusters like Silicon Valley; Austin, Texas; and Raleigh, North Carolina. In addition, having a thick market of smart workers in an area allows a lot of innovative companies to cluster there. Tech companies put their offices in high-cost California because that’s where the engineers live. And engineers move there because that’s where the companies are. This is why even if they lower wages at a particular company, H-1B workers raise native-born wages overall. A 2015 study by economists Giovanni Peri, Kevin Shih and Chad Sparber found: Increases in [foreign] STEM workers are associated with significant wage gains for college-educated natives. Gains for non-college-educated natives are smaller but still significant. Our results imply that foreign STEM [workers] increased total factor productivity growth in US cities. If Trump’s immigration policies break this virtuous cycle, the tech industry could eventually decide to make its home elsewhere -- in immigrant-friendly Canada, or even in emerging economies of China and India. That would result in many fewer good jobs, and lower wages, for American workers -- skilled and unskilled alike. The U.S. is playing a very dangerous game under Trump. By systematically degrading one of the nation’s core strengths -- the constant inflow of smart, entrepreneurial foreigners -- Trump is putting the native-born populace at risk, not helping it. Instead of limiting the H-1B program, the U.S. should replace it with a Canada-style system that gives green cards to skilled foreign workers. It may not get many people marching in the streets, but skilled immigration is an issue that matters for the future of every American.

## Link Turn

### Generic

#### **Toxic nationalism is slowing economic growth now, the plan solves that and helps the economy – empirics prove immigrants don’t decrease wages**

Furman 7-18 (Jason Furman is a professor of the practice of economic policy at the Harvard Kennedy School and senior fellow at the Peterson Institute for International Economics, was chairman of President Barack Obama’s Council of Economic Advisers from 2013-2017. “Opinion: How immigrants can make the economy — and the nation — stronger” July 18, 2018, https://www.marketwatch.com/story/how-immigrants-can-make-the-economy-and-the-nation-stronger-2018-07-18)

CAMBRIDGE, Mass. (Project Syndicate) — One of the central challenges facing the world’s advanced economies is slowing growth. Over the last decade, growth rates in the advanced economies have averaged 1.2%, down from an average of 3.1% during the previous 25 years. History shows that slower economic growth can make societies less generous, less tolerant, and less inclusive. So, it stands to reason that the past decade of sluggish growth has contributed to the surge of a damaging form of populist nationalism that is taking hold in a growing number of countries. We also need to establish a cultural expectation that immigrants will not just bring diverse perspectives, but also join their new country as citizens. That means speaking the language, honoring national traditions, and cheering for the national soccer team. As in the darker decades of the 20th century, today’s nationalism takes the form of heightened opposition to immigration and — to a lesser degree — free trade. Making matters worse, today’s toxic nationalism will exacerbate the economic slowdown that fueled its emergence. Turning this vicious circle into a virtuous one — in which increased openness drives faster growth — will depend, at least in part, on making immigration more compatible with inclusionary forms of nationalism. The economic evidence on this issue is clear: immigration makes a strong contribution to economic growth. Moreover, immigration is more necessary than ever, because population aging and lower birthrates across advanced economies are producing a retirement boom without a commensurate cohort of native prime-age workers to support it. For example, Japan’s working-age population has been shrinking since 1995. In the European Union, immigrants accounted for 70% of labor-force growth from 2000 to 2010. And in the United States, immigration is the primary reason the workforce will continue to grow; if the U.S. relied only on native-born workers, its labor force would shrink. Also read: Sorry, Mr. Trump, but the only way to get to 3% growth is to hire more Mexicans Faster growth is beneficial even if it must support a larger population, because working immigrants pay taxes that help support pensioners and retirees. In general, it is much better to be a fast-growing country with a vibrant, expanding population than a country with a dwindling population, like Japan. Moreover, in addition to expanding the workforce, immigrants actually boost per capita gross domestic product by increasing productivity — that is, the amount that each worker produces. The reason is that immigrants are much more likely to be entrepreneurial and to start new businesses. In Germany, for example, foreign-passport holders started 44% of new businesses in 2015. In France, the Organisation for Economic Co-operation and Development has estimated that immigrants engage in 29% more entrepreneurial activity than native-born workers do, which is similar to the average for the OECD as a whole. And in the U.S., immigrants take out patents at two to three times the rate of native-born citizens, and their innovations benefit non-immigrants as well. There can be little doubt that immigrants expand the overall pie; but what about their effect on how that pie is shared? Here the evidence is less clear. There are certainly winners and losers. Yet, on balance, the available evidence suggests that immigrants do not reduce wages for native-born workers. In fact, it is more likely that immigrants increase wages overall. One recent study of France, for example, found that each 1% increase in immigrants’ share of employment within a given département raises its native-born workers’ wages by 0.5%. It would seem that in addition to contributing to the size and productivity of the workforce, immigrants also often complement the skills of native-born workers, helping them earn more. My professional focus is on economics, so I have emphasized the role of growth. But that clearly is not the only factor behind the rise of populist nationalism. The fact that developed countries are changing culturally also matters, perhaps even more so. In the U.S., for example, the foreign-born share of the population has risen from 5% in 1960 to around 14% today. As Harvard University’s Yascha Mounk notes in his insightful new book, “The People vs. Democracy,” that is the highest share since the last major anti-immigrant backlash in the U.S.: the early 20th-century “yellow peril.” The trends are similar, and sometimes even more dramatic, in other developed countries. The foreign-born share of the population in Sweden, for example, has gone from 4% in 1960 to 19% today, representing a much larger shift than that in the U.S. All countries face a choice when it comes to immigration. They can pay an economic price to follow a more exclusionary course, or they can reap the economic benefits from greater openness. But while public policies can help ensure that the benefits of openness are realized, we should not lose sight of their political and economic limitations. Looking beyond policy solutions, we also need to establish a cultural expectation that immigrants will not just bring diverse perspectives, but also join their new country as citizens. That means speaking the language, honoring national traditions, and — as I saw first-hand while discussing these issues at Les Rencontres Économiques in Aix-en-Provence, France — cheering for the national soccer team. In the U.S., in particular, that is the vision of immigration and inclusive nationalism that we should be working toward — including the better soccer team. Jason Furman, professor of the practice of economic policy at the Harvard Kennedy School and senior fellow at the Peterson Institute for International Economics, was chairman of President Barack Obama’s Council of Economic Advisers from 2013-2017.

#### The plan would help create demand for new jobs– solves the economy

Eckstein ’18 (Susan Eckstein is a Professor of sociology and international relations at Boston University, “Immigrant Niches and Immigrant Networks in the U.S. Labor Market,” *The Russell Sage Foundation Journal of the Social Sciences*, 4.1 January 3, 2018)

For several cognitive- and analytical-intensive occupations, new immigrants sometimes offer skills that U.S. companies strongly demand and that U.S.-born workers do not adequately provide because of the fast-growing demand. In particular, foreigners have contributed to innovation and productivity growth in the science and technology sector (see Peri, Shih, and Sparber 2015; Kerr and Lincoln 2010). Highly skilled immigrants have been crucial to the growth during the last thirty years of the information technology (IT) sector—which has revolutionized production in many industries—by bringing their skills and abilities to IT-intensive jobs and science, technology, engineering, and mathematics (STEM) jobs (see, for instance, Hanson and Slaughter 2016). Although, as previously noted, Indians have played an especially important role as workers, entrepreneurs, and professionals in the IT and computer sector, they are not the only immigrant group to contribute to the development, transformation, and transnationalization of this sector. So too have Chinese and Taiwanese (see, for example, Yu-Ling Luo and Wei-Jen Wang 2002) and Israelis, as analyzed by Steven J. Gold (this issue). Foreign-born workers are attracted to U.S. high-tech companies at the cutting edge of the industry worldwide because they pay well by international standards, and also because demand for electrical engineers, computer programmers, and software developers has soared since 1980. Many of the immigrants hired for these jobs are well trained abroad—for example, at India’s famous Indian Institutes of Technology or in China’s top universities. They obtain these coveted jobs because, on the one hand, they are highly skilled, and on the other, because U.S. immigration policy makes their employment possible. The United States prioritizes their admission by allowing U.S. employers to hire skilled foreign labor on special H-1B visas, for a maximum of six years. Since the turn of this century, over 80 percent of H-1B visas have gone to highly educated foreign professionals in computer-related occupations, and most of those have gone to Indians. These workers have been fundamental to Silicon Valley’s ability to establish and maintain a global competitive edge in information technology. Building on U.S.-acquired skills, capital, and networks, Indian immigrants have also formed their own start-up companies, in India as well as in the United States. In India, they have developed businesses that complement the work of U.S. firms. U.S. multinational companies in the high-tech sector have also turned to high-skilled, well-trained Indian immigrants to manage the subsidiaries they have established in India to capitalize on the talent and lower wages in the Indian market. In so doing, Indian immigrants have transnationalized, as well as transformed, this initially exclusively U.S.-based niche. New immigrants also meet the demand for labor that native-born workers shun. Immigrants, for example, increasingly dominate hard, physically demanding, outdoor jobs in the agriculture and construction sectors. Even in skilled sectors of the labor market, immigrants fill many of the jobs that native-born workers find unattractive because of where they are located or the conditions of work. For example, many doctors from India work in the inner cities, where their U.S.-born counterparts resist working. Their willingness to take these positions is good for minority and poor patients in the inner cities, the economy, and the health of Americans In the last half-century, the entry of large numbers of native-born women into the labor force has in turn increased demand for low-paid, low-skilled labor to do the housekeeping and child care work that women used to provide, unpaid, within the household. Central American and Mexican immigrant women are employed for much of this paid labor.

#### Increased immigration spurs innovation – solves the economy

Smetters ’16 (Wharton School Budget Model team PhD, Professor of Economics, the faculty director of the Budget Model @ the Wharton School, which is a nonpartisan, research-based initiative that provides accurate, accessible and transparent economic analysis of public policy’s fiscal impact --- “The Effects of Immigration on the United States’ Economy,” *Wharton Budget Model*, <http://budgetmodel.wharton.upenn.edu/issues/2016/1/27/the-effects-of-immigration-on-the-united-states-economy>)

Today, the United States is home to the largest immigrant population in the world. Even though immigrants assimilate faster in the United States compared to developed European nations, immigration policy has become a highly contentious issue in America. While much of the debate centers on cultural issues, the economic effects of immigration are clear: Economic analysis finds little support for the view that inflows of foreign labor have reduced jobs or Americans’ wages. Economic theory predictions and the bulk of academic research confirms that wages are unaffected by immigration over the long-term and that the economic effects of immigration are mostly positive for natives and for the overall economy. Figure 1 shows that the foreign-born population has grown rapidly in recent decades, rising from less than 5 percent of the U.S. population in 1970 to 13 percent in 2013. Although immigrants today comprise a larger share of the population than at any time since World War II, the foreign-born share today is roughly the same as during the late 19th and early 20th centuries, when about 15 percent of U.S. residents were born in a foreign country. Has the surge in immigration since 1970 led to slower wage growth for native-born workers? Academic research does not provide much support for this claim. The evidence suggests that when immigration increases the supply of labor, firms increase investment to offset any reduction in capital per worker, thereby keeping average wages from falling over the long term. Moreover, immigrants are often imperfect substitutes for native-born workers in U.S. labor markets. That means they do not compete for the same jobs and put minimal downward pressure on natives’ wages. This might explain why competition from new immigrants has mostly affected earlier immigrants, who experienced significant reductions in wages from the surge in immigration. In contrast, studies find that immigration has actually raised average wages of native-born workers during the last few decades. Immigrants are at the forefront of innovation and ingenuity in the United States, accounting for a disproportionately high share of patent filings, science and technology graduates, and senior positions at top venture capital-funded firms. In addition, the presence of immigrants often creates opportunities for less-skilled native workers to become more specialized in their work, thereby increasing their productivity.

### DACA

#### Current lack of legal status for DREAMers is hurting wages – the plan solves the DA

Ortega et al ‘18( Francesc Ortega Department of Economics, CUNY Queens College and Institute of Labor Economics), Ryan Edwards (UC Berkeley) and Amy Hsin (CUNY Queens College). “The Economic Effects of Providing Legal Status to DREAMers.” January 2018.

4.2 Exploitation of undocumented workers There is plenty of evidence suggesting that the performance of undocumented workers in the labor market is diminished by their lack of legal status. Clear evidence of this is the over-qualification phenomenon (Gonzales (2011), Gleeson and Gonzales (2012), Cho (2017)), which is probably more widespread among undocumented workers than for immigrants in general. The typical example of over-qualification is when a highly educated immigrant, e.g. with a college degree, ends up employed in a low-skill occupation. These occupations are characterized by low productivity and, hence, pay low wages. Individuals in this situation will display very low wages given their education levels, which will translate into large documented-undocumented productivity gaps. More specific to the DREAMer population, there is also evidence that the threat of deportation creates anxiety and depression, which are likely to negatively affect the productivity of these workers (Abrego (2011), Gonzales (2011), Hainmueller et al. (2017)). Last, undocumented workers are probably subject to a substantial degree of mismatch in their workplaces, reflecting the fact that they cannot obtain a driver’s license and are barred from many jobs because of E-Verify or licensing requirements. As a result, they often end up in jobs that are a poor match for their skills, which results in a very low return to their levels of experience and education. It is also possible that documented-undocumented wage gaps reflect other factors besides productivity gaps. Some studies (Hotchkiss and Quispe-Agnoli (2009), Brown et al. (2013) and Hirsch and Jahn (2015)) suggest that undocumented workers are often not paid their full marginal product. Clearly, their bargaining power is diminished by their lack of legal status, and employers can appropriate a larger part of the surplus generated by the employer-employee match. If exploitation of this type is present and we ignore it, observed wages will underestimate the productivity of undocumented workers relative to legal immigrants and natives with the same education and experience. This will result in upwardly biased productivity gaps between documented and undocumented immigrant workers, and will lead to upwardly biased estimates of the gains from legalization.

#### The DREAM Act increases production and doesn’t hurt wages

Ortega et al 1’8 ( Francesc Ortega Department of Economics, CUNY Queens College and Institute of Labor Economics), Ryan Edwards (UC Berkeley) and Amy Hsin (CUNY Queens College). “The Economic Effects of Providing Legal Status to DREAMers.” January 2018.

A novel feature of our framework is that we allow for shifts in participation between work, college and non-employment. This allows us to consider the effects of legalization policy on the college decisions of undocumented youth. Recent empirical studies have argued that DACA led to a substantial increase in the employment rates of DREAMers, driven by shifts from college enrollment into the workforce (Amuedo-Dorantes and Antman (2017) and Hsin and Ortega (2017)) and by shifts from unemployment into employment (Pope (2016)). Our analysis incorporates these effects and discusses the participation effects associated with the DREAM Act as well, which differ in the short and long runs. To calibrate our model we rely on data from a special extract of the 2012 American Community Survey provided by the Center for Migration Studies (2014), which contains a sophisticated imputation for documentation status (Warren (2014)), in addition to the usual information on employment, skills and wages. Importantly, our 2012 baseline data summarize the economic outcomes of DREAMers immediately prior to DACA.3 [Footnote #3 Begins] This is important because our data do not allow us to distinguish DACA recipients from non-recipients. As a result, data for the period when DACA was already in operation are likely to underestimate the undocumented wage penalty for DREAMers. DACA was approved in June 2012, but very few permits were granted prior to 2013. [Footnote #3 Ends] The data show that, on average, documented workers earned 22% more than undocumented workers with the same education and age. This suggests there exists a large productivity penalty associated with undocumented status. We use the calibrated model to simulate the effects of DACA and the DREAM Act relative to the baseline data. On account of the empirical evidence establishing that illegal status negatively affects the productivity of undocumented workers through its negative effects on health and labor market opportunities (Abrego (2011), Gonzales (2011), Hainmueller et al. (2017), Hall and Greenman (2015)), we assume that gaining legal status increases the productivity of undocumented workers so as to match the level of documented workers with the same age and education level. Between its inception and June 2017, almost 800,000 individuals received DACA permits. Based on the actual take-up of the program, our analysis estimates that DACA increased GDP by 0.018% (about $3.5 billion), or $7,454 on average per employed DACA recipient. Our analysis also shows that the wages of DACA recipients increased by around 12%, and that native wages were practically unaffected. Turning now to the analysis of the DREAM Act, our data imply that there were 1.65 million undocumented that arrived in the country as children and had completed high school (by 2012) and therefore were eligible for legal status.4 It is important to note that the overall number of eligible individuals could be as high as 2.93 million if the DREAMers that do not yet have a high school degree obtain one. Our simulations suggest that the DREAM Act would increase GDP by 0.08% (i.e. $15.2 billion annually), which amounts to $15,371 per legalized worker. The reasons for the larger effects, compared to DACA, are the expected larger take-up rate and the increase in educational attainment among DREAMers with a high school degree that decide to obtain some college education in order to qualify for the DREAM Act. However, the positive effects on GDP will take several years to materialize. The reason is that, initially, the positive productivity effect of legalization on GDP will be offset by a negative participation effect driven by the return to college of a subset of DREAMers in the workforce. After a few years, these individuals rejoin the workforce with their enhanced skills, resulting in a substantial increase in GDP. Further, our analysis implies that the wages of most of the DREAMers that obtain legal status will increase by at least 15%, although those that decide to obtain some college education will experience an average 52% increase in wages. At the same time, we find that the DREAM Act will have very minimal effects on the wages of natives workers, ranging between 0.4% reductions and 0.4% increases.

## Impact Defense

### No Impact

**No impact to economic decline**

**Drezner, 14** (Daniel, Professor of International Politics at The Fletcher School of Law and Diplomacy at Tufts University “The System Worked: Global Economic Governance during the Great Recession,” January 2014, World Politics 66)(1):123-164, )

The final significant outcome addresses a dog that hasn't barked: **the effect of the** Great **Recession on** cross-border conflict and **violence**. During the initial stages of the crisis, multiple **analysts asserted that the financial crisis would lead states to** increase their **use** of **force** as a tool for staying in power.42 They voiced genuine concern that the global economic downturn would lead to an increase in conflict—whether through greater internal repression, diversionary wars, arms races, or a ratcheting up of great power conflict. Violence in the Middle East, border disputes in the South China Sea, and even the disruptions of the Occupy movement fueled impressions of a surge in global public disorder. **The aggregate data suggest otherwise**, however. The Institute for Economics and Peace has concluded that "**the average level of peacefulness in 2012 is approximately the same as it was in 2007**."43 Interstate violence in particular has declined since the start of the financial crisis, as have military expenditures in most sampled countries. Other studies confirm that **the** Great **Recession has not triggered any increase in** violent **conflict,** as Lotta Themner and Peter Wallensteen conclude: "[**T]he pattern is one of relative stability** when we consider the trend for the past five years."44 The secular decline in violence that started with the end of the Cold War has not been reversed. Rogers Brubaker observes that "**the crisis has not** to date **generated** the surge in **protectionist nationalism** or ethnic exclusion that might have been expected."45

#### No risk of conflict from economic downturn now

Barnett ‘9 Thomas Barnett, senior managing director of Enterra Solutions LLC, “The New Rules: Security Remains Stable Amid Financial Crisis,” 8/25/2009, http://www.aprodex.com/the-new-rules--security-remains-stable-amid-financial-crisis-398-bl.aspx

When the global financial crisis struck roughly a year ago, the blogosphere was ablaze with all sorts of scary predictions of, and commentary regarding, ensuing conflict and wars -- a rerun of the Great Depression leading to world war, as it were. Now, as global economic news brightens and recovery -- surprisingly led by China and emerging markets -- is the talk of the day, it's interesting to look back over the past year and realize how globalization's first truly worldwide recession has had virtually no impact whatsoever on the international security landscape. None of the more than three-dozen ongoing conflicts listed by GlobalSecurity.org can be clearly attributed to the global recession. Indeed, the last new entry (civil conflict between Hamas and Fatah in the Palestine) predates the economic crisis by a year, and three quarters of the chronic struggles began in the last century. Ditto for the 15 low-intensity conflicts listed by Wikipedia (where the latest entry is the Mexican "drug war" begun in 2006). Certainly, the Russia-Georgia conflict last August was specifically timed, but by most accounts the opening ceremony of the Beijing Olympics was the most important external trigger (followed by the U.S. presidential campaign) for that sudden spike in an almost two-decade long struggle between Georgia and its two breakaway regions. Looking over the various databases, then, we see a most familiar picture: the usual mix of civil conflicts, insurgencies, and liberation-themed terrorist movements. Besides the recent Russia-Georgia dust-up, the only two potential state-on-state wars (North v. South Korea, Israel v. Iran) are both tied to one side acquiring a nuclear weapon capacity -- a process wholly unrelated to global economic trends. And with the United States effectively tied down by its two ongoing major interventions (Iraq and Afghanistan-bleeding-into-Pakistan), our involvement elsewhere around the planet has been quite modest, both leading up to and following the onset of the economic crisis: e.g., the usual counter-drug efforts in Latin America, the usual military exercises with allies across Asia, mixing it up with pirates off Somalia's coast). Everywhere else we find serious instability we pretty much let it burn, occasionally pressing the Chinese -- unsuccessfully -- to do something. Our new Africa Command, for example, hasn't led us to anything beyond advising and training local forces. So, to sum up: No significant uptick in mass violence or unrest (remember the smattering of urban riots last year in places like Greece, Moldova and Latvia?); The usual frequency maintained in civil conflicts (in all the usual places); Not a single state-on-state war directly caused (and no great-power-on-great-power crises even triggered); No great improvement or disruption in great-power cooperation regarding the emergence of new nuclear powers (despite all that diplomacy); A modest scaling back of international policing efforts by the system's acknowledged Leviathan power (inevitable given the strain); and No serious efforts by any rising great power to challenge that Leviathan or supplant its role. (The worst things we can cite are Moscow's occasional deployments of strategic assets to the Western hemisphere and its weak efforts to outbid the United States on basing rights in Kyrgyzstan; but the best include China and India stepping up their aid and investments in Afghanistan and Iraq.) Sure, we've finally seen global defense spending surpass the previous world record set in the late 1980s, but even that's likely to wane given the stress on public budgets created by all this unprecedented "stimulus" spending. If anything, the friendly cooperation on such stimulus packaging was the most notable great-power dynamic caused by the crisis. Can we say that the world has suffered a distinct shift to political radicalism as a result of the economic crisis? Indeed, no. The world's major economies remain governed by center-left or center-right political factions that remain decidedly friendly to both markets and trade. In the short run, there were attempts across the board to insulate economies from immediate damage (in effect, as much protectionism as allowed under current trade rules), but there was no great slide into "trade wars." Instead, the World Trade Organization is functioning as it was designed to function, and regional efforts toward free-trade agreements have not slowed. Can we say Islamic radicalism was inflamed by the economic crisis? If it was, that shift was clearly overwhelmed by the Islamic world's growing disenchantment with the brutality displayed by violent extremist groups such as al-Qaida. And looking forward, austere economic times are just as likely to breed connecting evangelicalism as disconnecting fundamentalism. At the end of the day, the economic crisis did not prove to be sufficiently frightening to provoke major economies into establishing global regulatory schemes, even as it has sparked a spirited -- and much needed, as I argued last week -- discussion of the continuing viability of the U.S. dollar as the world's primary reserve currency. Naturally, plenty of experts and pundits have attached great significance to this debate, seeing in it the beginning of "economic warfare" and the like between "fading" America and "rising" China. And yet, in a world of globally integrated production chains and interconnected financial markets, such "diverging interests" hardly constitute signposts for wars up ahead. Frankly, I don't welcome a world in which America's fiscal profligacy goes undisciplined, so bring it on -- please! Add it all up and it's fair to say that this global financial crisis has proven the great resilience of America's post-World War II international liberal trade order.

**Empirics prove**

**Marston, 16** (Hunter Marston, Research Assistant and Communications Coordinator at the Brookings Institute, "More Trade Won't Stop China's Aggression", June 14 2016 nationalinterest.org/feature/more-trade-wont-stop-chinas-aggression-16587)

**The past has repeatedly proved wrong those who assume that a rising power’s economic connectivity obviates the inevitability of great power military conflict**. Peacenik theorists of the pre–World War I era opined that the level of interconnectivity in global markets had [rendered obsolete](http://www.bl.uk/world-war-one/articles/europe-before-1914) the great-power warfare of the eighteenth and nineteenth centuries.¶ Likewise, in the interbellum period before the breakout of World War II, advocates of [appeasement](http://www.spiegel.de/international/europe/the-road-to-world-war-ii-how-appeasement-failed-to-stop-hitler-a-646481.html) wagered that a militarizing Germany would not threaten continental peace due to its deep economic ties with the rest of Europe. Obviously, both schools of thought overestimated the ability of global economic connectivity to deter military aggression.¶ What makes scholars think China is different today? Of course, the scale of interpenetration of global markets has risen and bound major powers such as China and the United States, as well as regional groupings like the Association of Southeast Asian Nations (ASEAN), ever more tightly together. **But just as proponents of peace were proven wrong in the twentieth century, echoes of the past are perceivable in Asia and Europe today**.¶ **Despite its dependence on the EU for revenue from gas exports, Russia invaded Crimea and eastern Ukraine in 2014**. Likewise, European dependence on Russian gas has not prevented the EU from leveling heavy sanctions against Russia for its bellicosity. **Nationalist impulses often trump economic considerations that would otherwise impel autocrats toward moderation**.¶ Just as the Communist Party in Beijing is beholden to a public whose education hammered home the lessons of a “century of humiliation” at the hands of Western imperialists, Russia’s Vladimir Putin’s legitimacy—and mythos—flows from a narrative of western domination that has prevented Russia from attaining the greater world power that Russians feel their nation deserves.¶ **Similarly, though Beijing is investing in massive infrastructure projects across Southeast Asia and pursuant to the sixteen-member Regional Comprehensive Economic Partnership free-trade agreement, Beijing’s behavior indicates that it will prioritize security interests over regional economic integration, peace and stability**.

### No Impact—Divisionary War

**Diversionary theory is wrong**

Fravel ‘10(M. Taylor Fravel Associate Professor of Political Science at MIT “The Limits of Diversion: Rethinking Internal and External Conflict,” Security Studies 19:2 (2010) 10-26-10)

The diversionary hypothesis offers one of the most powerful alternatives to rationalist explanations of war based on the state as a unitary actor. Strong empirical support for diversion would identify a more complete set of causal mechanisms underlying international conflict. The cases investigated in this article, however, raise doubts about the strength of the diversionary hypothesis as well as the empirical validity of arguments based on diversionary mechanisms, such as Mansfield and Snyder’s theory about democratization and war.126 In Argentina and Turkey, the hypothesis fails to pass two most likely tests. In neither case was domestic unrest a necessary condition for the use of force as proponents of diversionary theory must demonstrate. Instead, external security challenges and bargaining over disputed territory better explain Argentine and Turkish decision making. The historical record, including leadership statements and reasoning, offers stronger evidence for a standard realist model and the dynamics of coercive diplomacy. Drawing definitive conclusions about diversion from just two cases is impossible. Nevertheless, the modified most likely research design used in this article weakens confidence in the strength of diversionary arguments. Diversion as a principal or primary source of some conflicts may be much less frequent than scholars assert. These two episodes should be among the easiest cases for diversion to explain. Not only did embattled leaders escalate disputes into crises and then use force, but scholars have also viewed these cases as being best explained by diversionary mechanisms. If diversion cannot account for these decisions, it is unclear what the hypothesis can in fact explain. My findings have several implications for the literature on diversionary war theory. At the most general level of analysis, the lack of support for the diversion hypothesis in Argentina and Turkey complements those quantitative studies of diversion that do not identify a systematic and significant relationship between domestic politics and aggressive foreign policies, including the use of force.127 In addition, the modified most likely research design used in this article raises questions about those quantitative studies that do provide empirical support for diversion because it demonstrates that despite the presence of domestic unrest, the underlying causal mechanisms of diversion may not account for the decisions to use force. The lack of support for diversion raises a simple but important question: why is diversion less frequent than commonly believed, despite its plausible intuition? Although further research is required, several factors should be considered. First, the rally effect that leaders enjoy from an international crisis is generally brief in duration and unlikely to change permanently a public’s overall satisfaction with its leaders.128 George H. W. Bush, for example, lost his reelection bid after successful prosecution of the 1991 Gulf War. Winston Churchill fared no better after the Allied victory in World War II.129 Leaders have little reason to conclude that a short-term rally will address what are usually structural sources of domestic dissatisfaction. Second, a selection effect may prevent embattled leaders from choosing diversion. Diversionary action should produce the largest rally effect against the most powerful target because such action would reflect a leader’s skills through coercing a superior opponent. At the same time, leaders should often be deterred from challenging stronger targets, as the imbalance of military forces increases the risk of defeat and thus the probability of losing office at home. Although the odds of victory increase when targeting weaker states, success should have a much more muted effect on domestic support, if any, because victory would have been expected.130 Third, weak or embattled leaders can choose from a wide range of policy options to strengthen their standing at home. Although scholars such as Oakes and Gelpi have noted that embattled leaders can choose repression or economic development in addition to diversionary action, the range of options is even greater and carries less risk than the failure of diversion. Weak leaders can also seek to deepen cooperation with other states if they believe it will strengthen their position at home. Other studies, for example, have demonstrated that political unrest facilitated détente among the superpowers in the early 1970s, China’s concessions in its many territorial disputes, support for international financial liberalization, and the formation of regional organizations such as the Association of Southeast Asian States and the Gulf Cooperation Council.131