

WHY DOES PREVENTING U.S. RECESSIONS WIN DEBATES

1. One, vulnerable groups are hit the hardest by recessions

- a. Recessions disproportionately affect the most vulnerable members of society – those with few savings, rainy day funds, or financial safety nets are the most at risk of losing everything, while most economic benefits in the “good times” flow to the corporate executives and privileged businessmen at the top

2. Two, poor countries suffer asymmetrically in times of recession

- a. The fact that the US is heavily interconnected through financial markets and trade with a vast number of countries internationally means that when the US enters into recession, poor and impoverished nations with economic linkages to the US suffer disproportionately as trade and investment decrease: short-term economic instability, exacerbated inequality, and temporary yet widespread unemployment can beget violence, political extremism, and sectarian strife in ethnically, racially, and culturally divided nations around the world

3. Three, a growing US debt threatens developing countries

- a. When the US falls into recession, higher levels of unemployment result in fewer tax revenues, but government expenditures – like stimulus programs and unemployment benefits – necessitate increased government spending; since tax bases fall, the government is forced to issue bonds and take on a greater debt burden. This causes international and institutional investors to become anxious of excessive government borrowing: they fear that the US may become unable to pay back its debts, thus reducing international demand for the dollar, causing its value to *depreciate*. The consequence is dire: the governments of most developing countries issue debt in international reserve currencies, most notably the USD due to legacies of global dollar hegemony. A devalued US dollar makes it more expensive for these countries to acquire dollars, thus artificially ballooning their debt load and increasing the likelihood of sovereign default in the most impoverished countries

4. Four, recessions become cyclical once they begin

- a. As the economy fails, consumer confidence drops at the same time that wages are plummeting, thus causing aggregate demand for goods and services to fall. In order to maintain profitability, companies are forced to lay off mass numbers of employees, thus accelerating the rate of unemployment, thus necessitating further layoffs in the future. Given the irreversibly cyclical nature of recessions, recession prevention must be a top priority in the round