# 2NC---Run for the Roses---Round 3

## CP---Remand

### Theory---Conditionality---2NC

## CP---States

## CP---Advantage

### Solvency---2NC

#### Their evidence agrees.

Wimalaratana 1AC Wijitapure & Hema Senanayak 24, Ph.D. from Radboud University, Professor Emeritus, University of Colombo; Ph.D. student in economics, University of Colombo, “Revitalizing America's Industrial Heart: A Multi-Pronged Approach to Reindustrialization,” Sri Lanka Economic Journal, Vol. 22, No. 1, June 2025, pg. 64-86, https://www.researchgate.net/publication/392853452\_Revitalizing\_America's\_Industrial\_Heart\_A\_Multi-Pronged\_Approach\_to\_Reindustrialization. HB

A critical lesson from recent global events, such as the COVID-19 pandemic and geopolitical tensions, is the vulnerability of global supply chains. A successful reindustrialization strategy must focus on rebuilding domestic supply chains to ensure that key materials and products are sourced locally or from reliable, nearby partners.

Reshoring Production: Encouraging companies to reshore production facilities or source raw materials from domestic suppliers can reduce dependence on global supply chains, particularly for critical industries like semiconductors, pharmaceuticals, and medical equipment. This not only helps in securing national interests but also creates jobs and stimulates economic growth domestically.

Development of Key Industries: Certain industries are essential for national security and economic resilience. These include sectors like electronics, defence, medical equipment, and energy. Government policies, such as tax incentives, research grants, and subsidies, can help spur the growth of these industries domestically, reducing dependence on foreign imports and strengthening supply chain resilience. Regional

Manufacturing Hubs: Creating regional manufacturing hubs or clusters, where related industries are co-located, can help streamline supply chains. These hubs encourage collaboration between companies, reduce transportation costs, and foster innovation. Examples like Silicon Valley in technology or Detroit in automotive manufacturing demonstrate the benefits of concentrated industrial activity. By ensuring that critical industries and supply chains are localized, the U.S. can better protect itself from external shocks while promoting job creation and economic stability.

#### It eliminates poverty and financial insecurity.

Keely ’22 [Alistair; May 20; Head of Media Relations at the University of York, citing new research by the Basic Income Conservation and Compass and research co-authored by a University of York academic; University of York, “Basic income could cut poverty to lowest for 60 years at no net cost, according to new research,” <https://www.york.ac.uk/news-and-events/news/2022/research/basic-income-could-cut-poverty/>]

A new universal basic income model could cut poverty by more than half at no net cost, reducing it to its lowest level for 60 years, according to a report co-authored by a University of York academic.

On the 80th anniversary of the historic Beveridge Report, the [new research](https://www.compassonline.org.uk/publications/tackling-poverty-the-power-of-a-universal-basic-income/) by the Basic Income Conversation and Compass represents the most substantive attempt yet to assess the impact of a basic income (UBI) scheme and the greater income security it provides.

The fiscally neutral scheme involves no additional calls on the public finances and no net increase in taxation: the cost of the extra payments would be exactly offset by the extra revenue from internal changes in tax rates and National Insurance Contributions, the report’s authors say.

Changes

Under the model, compared to the current system:

* Child poverty falls by more than a half to 12.5%, taking it to below the level of 14.0% in 1977.
* Working-age poverty falls by just over a quarter, from 19.4% to 14.9%.
* Pensioner poverty falls by 54%, from 16.7% to 7.7%. This takes the level of pensioner poverty to well below the lowest post-1961 rate of 14% in the early 1980s.
* The Gini coefficient – a summary measure of inequality – falls by 12.5%, taking it back towards the peak equality achieved in the 1970s.
* The gains are concentrated among the poorest and the losses among higher-income groups.

The model involves two broad sets of changes to the existing tax and benefit system:

* A guaranteed set of weekly payments which provide an income floor. These are £41 per child and £63 per adult of working age, making a guaranteed payment of nearly £11,000 a year for a family of four.
* A series of tax adjustments pay for the weekly basic income: the changes involve lowering the personal allowance to £750, a rise in existing tax rates of 3p in the pound and a change in the current system of National Insurance Contributions.

As well as ensuring fiscal neutrality, these changes ensure that the gains are concentrated among the poorest, the report concludes.

Evidence

Professor Kate Pickett, from the University of York's [Department of Health Sciences](https://www.york.ac.uk/healthsciences/) and one of the author’s of the report, said: "Here is the evidence that a Universal Basic Income is affordable and beneficial  - imagine how good it would feel to be tackling child poverty while enhancing everybody's financial security. This could be a giant step forward to a better post-Covid world."

Neal Lawson, Director of Compass, added: "At a time of skyrocketing poverty, this report shows universal basic income can take us back to the lowest level of child poverty in over 50 years at no net cost to the Treasury.

"In showing universal basic income can deliver record low levels of poverty with no extra burden on the nation’s finances, this report makes transformative change a political decision not an economic one."

#### Their authors agree it’s all about wages.

Alí Bustamante 23, deputy director of the worker power and economic security program at the Roosevelt Institute, PhD from the University of Miami, “Balancing Power between Workers and Employers Requires Sectoral Bargaining”, July 13th, 2023, <https://rooseveltinstitute.org/publications/balancing-power-between-workers-and-employers/>, DOA: 7/22/25, Rslish

Sectoral bargaining provides a useful framework for collaboration between workers, employers, and policymakers in which equal bargaining power between workers and employers is achieved (Elrod 2023). Collective bargaining across all firms in a sector directly addresses the problems associated with employer monopsony power by eliminating employers’ unilateral control over wage setting for both current and future workers. According to Elrod (2023), fostering tripartite policy-setting through the creation of sectoral wage boards and sector-level collective bargaining creates the ideal conditions to sustain economic growth and improve labor conditions.

Existing American labor law largely limits collective bargaining to individual worksites or firms, with few exceptions. This disjointed approach to collective bargaining in the United States curtails the ability of workers to improve working conditions and allows economic inequalities to persist (Andrias and Brishen 2018). With the addition of sectoral bargaining to worksite-level bargaining, workers could organize a plurality of both union and nonunion workers to bargain for industry-wide wage levels and standardized working conditions. Additionally, sectoral bargaining could strengthen the American labor movement by complementing the credible threat of switching jobs with the institutionalized threat of sector-wide strikes. Workers’ ability to leverage the threat of quitting is limited by their need to be employed. As a result, an individual’s credible threat of switching jobs is nullified during periods of low growth. Conversely, collective bargaining reduces employment during periods of economic recession, thereby sustaining the power of the bargaining unit to demand higher wages or improved working conditions irrespective of the state of the economy and labor market (Bustamante 2022).

Sectoral bargaining also provides workers in other non–collectively bargained sectors with higher wages. According to Bassier (2022), positive wage spillovers result when firms involved in sectors with sectoral wage setting are present in a local labor market. Furthermore, sectoral bargaining can have a positive impact on the entire wage structure of a local labor market when firms whose wages are determined by sectoral bargaining experience a large labor share. The provision of a credible employment option in local labor markets constrains the ability of employers to unilaterally set wages, triggering the positive wage spillover.

#### AND admit welfare cuts are key.

Austin Clemens 25, Former senior fellow at the Washington Center for Equitable Growth and former assistant research scientist at the Public Policy Research Institute at Texas A&M University, Equitable Growth, “Slow wage growth is the key to understanding U.S. inequality in the 21st century”, 07/08/25, https://equitablegrowth.org/slow-wage-growth-is-the-key-to-understanding-u-s-inequality-in-the-21st-century/#:~:text=As%20others%20have%20pointed%20out,to%20significant%20drops%20in%20consumption., Accessed: 07/14/25, mcc

This issue brief is primarily focused on the income data, where inequality has been stable over the past two decades, as opposed to wealth inequality, which has increased over the same period. Specifically, this brief looks at the past 23 years of income growth in the United States through the lens of the five streams of income mentioned above. **Understanding how** these **streams of income add up to total income can yield new insight about the U.S. economy.** In particular, analyzing the data shows the following:

* Income inequality, as measured by the Gini coefficient, has changed little and is currently almost exactly at its average level for the 2000–2023 period.
* This single-number summary, however, obscures important dynamics. Income growth has been highest for households in the bottom 50 percent of the distribution and households in the top 10 percent of the distribution. Those in the 50th percentile to the 90th percentile, representing the middle and upper-middle class in the United States, have seen weaker income growth.
* In the 21st century, **wages have grown slower than any other income source**, making these two decades an outlier in recent U.S. economic history. This slowdown in wage growth largely explains why households in the 50th percentile to the 90th percentile have lagged other groups in income growth because this group is the most dependent on wage gains.
* Although the bottom 50 percent of households have kept pace, more and more of their income comes in the form of in-kind transfers, such as from Medicaid and Medicare, which means their economic welfare is advancing slower than their incomes.
* **There is no substitute for a strong U.S. labor market. To reduce income inequality in the United States and increase the share of income that households earn from wages, workers need greater bargaining power.**
* Income inequality will likely increase because of policies pursued by President Donald Trump and the Republican-controlled Congress that erode the power of workers and cut benefits in major government programs, such as nutrition assistance, health care, and housing energy assistance.

Taken together, these findings are disconcerting. Although inequality has largely stopped expanding, the current level of inequality in the United States is high, and an analysis of the components of income suggest that there is significant weakness along the entire income distribution, outside of the top decile. **The primary culprit is a labor market that no longer generates** strong wage growth **for U.S. households.**

As others have pointed out, **the macroeconomic impact of rising inequality is likely to be slowing growth.** Lower-income households have high propensities to consume. Even modest erosion of their incomes could lead to significant drops in consumption. The likely result is a double whammy of weak and unevenly distributed economic growth.

#### Their evidence agrees global cooperation is key AND says Africa and Asia are alt-causes.

Noah B. Taylor 23, Guest Lecturer in Peace and Conflict Studies at the University of Innsbruck, *Existential Risks in Peace and Conflict Studies*, “Peace, Pandemics, and Conflict”, Palgrave Macmillan, May 2023, pg. 87-89

Pandemics should instead be understood as falling between a natural and an anthropogenic risk. Non-engineered pathogens that emerge from nature do not represent the same type of direct natural risk as an event such as an asteroid strike. Understanding a pandemic in terms of a global catastrophic risk is more practical, meaning that it could threaten permanent civilizational collapse (Bostrom and Ćirković 2011). The John Hopkins Center for Health Security has followed this idea in defining pandemics as possible “Global Catastrophic Biological Risks” (GCBRs). Which they define as

biological events—deliberate, accidental, or emerging—that could lead to sudden, extraordinary, widespread disaster beyond the collective capability of national and international governments and the private sector to control [that] if unchecked […] would lead to great suffering, loss of life, and sustained damage to national governments, international relationships, economies, societal stability, or global security. (Schoch-Spana et al. 2017, 323)

Though humanity has lived with diseases since its earliest history, the contemporary possibility of such a risk has increased. The global population recently climbed to over 8 billion, and the overall population density continues to increase (Roser et al. 2013). With more individuals, there are more possible origins of new pandemic diseases. As of 2018, 55% of the world’s population lived in urban areas (UN DESA 2018), and an estimated 65% by 2050 (UN DESA 2019). People living closer to one another will likely increase the transmission rates.

Many facets of modern life further increase a pandemic’s possible severity, scope, and scale (Jones et al. 2008; Morse 1995). Deforestation, industrial farming, and meat production practices combined with climate change increase the likelihood of zoonotic transmission of pathogens from animals to humans. The melting permafrost, increased ultraviolet immunosuppression, changing weather patterns, and arctic thawing that comes with global warming may unleash pathogens frozen long ago (Hofmeister et al. 2021). Alternatively, trigger pathogenic mutations in previously non-pathogenic organisms. The ease of global transportation also dramatically increases the risk of future pandemics (Ord 2020). In addition to these variables, war is a significant factor that results in the spread of pandemic disease, both unintentionally as troops move into foreign lands and intentionally and potentially when used as a weapon (A. T. Price-Smith 2009).

Another often singled but under-recognized future pandemic risk is so-called super bugs, antimicrobial resistant bacteria. Superbugs fall into three categories defined by their susceptibility to antimicrobial agents. Multidrug-resistant pathogens are not susceptible to at least one agent in three or more categories, extensively drug-resistant are not susceptible to at least one agent in all but two or fewer categories, and the most concerning the pandrug-resistant which have no known susceptibility to any antimicrobial agents (Magiorakos et al. 2012).

The potential risk from superbugs is grave. The general director of the WHO described it as being a “fundamental threat to human health, development and security” (Fox 2016). In the USA alone, in 2019 the rate of superbug infections was 2.8 million each year with more than 35,000 deaths (CDC 2019). This rate has likely risen by 15% between 2019 and 2020 (Mishra 2022). Globally the situation is worse. In 2019 an estimated 1.27 million deaths were directly tied to these superbugs, with another 4.95 million associated with such infections. The global burden of these infections is likely higher than HIV or Malaria. Like many other pandemic-related topics, the global burden of these diseases unequally spread with much higher concentrations in Sub-Saharan Africa and South Asia (Antimicrobial Resistance Collaborators 2022).

Biomedical researcher Dr. Brian K. Coombes described the severity of the situation, “antibiotics are the foundation on which all modern medicine rests. Cancer chemotherapy, organ transplants, surgeries, and childbirth all rely on antibiotics to prevent infections. If you can’t treat those, then we lose the medical advances we have made in the last 50 years” (Miller 2015).

Even if bio risks, such as pandemics, are not technically defined as a genuine existential threat and are instead understood as a global catastrophic risk, there is a consensus that they should be an issue of global priority (Connell 2017; Palmer et al. 2017). These evaluations of the destructive potential of pandemics focus on it being the direct cause of an existential or global catastrophic threat. The possibility of pandemics following similar pathways as discussed regarding Great Power Conflicts makes a pandemic’s indirect or compounding risk a topic of concern. Global cooperation is needed to address another existential risk a pandemic could hinder. A pandemic could occur alongside another existential threat, such as a Great Power Conflict or runaway global warming overtaxing the systems that might otherwise make us resilient to such a risk.

### Solvency---Civil War

### Solvency---Particle Injection---2NC

### Solvency---AT: UBI Fails---2NC

#### 2. The warrant is that it trades off with welfare. We fiat through that.

Rachel 2AC Minogue 18, Economic Fellow. International Trade Specialist, Professional Services, International Trade Administration. BA, International Studies, Emory University MA, International Economics, Johns Hopkins University, "Five Problems with Universal Basic Income," Third Way, May 24th, 2018, <https://www.thirdway.org/memo/five-problems-with-universal-basic-income>

Unless these critically important programs are eliminated, a UBI program would need to be paid for with higher taxes. It’s not clear whether it’s even possible to raise enough revenue for this initiative. The federal government took in approximately $3.3 trillion in 2017, so a taxes-only approach to funding Stern’s UBI would require an unheard-of 73% increase in federal revenue.12 Even if defense spending was slashed by one-third, for example, a 52% tax increase would still be required.13 Funneling all of a tax increase into UBI would also neglect our existing programs, like Social Security, which needs financial support to remain solvent past 2034.14

Poor families could be left more vulnerable

If significant tax hikes aren’t viable, then the question remains: what gets cut in order to fund UBI? Under this scenario, UBI becomes stingy and punitive, as a vast amount of important government programs would be on the chopping block.

Murray, the conservative UBI proponent, recommends that a $13,000 annual basic income replace all social assistance programs. Consider the value of the benefits people would lose: Medicaid, Medicare, Disability Insurance, the Children’s Health Insurance Program, Social Security, Supplemental Security Income, Unemployment Insurance, SNAP, Section 8 housing vouchers, Pell Grants, the Earned Income Tax Credit, Temporary Assistance to Needy Families. As Dylan Matthews writes, “$13,000 a year doesn’t mean much if you lose insurance that was paying $60,000 a year on chemotherapy.”15

Even a UBI that retains much of the existing social safety net could hit the disadvantaged harder, depending on which tax credits and government assistance programs get cut. Stern listed the Supplemental Nutrition Assistance Program (SNAP), the Earned Income Tax Credit (EITC), and housing assistance as potential policies to end in favor of UBI. But consider one example. In Queens, New York, a single, low-income working parent with three children can receive up to $31,100 worth of benefits annually from SNAP, the EITC, and Section 8 housing vouchers alone, and for good reason.16 Replacing those benefits with a $12,000 UBI for the parent would reduce the family’s income and benefits by $19,100.

A fundamental motivation for UBI is to eliminate poverty, but the tradeoffs necessary for funding would likely cause harm to vulnerable populations. This begs the question: If the main difference between UBI and our current safety net is that UBI gives relatively more to people who don’t need help, what would make UBI worthwhile? Some proponents have suggested UBI could be restricted to certain populations in need, but that would defy the universality at the idea’s core. At this point, what they are really proposing is an expansion of the existing safety net. That’s a worthwhile conversation to have, but it’s not about a *universal* basic income.

The idea has been scarcely tested

There are a handful of past and ongoing experiments with UBI. Unfortunately, the experiments have been flawed or are too small to effectively prove that UBI could live up to some of its proponents’ claims:

* Finland’s national social insurance institute, Kela, launched a UBI trial experiment in 2017, with 2,000 Finns aged 25 to 58 receiving approximately $645 per month. A year into its implementation, the Finnish government refused to continue its funding in April 2018, choosing instead to pursue alternative social welfare projects.17
* The Alaska Permanent Fund provides an annual cash dividend to all Alaskan residents from oil reserve royalties. The grant’s amount, in recent years roughly $2,000 per person, is far too small to be a livable income and thus has minimal effects on the labor market and is a poor comparison to popular UBI proposals.18
* An experiment in Kenya launched by Give Directly in late 2017 compares different UBI methods across 120 villages. According to Business Insider, residents of 40 villages receive $270 annually for 12 years, “effectively doubling most people’s income,” while 80 villages receive the same amount for 2 years.19 While this experiment could produce more compelling evidence than prior trials, Kenya’s economy is at a very different stage of development compared to the US which limits the study’s relevance.
* Silicon Valley startup accelerator Y Combinator in 2017 began a five-year experiment in giving 1,000 people $1,000 per month and 2,000 people $50 a month, aiming to assess changes to the labor force and quality of life.20 This evaluation could yield important results given its similarities to leading proposals but is still early in the experiment.

It will be interesting to see what comes out of future studies and experiments. But policymakers should be wary of studies that simulate the upside of UBI (a monthly income) without simulating its downsides, namely sweeping benefit cuts or tax increases.

Conclusion

The motivation behind most universal basic income proposals is admirable: reduce widespread poverty and provide lifelong income security to all. But a UBI in reality would likely fall far short of eliminating poverty while imposing large economic costs and ignoring future opportunities for work. It also ignores that American life is rooted in a civic tradition of earning. Seventy-three percent of Americans believe working hard is “very important to getting ahead in life.”21 That’s the highest among advanced economies, with the United Kingdom second at 60% and Germany (49%), Japan (42%), South Korea (34%), and France (25%) far behind.22

#### 3. If the basic income becomes insolvent, it’s replaced by a negative income tax. That covers only select tax brackets and still solves.

Somers ’25 [Melline, Ruud Mufels, and Annemarie Kuenn‑Nelen; 2025; post-doctoral researcher at the Research Centre for Education and the Labour Market at Maastricht University; professor of socio-economics at the Department of Sociology of Tilburg University; associate professor at the Research Centre for Education and the Labour market at Maastricht University; De Economist, “(Un)conditional Basic Income and Participation Income: A Review of Its Micro‑ and Macro‑Economic Effects,” pp. 173-205]

5.1 Income Inequality and Poverty

The findings on income inequality and poverty are consistent across all methodologies. Both simulations and field experiments yield similar results, regardless of the measures used. Various income inequality indicators are employed, including the Gini coefficient, log mean deviation, the Foster, Greer, and Thorbecke index (FGT2), and Atkinson’s index, which accounts for inequality aversion. For poverty, relative poverty thresholds based on fractions of mean or median equivalent household income are commonly used, particularly in Europe. In contrast, researchers in the US and Canada often apply more absolute, consumption-related budget thresholds, such as the US food cost measure or Canada’s Market Basket Measure. The effects of policies like full universal Basic Income (BI) or a Negative Income Tax (NIT) on reducing inequality and poverty are often substantial.

Most estimates of income inequality and poverty rely on static micro-simulation models that do not account for behavioural labour supply effects. As a result, these estimates may be biased, especially if labour supply decreases, leading to job losses or reduced working hours, which can further reduce incomes and increase poverty. While more generous minimum income guarantees lead to greater reductions in poverty and inequality, they also come with higher budgetary costs and may require increased tax rates, potentially reducing labour supply and employment. However, labour supply effects tend to be less negative with an NIT compared to a universal BI scheme, as NIT provides additional work incentives through lower marginal tax rates and increases tax receipts from low-income individuals. Studies that account for endogenous labour supply effects indicate that lower marginal tax rates for low incomes result in higher net wages, increased work, and reduced poverty. A study comparing universal BI, NIT, and Participation Income (PI) reforms finds that NIT and conditional BI or PI programmes at 50% of the poverty threshold effectively balance efficiency (employment) and equity (inequality and poverty). Programmes at 100% of the poverty threshold reduce poverty and inequality more, but may also lower labour supply. Field experiments, such as the one in Finland, showed significant improvements in participants’ living standards, likely reducing poverty, while the UK’s PI simulation study indicates substantial reductions in poverty and inequality, although it did not consider labour supply effects. The only PI field experiment in the Netherlands reported minimal income impacts, except for the earnings release treatment. BI dividend programmes typically improve incomes and reduce poverty risk, but a study of Alaska’s dividend found it worsened inequality due to differing spending behaviors between high- and low-income groups. Ultimately, the effects of various programmes on poverty and inequality depend on specific features such as the level and conditionality of the income guarantee, funding methods (budget-neutral, flat or progressive tax), and their ability to help lower-income individuals increase employment (see also Aerts et al., 2023).

#### All objections to basic income have been comprehensively refuted by empirical studies.

Carrier ’20 [Richard; April 18; World-renowned author and speaker, Ph.D., M.Phil., and M.A. from Columbia University, B.A. from the University of California at Berkeley, former member of the United States Coast Guard; Richard Carrier Blogs, “That Luck Matters More Than Talent: A Strong Rationale for UBI,” <https://www.richardcarrier.info/archives/16600>]

Test Case: UBI Studies

In a sense, UBI, or [Universal Basic Income](https://www.thebalance.com/universal-basic-income-4160668), can be defined not just as cash payments, but everything we all might get equally for free, much of which in fact we already do (more so in other first world countries even than in the U.S.), from police and fire protection, to publicly funded education, to health care and unemployment insurance. All of it helps every one of us weather misfortunes and develop our latent talents, thus leaving more of us able to leverage opportunities into success without being ground under, or stuck floundering. [A cash UBI](https://www.washingtonpost.com/business/2021/04/22/guaranteed-income-ubi-stockton-congress-aid/) would only supplement most of this, and replace some of it.

Objections to UBI can now be answered empirically. And as we’ll see, only one factual objection remains legitimately debatable: cost. All the others have been refuted in practice and observation. Philosophical objections, of course, relate less to facts and more to values: what we think we should do to organize our governments, societies, and economies as a people. I’ve been addressing that side of the issue throughout this article and will tackle a few more aspects of it below. But objections based on straight fact claims, like that UBI will increase unemployment or make people lazy, evidence has already amply disproved.

The SIME/DIME study completed in the early 1970s is sometimes cited as evidence against the effectiveness of UBI, but it actually isn’t. That study model wasn’t actually a UBI, for one thing. But also, it didn’t actually measure productivity. Mere counts of number of hours worked tells us nothing as to the value of the labor produced; and that overworked people will work less when they can afford to is not a negative result. Nor did it track any other relevant outcome measure, such as impact on crime, or health and happiness, or the net effect of the money distributed on the whole system, i.e. economies grow when people spend money, so the more money people can spend, the greater the impact on economic growth, nationally and locally (a fact too often lost on conservatives, no matter how much liberals [keep explaining it to them](https://www.washingtonpost.com/opinions/2021/10/07/sanders-manchin-reconciliation-democrats/)). And yet those 1970s studies showed little reduction even in what they did measure: participants worked only 10% or so fewer hours, and mainly only because they could spend one or two weeks more at home per year—as opposed to everyone, or any significant number of people, staying home and not working at all, which never happened ([ditto](https://www.washingtonpost.com/opinions/2021/10/07/sanders-manchin-reconciliation-democrats/)).

Those studies were also performed in a completely different social, economic, and political environment. For example, the study’s authors embraced the sexist assumption that gaining the economic freedom to divorce was a negative outcome; and the participants largely assumed a sexist division of labor in families was to be preferred. The authors also assumed having the economic freedom to leave an undesirable job and hunt for one more tolerable was a negative outcome, when in fact labor mobility is indicative of a beneficial dynamic for any economy (a point I’ll expand on in a moment). That study also took place in a period with significantly lower income disparity, and it is the latter that increases the impact and importance of UBI. (There were other problems with the SIME/DIME study, discussed by Marinescu, cited below; and as also summarized, again, by Dylan Matthews at [Vox](https://www.vox.com/2014/7/23/5925041/guaranteed-income-basic-poverty-gobry-labor-supply).)

By contrast, Sigal Samuel surveys numerous experimental studies of more recent vintage and more informative design in [“Everywhere Basic Income Has Been Tried, in One Map”](https://www.vox.com/future-perfect/2020/2/19/21112570/universal-basic-income-ubi-map) at Vox (19 February 2020), including little known examples of real UBI (in Alaska and Native American tribes, for example; and [we just ran another one](https://fivethirtyeight.com/features/congress-found-an-easy-way-to-fix-child-poverty-then-it-walked-away/?utm_source=pocket-newtab) across the whole United States in 2020-2021 that got the same results; and this plethora of passed tests [is a point of discussion now](https://www.washingtonpost.com/magazine/2022/10/24/universal-basic-income/)). See also Karl Widerquist’s [website](https://basicincome.org/news/2018/07/current-ubi-experiments-an-update-for-july-2018/) and [book](https://www.amazon.com/Experiments-Researchers-Policymakers-Exploring-Guarantee-ebook/dp/B07MKY21Y2/?ie=UTF8&tag=richardcarrier-20); the research summary of experts Joseph Hanlon, Armando Barrientos, and David Hulme in Just Give Money to the Poor; and the ongoing [GiveDirectly](https://www.givedirectly.org/ubi-study/) crowdfunded research. The results are fairly consistent across dozens of experiments (and wholly refute contrary reports, which, when they even make any relevant arguments at all, ignore the actual evidence or make assertions wholly without evidence):

* “The evidence so far suggests that getting a basic income tends to boost [happiness](https://www.vox.com/future-perfect/2019/2/9/18217566/finland-basic-income), [health](https://www.vice.com/en_us/article/nze99z/the-mincome-experiment-dauphin), [school attendance](https://www.centreforpublicimpact.org/case-study/basic-income-grant-big-namibia/), and [trust in social institutions](https://www.vox.com/2019/4/6/18297452/finland-basic-income-free-money-canada), while [reducing crime](https://repository.upenn.edu/cgi/viewcontent.cgi?article=1010&context=pennwhartonppi_bschool).” It also improves other things, like high school graduation rates; and where tests have been large enough, they’ve even improved the economic status of entire communities not even part of the study through multiplier effects.
* “The programs analyzed suggest either no effect on labor market supply, or a slight reduction in work and earnings. The evidence does not suggest an average worker will drop out of the labor force when provided with unconditional cash, even when the transfer is large,” in fact even “recipients of windfall cash disbursed annually,” i.e lottery winners, “do not drop out of the labor force” (quoting Ioana Marinescu from a cited study from 2017 [“No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Program”](https://www.nber.org/papers/w24337))
* Every study measuring them found substantial improvements in the health and nutrition of recipients, including children, illustrating that any UBI will actually produce a savings offset in healthcare.
* And in every case so far observed, UBI works as well or better than all the existing welfare systems it would replace.

### Perm: Do Both---2NC

### Perm: Do CP---2NC

### Perm: Any Combo---2NC

### Theory: Inaction---2NC

## ADV---Manufacturing

### Hegemony---2NC

#### US force projection fails because of geography and interest asymmetry---those same factors solve adversary expansion

McCallion ’24 [Christopher; May 23; M.S. at the London School of Economics and Political Science, Fellow at Defense Priorities; Defense Priorities, “Grand Strategy: Geography,” https://www.defensepriorities.org/explainers/grand-strategy-geography/]

The folly of pursuing global hegemony

After the collapse of the Soviet Union, the fundamental logic of U.S. grand strategy changed. Rather than seeking to maintain a balance of power in Eurasia, the United States endeavored to preserve its post-Cold War position of military primacy and to establish its hegemony on a global scale.29 The United States expanded its military commitments in Europe and Asia and established a new presence onshore in the Middle East, the latter leading to a string of ill-fated wars to reshape the region according to U.S. policymakers’ designs.30

The United States’ post-Cold War grand strategy leaned heavily on the assumption that U.S. technological supremacy (the “revolution in military affairs”) would allow it to occupy territory and populations in faraway parts of the world, without having to commit the resources that distant military endeavors normally demanded.31 To the extent that distance still blunted power projection, so it was argued, the United States would need to rely on its global archipelago of forward military bases.32 But even with unprecedented capabilities, the United States was forced to confront the limits of its military power. The post-9/11 wars in the Middle East proved to be not only costly but fruitless, thwarted by some of the least wealthy and powerful societies on the planet.33 Indeed, the relative costs of wars in the periphery seem to have risen conspicuously in recent decades.34

There are at least two salient reasons why U.S. military-technological supremacy failed to overcome geography. The first is that advances and diffusion of military technology benefit defense as well as offense, with the balance favoring the former the more distance increases. The second is the durability of local political-cultural identification, which as a shorthand can be called “nationalism.” Nationalism creates asymmetry between the interests of local populations, on the one hand, and the far more tenuous interests of the distant United States in their affairs, on the other.

The “strategic distance” over which the United States must project power has grown. Far more formidable than the Taliban or Iraqi insurgents, great or regional powers like China, Russia, and Iran can counter the United States at a lower cost in their own backyards, altering the costs and risks ratio for the United States to intervene in a local contingency. This is especially true if U.S. interests are conditional enough for it to not commit the full weight of its national resources to the fight. The United States’ grand strategy should be recalibrated to reflect a more rigorously prioritized set of interests and more modest expectations regarding the political outcomes that can be achieved by the use of U.S. military power abroad.

Geography and technology favor restraint

The limits to power projection overseas are a blessing in disguise for the United States. While strategic distance and the stopping power of water make it difficult for the United States to intervene across the oceans, they make it even more difficult for Eurasian great powers—or possibly even a hegemon—to threaten the United States. This is good news, since the latter condition removes the main security rationale for the United States to project power onto the Eurasian rimland in the first place. Moreover, the series of island chains which characterize East Asia and the West Pacific make it difficult for the United States’ most formidable competitor, China, to pursue hegemony within its own region, diminishing concerns that China might accumulate enough power through conquest to project overwhelming power outside its borders. Were the United States to scale back its forward military presence in Eurasia, it would appear to be less of a threat to others, and consequently others would appear less of a threat to it—a boon for U.S. peace and security.

Slim chances of a Eurasian hegemon

Neither China nor Russia is well-positioned to pursue concerted territorial expansion, let alone to achieve regional hegemony and project power into the Western Hemisphere.

In the near term, both face the problem that the current military-technological balance seems to favor defense, a condition that offense-defense theorists call “defense dominance.”35 This has been dramatically demonstrated by the war in Ukraine, where both sides have been able to blunt the other’s attempts at an offensive breakthrough by establishing defenses in depth. While a continued war of attrition may eventually wear down Ukrainian forces to the point that Russia can advance, so far the battle lines have barely changed since the beginning of the war, held fast by dense belts of mines, drones, and artillery.36

China’s security environment

Asia’s geography is not conducive to wars of conquest and defenders could make the costs of aggression high, especially those that are armed with nuclear weapons.

China, which is more powerful than Russia and a more plausible candidate for regional hegemony, also faces a more challenging geography with which to contend. Just as defense dominance provides an advantage to China against the United States in the West Pacific, it helps balance the scales between China and its weaker neighbors. The geography of East Asia is not conducive to territorial expansion, populated as it is by islands that would have to be taken by the kind of difficult amphibious operations described above.37 These states can also easily and rapidly acquire anti-access/area denial capabilities of their own, providing a capable defense of their home islands and preventing China from dominating the South China Sea.38 In order to secure oil imports from the Gulf, China’s ships must cross the Indian Ocean and a number of maritime chokepoints, putting them at risk of interdiction in a major conflict.39 China’s size also curses it with extensive land borders to worry about, including with regional powers like Russia to its north and India to its south.

In the Middle East, there is a rough equilibrium of power without the added U.S. presence.40 Not only is Iran balanced by its regional rivals, but global oil supplies are both difficult to critically disrupt and of declining importance given the growing number of alternative energy sources.41

Furthermore, it has been plausibly argued that the value of conquest as a source of cumulative power is diminishing, and that the nuclear revolution makes the threat from a regional hegemon irrelevant.42 While the United States may wish to hedge against overoptimism and avoid testing these propositions in practice, there remains a serious case that the prospect of a rival hegemon is more remote and less threatening than in prior eras, especially to distant nuclear-armed powers like the United States.

#### No China-Russia aggression and no US intervention if it happens.

Mueller ’25 [John; March 26; PhD Political Science, senior fellow at the Cato Institute and professor in the political science department at Ohio State University; Cato Institute, "Are We Spending Too Much on the U.S. Military?", https://www.cato.org/commentary/are-we-spending-too-much-us-military]

Not Worth the Cost?

Today, would-be budget cutters will find that the U.S. inflation-adjusted defense budget is back at record highs. Troops are committed at high numbers as well, with deployments to a large number of bases around the world where they have little to do. This is occurring despite the fact that any applications of U.S. military force are likely to follow the comparatively laid-back and cost-effective “by, with and through” approach. Concern of late has been impelled in particular by a militarized exaggeration of the threat presented by Russia’s foolish, opportunistic and wildly counterproductive invasion of Ukraine in 2022 and of the one presented by China, even though that threat is held to be primarily economic.

Thus far, the strategy that the U.S. (and its European allies) has applied to Ukraine essentially follows the “by, with and through” approach: supplying intelligence, training, financial and logistic support, and munitions. But there are no U.S. or allied boots on the ground, nor, for that matter, is there direct aerial bombing. The yearly cost for the American aid is the equivalent of about 5% of the U.S. defense budget.

However, there are concerns that, if a ceasefire is arranged, Russia will regroup and renew its attack on Ukraine and then perhaps expand to other countries in Europe. Little evidence for this popular proposition has been advanced, and it does seem unlikely that after the self-destructive failures of his military invasion, Vladimir Putin will try it again. (Moreover, at Russia’s 2024 rate of advance in Ukraine, it would take 116 years to take over the rest of the country.) But even if it does happen, the likely response will generally follow the “by, with and through” mentality, although now with countries that are better prepared to apply it.

A similar approach would likely be followed if China were eventually to use military force to try to take Taiwan—a feat that many consider to be exceedingly difficult. If the locals prove to be able to develop a coherent resistance, the U.S. military would likely seek to help, as in Ukraine, but not by sending in combat troops. This assessment suggests that U.S. defense expenditures, like the threats envisioned, continue to be much inflated.

### Supply Chains---2NC

#### We’d respond with rapid production increases and diversification---that stabilizes supply.

Drezner ’22 [Daniel; January 2022; Professor of International Politics in The Fletcher School at Tufts University, Ph.D. in Political Science from Stanford University; Reason, “Where’s My Stuff?” https://reason.com/2021/12/05/wheres-my-stuff/]

The private sector is responding to market signals by ramping up production and ensuring multiple supply lines. Intel, Samsung, and TSMC are all spending tens of billions of dollars to build new chip foundries in the United States. Skyrocketing shipping prices are incentivizing additional construction of new container ships. The Wall Street Journal reports that in the first five months of 2021, there were nearly twice as many orders for new container ships as there were in all of 2019 and 2020 combined. To ensure holiday inventory, large retailers like Walmart and Home Depot have chartered their own container ships. Container shipping rates have already started to decline from September peaks.

But these capital investments designed to boost resilience will take years to kick in. This time lag is one reason private-sector actors have been so slow to invest in resilient supply chains in the past. If disruptions are expected to be temporary, such investments might seem like overreactions. Given the billions of dollars at stake, this sort of risk aversion is unfortunate but understandable.

Long-term investments in resilience make some sense, but short-term investments in robustness make even more sense. Resilience is the ability to adapt in response to permanent shocks to the system. Robustness is the ability to maintain output levels in response to a short-term hit. The most obvious way that firms can enhance their robustness is to warehouse supplies of key components. Car manufacturers, for example, are pledging to ramp up their inventories of critical components to ensure a more reliable production stream.

Yet the auto sector appears to be the exception and not the rule in bolstering inventories. For most firms, increasing reserves of component parts is an expensive proposition. To a corporation, holding inventory is like holding cash: Why sit on an asset that yields no rate of return? Lean manufacturing was popular in the first place because it boosted profits.

Even as semiconductors have grown scarce, chipmakers and chip customers have battled over which firms will shoulder the costs of carrying greater inventory. Under the just-in-time system, the chipmakers had held the inventory. As one semiconductor CEO said earlier this year, the shortage has shifted the balance of power: “If they expect the semiconductor [suppliers] to be the bank, to keep having a big working capital to support them, they can forget it.”

Bottlenecks in the global supply chain threaten the macroeconomic and microeconomic health of the United States. On the macro side, supply chain issues are driving fears of inflation; if not brought under control, this could cause the Fed to prematurely raise interest rates. A related problem is consumer panic over rumored shortages. See, for example, the effect of the ransomware attack on Colonial Pipeline—drivers panicked and went to gas stations to top off their tanks, temporarily worsening the problem.

On the micro side, the high price of inventories and shipping imperils market competition. Supply risks privilege larger firms over small and medium enterprises. Multinational corporations have the capacity to make large-scale investments in resilience and robustness. They are also able to use their market power to ensure continued access to scarce container billets in ships; your local bodega, by contrast, is unable to charter an entire container ship. The more stretched the global supply chain, the more sectors that look like monopolies rather than a competitive marketplace.

When it comes to fixes, there has been a surplus of really dumb ideas about what the government could do. Hawley's idea of essentially nationalizing supply chains stands out as the dumbest. Such a move would take well more than the three-year window he proposes to execute. Prices would permanently rise due to new inefficiencies. The opportunities for rent-seeking are legion; every sector would be lobbying Washington that what they produce is “critical.” It is also worth remembering that Hawley's go-to policies of protectionism and immigration restriction shoulder much of the blame for the lack of truck drivers that have contributed to delivery delays.

The Biden administration's responses have run the gamut. White House Press Secretary Jen Psaki tried to laugh it all away by reducing the issue to “the tragedy of the treadmill that's delayed.” That will not play well with a country used to just-in-time delivery and trying to move past the pandemic. Nor will Biden's proposal to open the port of Los Angeles 24/7 have much of an effect. While ports are currently jammed, there are also bottlenecks in railroad cars and truck drivers—both of which are issues that predated the pandemic. Even if the port gets unstuck, the traffic jam will just migrate to America's railroads and highways.

Looking at manufacturing more generally, some firms have acknowledged that they were unaware of the geographic distribution of their suppliers prior to the pandemic. This is one area where the Biden administration's efforts to collect data on supply chains could be useful.

If the federal government can identify (or even stock) priority components that would affect multiple sectors, those strategic reserves could theoretically bolster the robustness of the U.S. economy. But not if such investments become a stalking horse for protectionism.

All of the evidence of the past year suggests that globalization helps economies recover more quickly from supply chain difficulties than aggressive efforts at homeshoring. This is because most shocks are localized, and access to global value chains facilitates recovery more quickly. Indeed, protectionism is partly to blame for the current mess. As the Cato Institute's Scott Lincicome recently noted, the Jones Act, which mandates use of U.S.-built, crewed, and flagged ships to move cargo from one U.S. port to another, has raised the costs of coastwise shipping, putting even more pressure on truck and train transport.

## ADV---Inequality

### Monopsony---2NC

#### It’s far more common for unions to hamper productivity than counteract monopsony.

Bourne ’22 [Ryan; April 6; MPhil economics, Chair for the Public Understanding of Economics at Cato; Cato Institute, "The Impact of Corporate Power on Workers and Consumers," https://www.cato.org/testimony/impact-corporate-power-workers-consumers]

Many studies, including of McDonald’s, childcare, and restaurants have found minimum wage hikes have been passed on into higher prices.2 These empirical findings suggest that even existing state minimum wage increases have raised wages beyond levels correcting for monopsony power, so reducing job opportunities for young and unskilled workers and reducing output.3

A federal minimum wage would be a strange tool to correct for localized monopsony power, in any case. Why would market power in rural Mississippi’s labor market require the same corrective minimum wage as urban Maryland?4 The very best case for using minimum wages to combat monopsony power is as low floors in very local labor markets, not as federal policy.

Similar empirics cast doubt on the efficacy of more unionization. Theoretically, trade unions can offset monopsony power. In reality, union presence tends to reduce job growth at the firm level.5 Is this surprising? There is no reason to expect unionization will occur solely at firms with monopsony power, nor that union power will perfectly balance monopsony power. What we do know is that unionized firms struggle with maintaining investments in capital or R&D, harming productivity and lowering wages in the longer-term.6

### Inequality---2NC

#### Income growth has been an unbelievable success story.

Michel ’25 [Norbert J.; April 22; PhD Financial Economics, Vice President and Director of the Cato Institute’s Center for Monetary and Financial Alternatives, former Associate Professor of Business Administration, Nicholls State University; Crushing Capitalism: How Populist Policies Are Threatening the American Dream, “Economic Freedom—Not Industrial Policy—Creates the Most Opportunity,” Ch. 2]

The critics are also wrong about income stagnation. Although income growth could have been higher, and likely would have been without such a high regulatory burden, Americans have experienced robust income growth during the past several decades. It has been nothing like what supporters of the stagnation story would have people believe.

For instance, the share of US households earning more than $100,000 (adjusted for inflation) tripled over the past five decades, and the share earning less than $35,000 fell by 25 percent. Over much of this period, workers in the lowest 10 percent of the income distribution realized the strongest growth of all workers, typically earning enough to move into a higher income quintile. The data for the past five decades also show that 80 percent of working-age Americans never remained in the lowest 10 percent of the income distribution for more than two consecutive years, and more than 60 percent never stayed in the bottom 20 percent for more than two straight years. (Chapter 7 goes into greater detail on income growth.)

[FIGURE 2.1 OMITTED]

What makes this record even more impressive is that it occurred while the US population increased from about 203 million in 1970 to 328 million in 2019. The long-term trends in the labor market show a similar story. In January 1939 (the beginning of the data series), the total number of nonfarm jobs was 29.2 million, with 9 million of those in manufacturing. By January 2019, the total number of jobs in the US economy was 150.1 million, with 12.8 million of those in manufacturing (see figure 2.1). Many critics of US economic policy like to focus on the decline in 9 manufacturing jobs that occurred after 2000 (from 17.1 million down to 12.8 in 2019); however, the total number of manufacturing jobs never exceeded 20 million between 1939 and 2019 even though the total number of jobs increased by more than fivefold.

### Inequality---AT: Schmidt and Juijn---2NC

#### Their impact is philosophers speculating about ex risks.

Schmidt ’21 [Andreas T. Schmidt and Daan Juijn; May 2021; Associate Professor of Political Philosophy at the Faculty of Philosophy at the University of Groningen in the Netherlands; Researcher/consultant within the Economics department at CE Delft; Global Priorities Institute, “Economic inequality and the long-term future,” https://globalprioritiesinstitute.org/wp-content/uploads/Inequality-and-the-Long-Term-Future\_Andreas-Schmidt-and-Daan-Juijn-reupload.pdf]

Abstract: Why, if at all, should we object to economic inequality? Some central arguments---the argument from decreasing marginal utility for example---invoke instrumental reasons and object to inequality because of its effects. Such instrumental arguments, however, often concern only the static effects of inequality and neglect its intertemporal consequences. In this article, we address this striking gap and investigate income inequality’s intertemporal consequences, including its potential effects on humanity’s (very) long-term future. Following recent arguments around future generations and so-called longtermism, those effects might arguably matter more than inequality’s short-term consequences. We assess whether we have instrumental reason to reduce economic inequality based on its intertemporal effects in the short, medium and the very long term. We find a good short and medium-term instrumental case for lower economic inequality. We then argue, somewhat speculatively, that we have instrumental reasons for inequality reduction from a longtermist perspective too, because greater inequality could increase existential risk. We thus have instrumental reasons for reducing inequality, regardless of which time-horizon we take. We then argue that from most consequentialist perspectives, this pro tanto reason also gives us all-thingsconsidered reason. And even across most non-consequentialist views in philosophy, this argument gives us either an all-things-considered or at least weighty pro tanto reason against inequality

#### AND says their impact occurs over thousands of years.

Schmidt ’21 [Andreas T. Schmidt and Daan Juijn; May 2021; Associate Professor of Political Philosophy at the Faculty of Philosophy at the University of Groningen in the Netherlands; Researcher/consultant within the Economics department at CE Delft; Global Priorities Institute, “Economic inequality and the long-term future,” https://globalprioritiesinstitute.org/wp-content/uploads/Inequality-and-the-Long-Term-Future\_Andreas-Schmidt-and-Daan-Juijn-reupload.pdf]

So, we can assess the instrumental character of income inequality in three different ways: we can focus on effects in the short term, the medium term (hundreds to thousands of years), or – adopting longtermism – all its future effects. It is not obvious that these three approaches converge. The lack of work on these questions constitutes a surprisingly large and important gap in the literature. This article makes a start filling this gap. To assess the instrumental benefits of equality/inequality, we use a time-discounted instrumentalist framework. We do not look for an optimal level of inequality. Instead, we consider how, at the margin, reducing or increasing economic inequality in today’s richer countries (roughly, OECD countries) would impact expected aggregate human wellbeing, other things equal. We vary our discount rate to check inequality’s effects along three timeframes, short, medium, and long term. We find a good short and medium-term instrumental case for lower economic inequality. We then argue – somewhat speculatively – that we have instrumental reasons for inequality reduction from a longtermist perspective too, because greater inequality could increase existential risk. We thus have instrumental reasons for reducing inequality, regardless of which time-horizon we take.

#### AND is about global inequality.

Schmidt ’21 [Andreas T. Schmidt and Daan Juijn; May 2021; Associate Professor of Political Philosophy at the Faculty of Philosophy at the University of Groningen in the Netherlands; Researcher/consultant within the Economics department at CE Delft; Global Priorities Institute, “Economic inequality and the long-term future,” https://globalprioritiesinstitute.org/wp-content/uploads/Inequality-and-the-Long-Term-Future\_Andreas-Schmidt-and-Daan-Juijn-reupload.pdf]

Future work could probe how far instrumental effects identified at the domestic level extrapolate to the regional or global level (each time considering differences between (i), (ii), and (iii)). For example, the decreasing marginal utility effect should mostly apply globally too (the ‘perceived unfairness’ less so). Moreover, it might be that stark inequalities globally and within regions also diminish the institutional quality of national and international political organisations like the European Union. At the same time, some potential effects might be specific to the international arena. For example, addressing longtermist challenges like climate change or existential risk will require international coordination and cooperation. Stark between-country inequalities might make lower- income countries less willing to cooperate with richer countries to benefit future generations.34 Finally, if one goes beyond Instrumentalism, how to assess inequalities beyond nation states raises its own philosophical questions (Beitz, 2001). Most distributive egalitarians, for example, view both national and global inequalities as intrinsically bad (Caney, 2006). Relational views, on the other hand, hold that distributive inequalities are non-instrumentally bad in virtue of affecting social relations, and such relations are quite different within groups, regions, countries and across borders (Ip, 2016).

#### Inequality isn’t key AND several alt causes.

1AC Schmidt ’21 [Andreas T. Schmidt and Daan Juijn; May 2021; Associate Professor of Political Philosophy at the Faculty of Philosophy at the University of Groningen in the Netherlands; Researcher/consultant within the Economics department at CE Delft; Global Priorities Institute, “Economic inequality and the long-term future,” https://globalprioritiesinstitute.org/wp-content/uploads/Inequality-and-the-Long-Term-Future\_Andreas-Schmidt-and-Daan-Juijn-reupload.pdf]

In response to the first argument, remember we here focus on income inequality reductions. Private funding only requires ‘enough’ wealth inequality going forward, it need not require elite capture. And reducing income inequality is unlikely to eradicate the required wealth inequality and the existence of big donors. In response to the second argument, we are somewhat sceptical that elite capture would translate a lower impatience rate into longtermist strategies in policy. A successful transmission would require influence to be systematic and well-coordinated across time and, probably, across different elite actors. Yet lobbying and elite influence must often capitalise on shorter windows of opportunities, which makes well-coordinated intertemporal, and positive longtermist, policy capture less likely.

Of course, such considerations are speculative. But, in any case, we think that, on balance, there are stronger reasons to believe elite capture would increase – rather than decrease – existential risk. First, elite capture often comes with rent seeking, which lowers institutional quality (Chong and Gradstein 2007). Second, industries like oil, gas, weapons and others are often concentrated and well organised in exerting influence in law and legislation. Their interests and influence overall are likely to be more short-term than longtermist. Third, recent decades have seen a shift towards a stronger shareholder value orientation in corporate governance. A common criticism of this shift is that it incentivises more short-term decisions. Accordingly, corporate influence into public institutions will likely display short-termist bias too. Finally, we can of course imagine that ‘pro- longtermist elite capture’ could happen and gamble on that possibility. However, if strong democratic and legal oversight and the power to check elite influence is lost, we might struggle to reverse our gamble.

Second, high inequality is likely to reduce social capital and trust (Alesina and La Ferrara 2002; Knack and Keefer 1997; Rothstein and Uslaner 2005). Social capital and trust in public institutions in turn are important for effective public goods provision (Knack and Keefer 1997; Beugelsdijk, Groot, and Schaik 2004). Effective public goods provision, in turn, is important for (some) effective measures to reduce existential risk (and, more generally, to coordinate towards more valuable long-term trajectories). Therefore, high inequality could reduce societies’ capacities to effectively respond to large-scale challenges like existential risk.

Finally, some limited direct evidence suggests societies with higher social capital and lower inequality exhibit better preventive and adaptive outcomes for environmental risks and can show greater resilience to external shocks (Bavel and Curtis 2019; Kahn 2005). For example, Matthew Kahn provides some evidence that more equal countries, when controlled for GDP, have significantly lower death rates in natural catastrophes (Kahn 2005). While smaller natural catastrophes are different from global catastrophic risk scenarios, resilience in such events might be somewhat indicative of societies’ resilience to catastrophic risks.

So, good social and institutional conditions could help reduce existential risk. Consider next how, conversely, bad conditions might increase existential risk. A key driver of existential risk is conflict, both between and within nation-states (or what (Ord 2020, 175–79) calls a ‘risk factor’). Conflicts and arms races raise human-induced existential risks such as nuclear war, the outbreak of a bio- engineered virus or the launch of misaligned artificial intelligence. Note that an existential catastrophe could be set in motion either purposefully or accidentally. Both are more likely during conflict. Nuclear warheads, cyberweapons, and bioweapons could all be used purposefully to attack enemy states, leading to potential global escalation. But as past nuclear incidents and close calls during the Cold War show, arms races also increase the probability of accidental catastrophes (Schlosser 2013).

Esteban and Schneider find that formal and empirical evidence suggests that political and social polarization increases the risk of violent conflict, both intra-nationally and internationally (Esteban and Schneider 2008). If income inequality increases polarization, inequality may indirectly drive existential risk. Indeed, recent evidence suggests that income inequality can increase the degree of polarization between groups of citizens. Bonica et al. find that the degree of polarization within the US House of Representatives, for example, is accurately tracked by domestic income inequality, with correlation coefficients rising up to 0.95 depending on the chosen time-period (Bonica et al. 2013, 105–8). Of course, correlation does not imply causation and the correlation is likely at least partially the result of reverse causation or a confounding variable. That said, we should assign a non-negligible credence to inequality partially causing polarization. Moreover, inequality and polarisation might also play some role in getting polarising and populist candidates elected (Piketty 2018). In a preliminary analysis of US election data, Darvas and Efstathiou find that more unequal states were more likely to vote for Donald Trump, after controlling for variables such as income, race and education (Darvas and Efstathiou 2016). Populist politicians – like Trump, Bolsonaro and others – are likely bad news for existential risk reduction. They are less cooperative in delivering regional and global public goods and typically prefer riskier, and more conflictual and nationalistic policy styles.

#### Inequality and risk mitigation are detached.

Thorstad ’23 [David; Fall; PhD, Assistant Professor of Philosophy at Vanderbilt University, Senior Research Affiliate at the Global Priorities Institute, Oxford, and Research Affiliate at the Machine Intelligence and Normative Theory Lab, ANU; Philosophy & Public Affairs, “High Risk, Low Reward: A Challenge to the Astronomical Value of Existential Risk Mitigation,” vol. 51]

A different worry is that the Aschenbrenner result holds when resources are allocated optimally. As Aschenbrenner notes, this may not be the case. For one thing, safety is a global public good and theory predicts that global public goods will be sharply undersupplied.37 Even the largest countries bear only a fraction of global risk burdens, and each nation would prefer to leave existential risk reduction to others. Moreover, much of the disvalue of existential risks comes in their impact on the distant future, and there are good reasons to expect that far-future value will be underpromoted. Indeed, pessimists think that existential risk mitigation has been radically underfunded to date. Aschenbrenner’s model does address one reason why future value may be neglected, namely a positive rate of pure time preference. But it does not address the many other motivational and institutional obstacles, such as cognitive biases and short-term election cycles, which are often held up as obstacles to longtermist political decision-making.38 For these reasons, we might worry that even if an optimal resource allocation would bring an end to the time of perils, human societies may suboptimally allocate resources away from existential risk mitigation at the expense of continued peril.

### Civil War---2NC

#### Best studies disprove civil war.

Hanania ’20 [Richard; October 29; Research Fellow at Defense Priorities, and a Postdoctoral Research Fellow at the Saltzman Institute of War and Peace Studies at Columbia University; Washington Post, “Americans hate each other. But we aren’t headed for civil war,” https://www.washingtonpost.com/outlook/civil-war-united-states-unlikely-violence/2020/10/29/3a143936-0f0f-11eb-8074-0e943a91bf08\_story.html]

Despite its appeal, this view betrays a fundamental misunderstanding of political violence. Historically, the academic literature on the causes of civil war was divided into two categories: Some scholars viewed such conflicts as a predictable outcome whenever there were deep grievances within national populations, while others stressed the importance of citizens having an opportunity to act on those resentments. Much of the discussion about violence in the United States today centers, implicitly, on the grievance model, holding that if we know how much different tribes of Americans hate each other, we can predict the likelihood of fighting in the streets.

But scholars now prefer the opportunity model, thanks to large-scale studies that examine political violence worldwide with cutting-edge statistical methods. Grievances and societal cleavages exist everywhere, waiting to be exploited. What distinguishes the countries that descend into civil war from those that do not is the lack of state capacity to put down rebellion — for reasons rooted in politics, economics or geography.

You might expect, for instance, states that lack democracy, that have diverse populations or that discriminate against minorities would be at the highest risk of internal conflict, because such conditions foment bitter grievances. But in fact, those qualities are at most loosely correlated with civil war, as scholars like the Stanford University political scientists James Fearon and David Laitin and the University of California at San Diego’s Barbara F. Walter have shown.

Rather, civil wars happen where the state is weak. Lower levels of wealth predict civil war, because poor countries lack the law enforcement and military capability to put down armed rebellions. That helps to explain recent conflicts in such varied countries as Yemen and Congo. Power vacuums, as occurred during and after decolonization, after American regime-change wars and after the collapse of the Soviet Union, create uncertainty about who is in charge and can inspire those who seek power to take up arms. There are other factors, too: States that are rich in oil see more civil war because the potential payoffs of a successful rebellion are higher — but this applies only up to a certain level of income, after which point the government is often able to buy off or destroy any potential challengers.

The Balkans offer a ready example of how grievance based on ethnic tension must be intertwined with the collapse of order for groups to take up arms against one another. While various ethnolinguistic communities there long eyed each other with suspicion, going back to the days of the Ottoman and Austro-Hungarian empires, those tensions did not lead to violence for most of the region’s history, including during the nearly half-century of communist rule. But when the Soviet empire fell and communist governments were discredited, parts of Yugoslavia began to declare independence. Serbs, Bosnians, Croats and Albanians, incited by political opportunists and demagogues, fought wars against one another for a decade, drawing in the international community, until sovereign states emerged with new, widely accepted borders.

In one influential 2006 study representative of the new school of thought — one that examined 172 countries from 1945 to 2000 — the political scientists Havard Hegre, of the Center for the Study of Civil War, and Nicholas Sambanis, of Yale University, used advanced statistical tools to determine which of 88 factors most consistently predicted civil war. Grievance-based measures like authoritarian government and ethnolinguistic diversity ranked low or had no discernible effect (although the latter did predict internal conflict when the analysis included the lowest level of conflict measured, defined as 25 or more deaths in a year). In contrast, Hegre and Sambanis found that measures of opportunity like a small military establishment and rough terrain — which offers a base from which rebels can strike — had a much stronger and more consistent effect.

Geography is a surprisingly potent variable in predicting civil war — and can confound even moderately strong states. During such conflicts, governments usually control the cities, and rebels form bases in relatively inaccessible regions like mountains, forests and swamps. Countries that have had problems with mountain-based minorities include Russia, which has confronted rebels in Chechnya, and Turkey, which is still fighting Kurds in the southeast of the country. (Until the 1990s, the Turkish government even referred to Kurds as “Mountain Turks,” denying their identity while acknowledging the geographical nature of the problem.)

Even with the most difficult geographic conditions, however, wealth and government power tend to erase opportunities for rebellion. Consider that in 1948 and 1949, South Korea faced a communist-led uprising on Jeju Island — which lies in the Korea Strait, about 60 miles from the mainland — in a conflict that cost as many as 30,000 lives, mostly civilian. A poor, newly independent South Korea had difficulty bringing that island under control and relied on brutal tactics to do so, including summary executions. But now that South Korea has joined the club of modern, industrialized states with advanced militaries, the idea of a region like Jeju rebelling has become unthinkable.

Wealth and military power explain why, in the United States, civil war is likely to remain a metaphor. Its per capita gross domestic product is about $62,000 a year, among the highest in the world, and its military is clearly capable of wiping out any challenges to state power. (The U.S. Civil War occurred when the nation had a per capita GDP comparable to that of a developing nation today, and when military technology was limited to rifles and cannon.) The Pentagon has 1.3 million active-duty personnel, can find terrorists on the other side of the world and wipe them out with the push of a button, and boasts a command-and-control structure with no recent history of factionalization. There is no swamp or mountain peak that is beyond the easy reach of the U.S. military.

### Slow Growth---2NC

#### There’s zero correlation between decline and war.

Laio ’19 [Jianan; 2019; Shenzhen Nanshan Foreign Language School; International Symposium on Social Science and Management Innovation, “Business Cycle and War: A Literature Review and Evaluation,” vol. 68]

Through the comparison of the two views, it can be found that both sides are too vague in the description of the concept of business cycle. According to economists such as Joseph Schumpeter, the business cycle is divided into four phases: expansion, crisis, recession, recovery. [12] Although there are discords in the division and naming of business cycle, it is certain that they are not simply divided into two stages of rise and recession. However, as mentioned above, scholars who discussed the relationship between business cycle and war often failed to divide the business cycle into four stages in detail to analyze the relationship.

First, war can occur at any stage of expansion, crisis, recession, recovery, so it is unrealistic to assume that wars occur at any particular stage of the business cycle. On the one hand, although the domestic economic problems in the crisis/recession/depression period break out and become prominent in a short time, in fact, such challenge exists at all stages of the business cycle. When countries cannot manage to solve these problems through conventional approaches, including fiscal and monetary policies, they may resort to military expansion to achieve their goals, a theory known as Lateral Pressure. [13] Under such circumstances, even countries in the period of economic expansion are facing downward pressure on the economy and may try to solve the problem through expansion. On the other hand, although the resources required for foreign wars are huge for countries in economic depression, the decision to wage wars depends largely on the consideration of the gain and loss of wars. Even during depression, governments can raise funding for war by issuing bonds. Argentina, for example, was mired in economic stagflation before the war on the Malvinas islands (also known as the Falkland islands in the UK). In fact, many governments would dramatically increase their expenditure to stimulate the economy during the recession, and economically war is the same as these policies, so the claim that a depressed economy cannot support a war is unfounded. In addition, during the crisis period of the business cycle, which is the early stage of the economic downturn, despite the economic crisis and potential depression, the country still retains the ability to start wars based on its economic and military power. Based on the above understanding, war has the conditions and reasons for its outbreak in all stages of the business cycle.

Second, the economic origin for the outbreak of war is downward pressure on the economy rather than optimism or competition for monopoly capital, which may exist during economic recession or economic prosperity. This is due to a fact that during economic prosperity, people are also worried about a potential economic recession. Blainey pointed out that wars often occur in the economic upturn, which is caused by the optimism in people's mind [14], that is, the confidence to prevail. This interpretation linking optimism and war ignores the strength contrast between the warring parties. Not all wars are equally comprehensive, and there have always been wars of unequal strength. In such a war, one of the parties tends to have an absolute advantage, so the expectation of the outcome of the war is not directly related to the economic situation of the country. Optimism is not a major factor leading to war, but may somewhat serve as stimulation. In addition, Lenin attributed the war to competition between monopoly capital. This theory may seem plausible, but its scope of application is obviously too narrow. Lenin's theory of imperialism is only applicable to developed capitalist countries in the late stage of the development capitalism, but in reality, many wars take place among developing countries whose economies are still at their beginning stages. Therefore, the theory centered on competition among monopoly capital cannot explain most foreign wars. Moreover, even wars that occur during periods of economic expansion are likely to result from the potential expectation of economic recession, the “limits of growth” [15] faced during prosperity – a potential deficiency of market demand. So the downward pressure on the economy is the cause of war.

#### Their ev concedes leaders provoke low-level skirmishes, not actual wars

Jung ’24 [Sung Chul; Department of Political Science and Diplomacy, Myongji University; Journal of Peace Research, “Economic slowdowns and international conflict,” vol. 61, p. 184-185]

Economic dependence and attractive targets

Even if economically troubled states tend to be aggressive, unpopular leaders are not necessarily reckless and will not target other states indiscriminately. They can be prudent in choosing their military targets to restore their political influence. These leaders hope to avoid wars with high costs and unsuccessful outcomes. They need rally effects, not hard-won victories, to protect and prolong their political lives. Therefore, diversionary incentives should generate small-scale conflicts in terms of intensity and duration (Weisiger, 2013). Because long and bloody wars are not popular, leaders search for non-aggressive targets that are unlikely to lead to serious reprisals (Jung, 2014b). For example, since the first North Korean nuclear crisis, some experts have expressed the view that Pyongyang does not want a large-scale war but repeated crises that provide material benefits through the resulting negotiations with Washington and Seoul, which create a siege mentality among the North Korean elites and public. Kim Jong Un knows that a war with the United States would be a catastrophe, but also that provocations short of war may well be advantageous.

How do political leaders choose diversionary targets and gain domestic support through popular conflicts? This analysis highlights a potential target’s (PT) economic dependence on a potential initiator (PI) among others, which may affect political leaders’ decisions regarding diversionary conflict. Economic interdependence has been a prominent topic in international conflict studies, with some suggesting that it has pacifying effects. Liberal scholars have argued that ‘trading states’ that were once ‘territorial’ now make money, not war (Angell, 2012; Rosecrance, 1986). In a globalized economy, states see one another as business partners and believe that trade and investment with these partners will increase prosperity and stability, at least in the long term. Although one-time defection may provide larger short-term benefits, repeated games encourage interstate cooperation through linkage politics and international organizations (Axelrod & Keohane, 1985). According to some studies, democratic peace (i.e. the absence of war between democracies) can be attributed not to the normative and institutional characteristics of democracies but to the economic interdependence among democracies, most of which have capitalist economies (Gartzke, 2007; Mousseau, 2002).

However, some scholars have questioned the ability of economic interdependence to yield interstate peace and stability (e.g. Barbieri, 2002; Copeland, 2015; Grieco, 1988). Most if not all interdependent relations are asymmetric. When two states become economic partners, one relies more on the other because of the former’s smaller economy and/or limited access to markets, resources, and products. As a result, the senior partner has leverage over the junior partner, which, in turn, is always suspicious of the senior. This is why realists such as Waltz (1970) argue that economic interdependence is a cause of international conflict rather than of international peace. Stronger economic relations can stoke mistrust and provide more reasons for disputes. Indeed, wars such as World War I and the Pacific War turned partners in trade into enemies.

This article suggests that leaders of economically troubled states will prefer vulnerable economic partners as diversionary targets. Due to its economic dependence, the junior partner can be expected, at least by the leader facing a domestic challenge, to respond timidly to military aggression. The lack of harsh retaliation by the junior partner will enable the aggressor’s leader to benefit from rally effects without embarking on a protracted, costly conflict. If an economically troubled state experienced a harsh response to an act of aggression, the aggressor’s leader would face domestic criticism over the high cost of the military action. Targeting an economically vulnerable state can be less risky because the target is less committed to and has less capacity for escalation of a crisis. Given that leaders facing an economic slowdown prefer limited conflicts to all-out war, the present study hypothesizes that a PT’s economic dependence on a PI increases the possibility of the PI’s diversionary action against the PT (H2).

#### The article’s about niche dyads, not great powers---AND concedes it’s empirically denied by the 2010s and COVID thumps

Jung ’24 [Sung Chul; Department of Political Science and Diplomacy, Myongji University; Journal of Peace Research, “Economic slowdowns and international conflict,” vol. 61, p. 192-193] \*Language edited

Summary and implications

Since the 2000s, many pundits and scholars have attributed two rising powers’ instances of aggression to their domestic problems. Russia’s invasion of Ukraine and annexation of Crimea and its deployment of troops to Syria, along with China’s assertive actions in the South China Sea, have been seen as aggressions arising out of domestic weakness (Kaplan, 2016). Some have attributed China’s recent provocative actions against India, Japan, and Taiwan to its struggling economy in the wake of the pandemic (Myers, 2020). In the post-Cold War period, these two great powers, often regarded as revisionist powers, have regained their national capabilities to some extent and have sought higher status in international politics (Larson & Shevchenko, 2010). What made them more aggressive in the 2010s? One promising explanation is their decreasing economic growth rates. Due to their abundance of natural and human resources, the two former communist countries had maintained their increased status relative to their neighboring states since the 2000s or even earlier. However, falling energy prices and the reform-incapable structures of their economies [slowed] retarded their further growth and increased the burden on their authoritarian leaders, who also had to manage domestic calls for political freedom and maintain the legitimacy of their rule. According to this article’s causal explanation, Russia and China became more revisionist actors in the 2010s at least partly because their economies went downhill, and their aggressions were directed at smaller and more vulnerable economies.

A slowing economy and economic dependence have both individual and interactive effects on military conflict in international politics. Slow growth rates contribute positively to conflict initiation, especially when an autocracy suffering from a slowing economy targets a democracy whose economy is dependent on the autocracy. Whereas economic interdependence has been regarded by many liberal scholars as a reason for international cooperation, this study shows why and how asymmetric interdependence contributes to interstate conflict by articulating its interaction with an economic slowdown in a dyadic relationship. Both political unrest and economic problems have destabilizing effects on international politics, but their effects differ when economically dependent democracies are the target. Future research should compare different types of domestic unrest and their effects on international relations with sophisticated logic and strong evidence.

This analysis shows that economic growth has two distinct effects. Slower growth makes one state weaker than others and its leaders more vulnerable to domestic challenges. A state’s economic slowdown not only causes a change in the balance of economic power so as to favor its competitor but also increases the troubled state’s foreign aggression, which can harm its adversary. Therefore, it is uncertain whether one state’s economic slowdown benefits its rival’s security. An autocracy’s slowing economy can be a warning, rather than good news, to its democratic opponents if the latter maintain economic relationships with the former. In this regard, economic sanctions may provoke the target leader’s diversionary tactic of blaming its poor economy on the sanctioner. We can see this pattern in Tokyo’s surprise attack on Pearl Harbor at a time of US sanctions against Japan, which had continued since the late 1930s.

The current global economic outlook is uncertain in the wake of COVID-19. Although we do not yet know the pandemic’s long-term economic consequences, all states will likely struggle with slower growth and the erosion of democracy and will engage in more protectionist policies to reboot their economies and save major industries. In this context, we should be especially concerned about the risk that troubled economies pose to international security. As this study’s findings suggest, slower growth causes domestic problems, which often lead to the diversionary use of force against foreign states. If we cannot prevent struggling leaders from using diversionary tactics, worsening economies in authoritarian states will likely drive such states into a more confrontational or aggressive stance toward their economic partners, if not toward political and ideological partners. We can all hope world leaders will realize that this is a time to beat a global pandemic and an economic recession, not to beat up on a foreign state.

### Disease---2NC

#### Public health response solves.

Thorstad ’23 [David; August 12; PhD, Assistant Professor of Philosophy at Vanderbilt University; Reflective Altruism, "Exaggerating the risks (Part 10: Biorisk: More grounds for doubt)," https://reflectivealtruism.com/2023/08/12/exaggerating-the-risks-part-10-biorisk-more-grounds-for-doubt/]

2. Public health response

One of the strongest lessons from the COVID-19 pandemic is that simple non-pharmaceutical interventions such as masking, social distancing, and travel restrictions, can be highly effective if governments have the will to enforce them. For example, a study in Nature of early COVID measures in mainland China found that non-pharmaceutical interventions reduced cases by a factor of 67 by the end of February 2020. Here are their estimates for the course of the outbreak in Wuhan (b) and Hubei (f) with and without intervention.

That is not to say that non-pharmaceutical interventions are a panacea. They work less well when they are not consistently enforced. And in the case of China, they ultimately failed to counteract the effects of insufficient vaccination among the elderly. But used properly, non-pharmaceutical interventions are a remarkably effective tool in slowing the spread of disease.

Another novel feature of the COVID-19 pandemic is that, for the first time, an active pandemic was brought to an end through real-time development and deployment of vaccines. Although vaccines took over a year to bring to market, serviceable vaccines were quite quick to develop, and a society facing existential catastrophe might well bring a serviceable vaccine to market far more quickly, on a scale of months or even weeks, and advances in medical technology might bring further improvements beyond this. This would be particularly true if societies were willing to loosen restrictions on human trials and regulatory approval, which a society facing existential catastrophe might well do.

### Inequality---AT: Turns Growth---2NC

#### Metanalysis is neg. There’s a systemic publication bias towards ‘inequality turns growth.’

Capretti ’25 [Lisa and Lorenzo Tonni; March 20, 2025; CEIS at the University of Rome Tor Vergata; Department of Economics, Management, and Quantitative Methods at the University of Milan; Social Science Research Network, “Income Inequality and Economic Growth: A Meta-Analytic Approach,” https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=5272663]

Meta-analysis provides a valuable tool to reconcile the diverging results of existing literature. It sistemically collects results from all studies meeting explicitly stated criteria and relies on predefined procedures for data extraction and statistical analysis, minimizing the risk of bias or subjective interpretation and explaining differences in studies’ conclusions using ad-hoc statistical techniques. This approach allows for better assessment of sources of heterogeneity, offering a more robust understanding of the phenomenon being investigated (Stanley and Doucouliagos, 2012). Given the substantial variability characterizing the inequality-growth literature, meta-analysis is especially useful in addressing and clarifying this heterogeneity.

The influence of income distribution on economic growth has been previously analyzed in a meta-analysis by De Dominicis et al. (2008) and Cunha-Neves et al. (2016). De Dominicis et al. (2008) compile a dataset consisting of 407 estimates from 37 studies produced before 2006, including both published articles and working papers. Their main findings are that results are influenced by the estimator employed, but are not affected by dataset structure- whether panel or cross-section. Specifically, fixed-effects estimator generates a positive impact of inequality on growth in pooled studies. Additionally, their findings indicate that the adverse effect of income inequality on economic growth is more severe in less developed countries. They also observe that the inclusion of regional dummies tends to weaken the negative impact of inequality in cross-sectional estimates, while computing growth on longer periods amplifies this negative effect. The analysis further reveales that the significance of the estimates diminishes as the quality of income distribution data declines. Additionally, they detect a publication bias skewed toward studies that report a negative impact of inequality on economic growth.

Cunha-Neves et al. (2016) limit their analysis to the single estimates preferred by authors on the basis of the results highlighted in the abstract or the concluding section. Their dataset consists of 49 observations from 28 articles published before 2014. Like De Dominicis et al.(2008), they find a more adverse impact of income inequality in less developed countries and that the inclusion of regional dummies in the regression analysis could mitigate this effect. In contrast to De Dominicis et al. (2008), they observe that it is the type of dataset employed- either panel or cross-sectional - that influence the results rather than the choice of the estimators. Another point of divergence concerns the quality of income distribution data. In contrast with De Dominicis et al. (2008), Cunha-Neves et al. (2016) do not find that data quality significantly affects the estimated relationship. Additionally, they report evidence of publication bias in the form of an over-representation of statistical significant results.

#### At best, the effect is non-linear and uncertain. All the research conflicts.

Motahar ’25 [Seyed and Siab Mamipour; February 9, 2025; Faculty of Economics and Business Administration at the University of Duisburg-Essen; Faculty of Economics at Kharazmi University; Computational Economics, “The Impact of Wealth Inequality on Economic Growth: A Machine Learning Approach,” https://link.springer.com/content/pdf/10.1007/s10614-025-10902-7.pdf]

1 Introduction

The relationship between economic inequality and growth is a critical subject in macroeconomic studies and the issue has received considerable focus in recent policy discussions. Especially because since 1980, there has been a significant escalation in wealth inequality globally, as evidenced by the wealth Gini coefficient, which has demonstrated a meaningful increase across the majority of countries, affecting approximately 70 percent of the world’s population (WID, 2021). In response to these debates, this research presents analyses of how wealth Gini coefficient impacts GDP per capita growth across different groups of countries using the latest advancements in ML (Machine Learning) techniques.

Numerous theoretical studies have explored the link between inequality and economic growth via various mechanisms, yet have arrived at diverse and often conflicting conclusions. Similarly, empirical research yields divergent outcomes, adding to the uncertainty about this relationship (Cartone et al., 2021; Halter et al., 2014; Neves &Silva, 2014; Neves et al., 2016). The disparities in empirical evidence regarding the relationship between inequality and growth can be attributed to factors such as the absence of comprehensive data, overlooking the nonlinear dynamics of the relationship, and failing to account for the heterogeneity of countries. Moreover, while wealth distribution is mainly the basis for theoretical reasoning, the majority of empirical research opts for analyzing income distribution instead of wealth, mainly due to the lack of comprehensive data on wealth distribution across a broad range of countries. However, building on the research by Motahar & Yahoo (2025), which identified the wealth Gini coefficient as the key measure of economic inequality impacting economic growth among 33 different inequality measures across three subgroups—specifically income and wealth inequality and poverty—this study concentrates on the link between the wealth Gini coefficient and GDP per capita growth.

This research endeavors to explore some pivotal questions regarding the relation-ship between wealth inequality and economic growth. Firstly, what is the sign and magnitude of the impact that inequality has on economic growth? Secondly, the investigation considers whether this relationship is universally applicable across the global landscape or if it varies due to the unique institutional characteristics and structural forms of inequality present in different countries. A further line of inquiry examines the nature of this impact: Is it linear or monotonous, or could it be argued that both ends of extreme inequality hinder economic development, while moderate levels might foster growth? Through addressing these questions, the research aims to shed light on the complex dynamics between wealth distribution and growth.

#### Inequality is not detrimental.

Hasanov ‘11 [Fuad; 2011; Senior Economist at the International Monetary Fund (IMF) and an Adjunct Professor of Economics at Georgetown University; Journal of Regional Science, “Income Inequality, Economic Growth, and the Distribution of Income Gains: Evidence from the United States,” vol. 51 no. 3]

In the United States, the last few decades witnessed both an increase in inequality and strong economic growth. The Gini coefficient, a measure of inequality, had risen by about 12 percent from 1979 to 1999. A similar trend was observed at the state level.1 The increase in the state Gini coefficients ranged from 7 percent (Nebraska and Iowa) to 19 percent (New York) and 22 percent (Connecticut). During the same time period, real personal income per capita had grown by an annual average rate of about 1.5 percent.

In recent years, many governments have been involved in the implementation of policies aimed toward achieving economic growth.2 Yet it will be hard to justify these policies or convince a majority to support them if the gains from economic growth are not shared by all income groups or are concentrated mostly among the richest quintile (Q5). In this paper using the U.S. states data, we explore the inequality channel of growth policy and assess the distribution of income gains among different income groups.3

Our contribution to the inequality-growth literature is twofold. First, unlike the previous literature that uses the U.S. states data and national CPI deflator (e.g., Frank, 2009; Panizza, 2002; Partridge, 2005, 1997), we use a state cost of living (COL) index as a deflator for state nominal income (measured as state personal income per capita). The empirical evidence indicates that prices are different among states (e.g., McMahon and Melton, 1978; Nelson, 1991). This evidence also points out to a large degree of variability of inflation rates among states. We believe that the use of the national CPI as a deflator for all states can cause a bias in the estimation of the effect of inequality (measured as the Gini coefficient) on economic growth since it introduces a bias into the state real growth rates of income.4,5 We find that using the state COL index rather than the national CPI improves specification tests of our models.

Second, we comprehensively study nonlinearities in an inequality-growth relationship using the U.S. states data. The previous studies used cross-country data, and various forms of nonlinearities were not systematically examined. Banerjee and Duflo (2003) presented a theoretical argument based on models of “hold-up” by political groups and of wealth redistribution that the relationship between a change in inequality and growth was nonlinear. The authors rejected linearity in the cross-country data and found that any increase or decrease in inequality would lower growth. Barro (2000) found that the impact of inequality on growth depended on a country’s development level (measured by log real per capita GDP). In poor countries, higher inequality reduced growth but increased it in rich countries. In our estimations, we test for three forms of nonlinearity, Gini squared, Gini/income interaction, and a change in Gini terms, and assess which model is more relevant to the data.

We find that the impact of inequality on growth is nonlinear. The data mostly favor a change in Gini model, but there is some indication that dropping a few outliers may weaken this result. Both models—a combined model with Gini squared and the Gini–income interaction and a change in Gini model—suggest that at the 2000 average levels of inequality, lower inequality or relatively higher inequality (an increase of more than 0.1) would reduce growth. Some increase in inequality is beneficial for growth, ac- cording to a change in Gini model. Both models also suggest that a stable level of inequality would not be detrimental to growth.

### U---2NC

#### Productivity growth is rock-solid. Tariffs priced in.

House ’8-7 [Sarah and Nicole Cervi; 2025; MS, managing director and senior economist for Wells Fargo’s Corporate and Investment Bank; MA, economist for Wells Fargo Corporate and Investment Banking; Wells Fargo, “Productivity: Through the Ups and Downs, Firm Trend,” https://wellsfargo.bluematrix.com/links2/html/a87b9bf5-4950-4589-aabb-89f9f54a2350]

Output per hour worked increased at a 2.4% annualized rate in Q2, bouncing back from the prior quarter's decline and helping to keep the underlying trend in nonfarm labor productivity growth solid. Unit labor costs rose at a 1.6% annualized rate and the four-quarter moving average is up 2.2% over the past year. As such, the still solid pace of nominal compensation growth remains unlikely to be the force that keeps inflation meaningfully above the Fed's 2% inflation target.

<<CHART OMITTED>>

Source: U.S. Department of Labor and Wells Fargo Economics

Q2 Productivity Rebound Keeps Unit Labor Costs Friendly for Inflation

Amid lingering concerns about inflation and more recent worries of economic activity wobbling, the firm trend in labor productivity is a welcome bright spot. Output per hour worked increased at a 2.4% annualized rate in the second quarter, bouncing back from the prior quarter's decline (chart). The rebound was underpinned by a sharp recovery in output growth (+3.7% annualized) that outpaced a 1.3% annualized gain in hours worked. While a solid outturn, output has been more volatile than usual due to massive swings in trade flows, which has distorted readings of productivity recently.

Smoothing with a four-quarter moving average, nonfarm labor productivity is up 1.8% year-over-year (chart). This pace matches its average annualized increase since the end of 2019 and is notably stronger than the past cycle's average of 1.5%. With workers more productive, firms have generally enjoyed increased profitability and employees have seen real earnings growth. Solid productivity growth also provides firms the flexibility to absorb higher costs of production without needing to mark up their selling prices to the same degree, which could help to counterbalance the inflationary impulse from tariff-related price pressures today.

#### AI and new businesses are already yielding dividends, teeing up a productivity boom.

Lahart ’25 [Justin and Lauren Weber citing John Haltiwanger; January 2; WSJ reporters; PhD economics, Distinguished University Professor of Economics at the University of Maryland-College Park; Wall Street Journal, “The American Worker Is Becoming More Productive,” https://www.wsj.com/economy/jobs/worker-productivity-america-growing-36f4c90c?st=HqWBCM&reflink=desktopwebshare\_permalink]

America is getting better at getting things done.

Take Vic Viktorov, a gym owner who increased revenue at his Boston business in 2024 by 30% without adding a single salesperson to the two already on staff. Instead, he has been using an artificial-intelligence model loaded with company documents, sales materials and other information. Now, he can complete in just minutes work that used to take hours, such as writing marketing plans, email drafts and social-media posts.

“It allows us to be lean, nimble and fast,” said Viktorov.

Productivity in the U.S., as measured by how much the average worker gets done in an hour, has been on the rise. That matters because the faster that productivity grows, the faster the economy can grow as well. The success of the U.S. economy, and why it has grown so much compared with other countries over the past century and more, has hinged on its productivity.

Productivity—the total output of the economy divided by hours worked—rose 2% in the third quarter compared with a year earlier, according to the Labor Department. That marked the fifth quarter in a row with an increase of 2% or better. In the five years before the pandemic, there were only two such quarters.

The gains in part reflect massive changes in the U.S. economy since the onset of Covid-19. Companies learned new ways of doing things and adopted new technologies, while an upheaval in the labor market moved workers into more productive jobs.

Another big change in the American labor force—a massive influx of immigration—might also have played a role. Immigrants are often slotted into manual-intensive jobs, which could allow other workers to move up to more highly skilled jobs.

Businesses learned new ways to operate: QR codes instead of paper menus at restaurants, for example, or a videoconference instead of a time-consuming trip out of town. There has also been a big and continuing jump in the number of new businesses getting started.

And workers, for their part, moved themselves into better-paying and higher-skilled jobs. When restaurants, hotels and retailers reopened after briefly shutting down, they struggled to find workers and were more inclined to offer bonuses or promotions. That made it easy for, say, a cashier at a poorly run store to get work at a well-run one—where he might earn more money, have more responsibilities and get more done.

Of course, increased productivity isn’t always good news for workers: One way that companies get more productive is by laying off employees. New technologies such as AI can create new jobs and make workers more efficient—or take their jobs.

The recent dockworkers strike was fueled in part by port employers’ desire to expand the use of automated machinery on docks. President-elect Donald Trump threw his support behind the dockworkers, saying in December that automation threatened jobs.

And it isn’t clear that the move up in productivity growth will last. The figures are both volatile and subject to revision. The wave of job switching after the pandemic hit has run its course. And so far, productivity isn’t experiencing anything like the boom in the 1990s, when the wide-scale adoption of the personal computer and the advent of the internet reshaped the economy.

But at the least, it looks better now than before the pandemic, when economists worried the U.S. was stuck in a low-productivity funk.

With labor scarce in recent years, Novae, a Markle, Ind.-based maker of trailers for pickup trucks, built a state-of-the-art factory that opened six months ago. It cost $35 million, about seven times more than typical plants in the industry, and output is already 35% higher per worker, according to Chief Executive Manish Bhandari. He expects even better results over time, partly because the new factory helps the company retain its skilled workers.

At the plant, Novae automated some processes and incorporated improvements suggested by workers. One employee designed a bin that hangs 3 inches away from assemblers’ hands and holds a fastener used in the trailer’s frame.

The company also worked with Streamliners, an operations consulting firm, on an older factory near Minneapolis, with a goal of increasing productivity by 70%. Lacking additional room to expand, the team designed a whole new layout for the existing space.

“There is no silver bullet here,” Bhandari said. “It’s hundreds of small decisions.”

‘They don’t have anything to lose’

The stakes are high. Economic growth fundamentally relies on how many people are working and how much they can produce while they are on the clock.

But America’s scope for expanding its labor force is limited: The population is increasing slowly, the baby-boom generation is retiring, and Trump has promised to heavily restrict immigration and deport millions of immigrant workers who are already in the U.S. Stronger productivity would help bolster the economy and support an aging population.

Productivity also helps keep inflation in check: A more efficient business can be more profitable and pay its workers more without raising prices.

In November, there were a seasonally adjusted 157,678 “high-propensity” new-business applications, those with a high likelihood of turning into businesses with payroll, according to the Census Bureau—nearly 50% above the monthly levels that prevailed before the pandemic.

That is a positive sign for productivity, for two reasons, according to University of Maryland economist John Haltiwanger.

First, when there are new opportunities for innovation, as with cars a hundred years ago or computers in the 1980s and 1990s, new businesses proliferate. Second, new businesses are quicker to adopt new technologies. That can allow them to hire fewer workers to get things done.

“They’re more likely to do radical things,” Haltiwanger said. “They don’t have anything to lose, so to speak.”

Hybrid-work arrangements might have also helped productivity for white-collar workers by creating a balance between the quiet of home and face-to-face interactions of the office. Hybrid work also appears to improve employee retention, said Stanford University economist Nick Bloom, meaning businesses don’t lose time training new workers.

#### There’s tons of productivity growth in the pipeline---the stars are aligned for a boom in efficiency.

Pethokoukis ’25 [James citing Jason Furman; March 7; senior fellow and the DeWitt Wallace Chair at the AEI; PhD economics, Aetna Professor of the Practice of Economic Policy at Harvard; American Enterprise Institute, “America’s Productivity Pop,” https://www.aei.org/economics/americas-productivity-pop/]

You love to see it. After a lengthy spell of sluggish growth, America’s productivity figures have turned decidedly rosier of late. New revisions from the Bureau of Labor Statistics show nonfarm business sector labor productivity now exceeds pre-pandemic forecasts, rising at an annual clip of 1.9 percent during the current economic cycle, according to an analysis by Harvard University economist Jason Furman, a former economic adviser to President Barack Obama.

This pace has held steady at two percent over the past four quarters. Though hardly comparable to the tech-fueled boom of 1995–2005, it represents a meaningful step-up from the anemic growth of recent years.

The quarterly pattern raises the possibility that this is no mere post-pandemic rebound, one reflecting the more efficient reallocation of resources after an economic shock. Perhaps we’re seeing a more durable trend, though data volatility suggests caution.

Intriguingly, artificial intelligence—despite lots of investment and even more hype—has likely contributed little thus far. Furman posits that AI’s productivity-enhancing effects are still largely offset by the resources firms are deploying to implement it. It’s a phenomenon called the J-curve effect: New technologies can initially decrease productivity while firms develop complementary organizational capabilities, only later yielding higher productivity and profits.

From the paper “The Productivity J-Curve: How Intangibles Complement General Purpose Technologies” by Erik Brynjolfsson, Daniel Rock, and Chad Syverson, “General purpose technologies (GPTs) such as AI enable and require significant complementary investments, including co-invention of new processes, products, business models and human capital.” What’s more, rapid technological advancement may even freeze investment as firms delay decisions anticipating better versions.

(A side note: A new research note from Goldman Sachs tries to sleuth out why revenue for public companies exposed to the build-out of AI infrastructure increased by over $340 billion since 2022 and yet real investment in AI-related categories in the US GDP accounts has only risen by $42 billion. The bank’s explanation: First, a significant portion of the gap reflects simple cost inflation, particularly in semiconductors. Second, fatter profit margins and overseas sales boost corporate revenues but not domestic output. Third, America’s statistical machinery likely undervalues AI’s contribution by $100 billion, as crucial semiconductors and cloud services are recorded as intermediate inputs rather than final investment.)

For the world’s largest economy, this productivity revival could scarcely be more welcome. Furman notes, it remains “the most important factor” for long-term economic prospects. Let’s hope the upturn isn’t undermined by new US trade policy.

It would be awesome if advances in AI could add half a percentage point to productivity growth, if not more—and sooner rather than later. Let’s hope AI capabilities keep improving and businesses are able to put them to work in a timely fashion. I will be keeping an eye on this Manifold Markets contract:

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#### AI will end productivity stagnation.

Weinberg ’24 [Neil citing David Autor, Shakked Noy, Whitney Zhang; December 2; CBR author, PhD, Professor in the MIT Department of Economics; MIT PhD students; University of Chicago Booth School of Business, “Is Productivity About to Skyrocket?” https://www.chicagobooth.edu/review/is-productivity-about-to-skyrocket]

But MIT’s Autor takes an optimistic view of what AI could mean for workers. He writes about the technology’s broad potential to enable workers to capitalize on the relevance, reach, and value of human expertise that they don’t personally possess. Specifically, he argues that certain tasks that are currently performed by elite experts could be dramatically democratized. If used well, AI could extend certain medical care beyond doctors, document production beyond lawyers, and software coding beyond programmers. AI’s potential to extend the efficiency and scope of expertise is especially important in an era when birth rates and the labor pool are shrinking, Autor writes.

He cites a simple analogy from a Pew Research study indicating that slightly more than half of adults find the video site YouTube “very important” in figuring out how to perform new tasks. Autor’s point is that the content democratizes expertise by letting those best positioned to solve problems share their knowledge with nonexperts.

While AI is not a major player in the creation of YouTube how-to videos (not yet, at least), Autor cites a trio of studies to highlight evidence that it is already being used as a teaching tool. One controlled experiment—by Microsoft’s Sida Peng, GitHub’s Eirini Kalliamvakou and Peter Cihon, and MIT’s Mert Demirer—finds that software programmers who were given access to generative AI–based tools completed tasks 56 percent faster than a control group.

A second study, by MIT PhD students Shakked Noy and Whitney Zhang, finds that AI led to significant improvements in the speed and quality of work by writers involved in marketing, grant proposals, consulting, and other tasks. ChatGPT enabled the best writers to work faster and the less capable to improve both the speed and quality of their output. The productivity gap between the excellent and the adequate narrowed as a result. Overall, the time needed to complete the tasks studied fell by 40 percent.

If similar trends spread broadly across the economy, a US labor model that’s been hollowed out by waves of automation and globalization could begin favoring middle-class workers, writes Autor.

If AI does usher in such structural changes, the effects would be profound. It could help restore the stature that many middle-class workers once enjoyed in the postwar years while lowering costs in critical sectors including healthcare and education. Such a happy ending is neither an inevitable nor an intrinsic consequence of AI. But, in Autor’s view, it is an economically coherent and morally compelling one. And if it’s correct, the long productivity slump would soon be history.

### Link---2NC

#### 3. R&D cuts, shirking, and innovator flight---all empirically proven.

Bradley ’17 [Daniel, Incheol Kim, and Xuan Tian; 2017; PhD, Professor in the School of Business and Finance AND Chair in Finance and Sustainability, University of Southern Florida; PhD, Associate Professor in Finance, University of Texas Rio Grande Valley; Chair and Professor of Finance, Tsinghua University; Management Science, “Do unions affect innovation?” vol. 63]

5.1 R&D spending

In this subsection, we examine whether a cut in R&D expenditures after a successful union election is a possible underlying mechanism through which unionization impedes firm innovation. Because of misaligned incentives between employees and firms after unionization, unionized employees cannot credibly commit that they will not demand higher wages once the innovation process has started and the costs are sunk, so this ex-post holdup on the part of employees could lead to an ex ante underinvestment in innovation inputs (e.g., R&D) by firms. While previous studies (e.g., Allen, 1988; Bronars and Deere, 1993; Connolly, Hirsch and Hirschey, 1986; Hirsch, 1992) tend to find a negative association between industry- or firm-level unionization rates and R&D expenditures, to the best of our knowledge, a causal link has not been established.

We revisit this relation and attempt to establish a likely causal link between unionization and R&D expenditures in our RDD framework, using firm-level union election data. Because R&D expenditures are not available for privately-held firms, for this test we focus on the sample of publicly-traded companies. R&D expenditures and firm total assets are from Compustat. We use the local linear regression RDD with the optimal bandwidth advocated by Imbens and Kalyanaraman (2012) with a triangular kernel. We substitute R&D/Assets as the dependent variable for our innovation output measures. We present the results in Table 7.

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The coefficient estimates on Unionization are all negative and significant, suggesting that there is a negative effect of unionization on R&D expenditures. The negative effect of unionization on R&D spending is statistically significant beginning in year 1 and this negative effect is persistent through year 3 post-election.

The evidence presented in this subsection suggests that at least some of the decline in innovation output that we document can be attributed to a decline in the innovation input due to the misaligned incentives between unionized employees and firms.

5.2 Inventor productivity

A second possible mechanism leading to a decline in innovation is an increase in employee shirking because job security increases after a successful union election. As discussed before, because (unlike routine tasks) innovation is an exploration of untested approaches and the innovation process is long, risky, and idiosyncratic, innovation requires a significantly higher level of effort, persistence, and motivation on the part of employees. Unions that prevent employees from punishment for shirking (e.g., loss of job) impede innovation. Note that shirking may not be restricted only to inventors but could also occur among unionized hourly employees who serve as supporting staff, which indirectly affects inventors’ productivity. We test this conjecture by examining the change in innovation productivity of individual inventors surrounding union elections in a DiD framework.

To mitigate firm heterogeneity concerns, we first match firms that win the union election (treatment firms) with those that fail the union election (control firms) using a nearest-neighbor propensity score matching algorithm. Because we cannot observe accounting information for privately-held firms, we match firms based on firm industry and union election year. We ensure each treatment firm is matched to a unique control firm.

We collect individual inventor data from the Harvard Business School (HBS) patent and inventor database available at http://dvn.iq.harvard.edu/dvn/dv/patent. The HBS patent and inventor database provides information for both inventors (the individuals who receive credit for producing the patent) and assignees (the entity that owns the patents, which could be a government, a firm, or an individual). It provides a unique identifier for each inventor so that we are able to track the mobility of individual inventors.21 We define two groups of inventors. “Stayers” are inventors who produce at least one patent in the firm holding union elections both three years before and after the election year. “New hires” are inventors who produce at least one patent within three years after the union election year in the firm holding union elections, but produce at least one patent in a different firm within three years before the union election year.

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Table 8 presents the DiD results. We compute the DiD estimate by first subtracting the total number of patents per inventor over the three-year period preceding the election from the total number of patents per inventor over the three-year period after the election for each control firm. The difference is then averaged over the treatment firm and reported in column (1). By doing this, we count each firm once regardless of the number of inventors it has.

To evaluate the quality of the patents, we first compute the citation ratio per inventor for each control firm by counting the total number of patents it generates three years before (or after) the union election as well as the total number of citations received by these patents, and dividing the latter by the former. We then calculate the difference in citation ratios before and after the election and average it over all control firms. We report it in column (1). We repeat the same procedure for treatment firms and report the average change in the total number of patents (citation ratios) surrounding the union election year in column (2). The DiD estimate is simply the difference in differences for the treatment and the control firms, and is reported in column (3). We report the p-values of the DiD estimates in column (4).

We first compare “stayers” in treatment firms with those in matched control firms. The DiD estimator for patent counts is negative and significant at the 1% level, suggesting that stayers of unionized firms become less innovative after the union election compared to their counterparts in non-unionized firms after the union election. The DiD estimate for patent quality is negative and significant at the 1% level, because the drop in patent quality produced by the inventors of treatment firms is significantly larger than that produced by the inventors of control firms.

Next, we compare the innovation productivity of “new hires.” The DiD estimates for both patent quantity and quality are negative and statistically significant, suggesting that the inventors who newly join the unionized firms after the union elections become less innovative than those who newly join the firms that fail to unionize, compared to their own productivity in their previous firms.

Overall, the evidence presented in this subsection is consistent with the view that shirking by scientists or their supporting staff may be another possible explanation for the reduction in innovation output after union election wins.

5.3 Inventor departures

In this subsection, we discuss a third possible underlying mechanism through which unionization impedes firm innovation—the departure of innovative employees. While DiNardo and Lee (2004) find little evidence on the effect of unionization on average employee wages, they ignore the distribution of employee earnings. Frandsen (2012) shows that unionization substantially reduces wage gaps between the lower end and the upper tail. To the extent that innovative individuals have better job prospects and are in high demand in the labor market, reduced wage gaps due to unionization may force out innovative employees as they seek better career opportunities. This could also contribute to the reduction in innovation output after successful union elections.

To test this conjecture, we again use the inventor information obtained from the HBS patent and inventor database and define “Leavers.” Leavers are inventors who produce at least one patent in the firms holding union elections within three years before the election year and at least one patent in a different firm within three years after the union election year.

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The top panel of Table 9 reports the DiD results for leavers. Column (1) suggests that leavers of unionized firms on average generate a larger number of patents after the union election, while column (2) suggests that leavers of firms that fail to unionize on average generate fewer patents after the union election. The DiD estimator for patent counts is positive and significant at the 5% level. Focusing on the number of citations per patent, while both groups of leavers generate patents that have a significantly lower impact after the union election, the drop in patent quality is smaller among those that depart unionized firms. This difference leads to a positive and significant DiD estimate reported in column (3).

Finally, we directly test whether unionization leads to the departure of innovative and talented inventors. We perform this test in the RDD framework and report the results in the bottom panel of Table 9. The dependent variable in columns (1) and (2) is No. of Top Leavers, which is the number of top inventors who leave the firm within the first three years after the union election. We define a top leaver if a leaver is in the top 5 percentile distribution of innovation productivity three years before the union election year among all leavers. In columns (3) and (4), we use Ln (1+no. of Top Leavers) as the dependent variable. We report the results from the global polynomial estimations in columns (1) and (3) and from nonparametric local linear regressions in columns (2) and (4).

The coefficient estimates on Unionization are positive in all columns and statistically significant except for column (2), suggesting that unionization is positively related to the number of top leavers. According to the magnitude of Unionization in column (4), unionized firms have 2% more top inventors that leave the firm than non-unionized firms in the first three years after the union election.

Overall, the evidence suggests that leavers of unionized firms are more innovative than those of firms that fail to unionize and a larger number of top inventors leave firms after they win union elections, which is consistent with our conjecture that the departure of innovative inventors is a possible underlying mechanism that allows unionization impedes firm innovation.

#### Investment is responsible for 80% of productivity gains. It’s high now and outweighs alt causes.

Mischke ’24 [Jan, Chris Bradley, Marc Canal, et al; March 27; PhD, partner at McKinsey; MS, senior partner at McKinsey; MBA, MS, senior fellow at McKinsey; McKinsey & Company, “Investing in productivity growth,” https://www.mckinsey.com/mgi/our-research/investing-in-productivity-growth]

Over the past 25 years, emerging economies in the fast lane of productivity growth have caught up with advanced economies, with China and India at the forefront.

In this section, we map our three lanes against five factors commonly called out in development economics literature and find a strong match—as well as interesting nuance:

1. Radically high capital investment, at 20 to 40 percent of GDP, is the standout driver of rapid productivity growth, in most cases underpinning at least 70 to 80 percent of it.

This investment is deployed into:

2. Building cities in the right way and mechanizing agriculture, moving workers off the farm and into urban construction and service sectors;

3. Achieving distinctive productivity growth within these expanding service sectors, where capital deepening is instrumental to creating formal productive jobs; and

4. Making manufacturing more sophisticated and global, driving its output and value added beyond commodities (although often not adding employment).

All of this is enabled by:

5. Solid institutions, innovation, and education, all of which support investment but also require it.

Fast-lane economies are generally high performers across these five factors (Exhibit 13). Middle-lane economies have either not put some of the building blocks in place or have done so less successfully, while slow-lane economies have faced structural challenges such as weak institutions and high commodity dependence. Interestingly, workforce shifts from agriculture into services turn out to be of lesser importance in distinguishing the lanes. What matters is building cities and their service sectors in the right way, with significant capital investment and formal jobs.

Exhibit 13

Five elements characterize fast-lane productivity growth.

To understand how fast-lane economies have outpaced other emerging economies, we have used sector data for 54 economies that represent 87 percent of emerging economies’ GDP.50 To illustrate our findings, we have selected 18 example economies (six each from the fast, middle, and slow lanes); they represent all regions and 72 percent of emerging economies’ GDP.51 For analyses of additional factors such as urbanization, commodity dependence, and education, we cover all the economies represented in previous chapters.52

Fast-lane economies invest more than the rest

Growth in capital per worker accounted for about four-fifths of productivity growth in most emerging regions over the past 25 years and for much of the difference in productivity growth between lanes, as seen in section 1. Most fast-lane economies managed to sustain investment at 20 to 40 percent of their GDP over the whole period.

Residential and commercial property are essential for the urbanization that raises growth and productivity in a modern economy. Infrastructure investments make transportation and utilities more productive and produce spillovers across the economy. Machinery and equipment, from traditional types to new sophisticated robots, complement all sorts of workers’ tasks. Investment in R&D and other intangibles enables manufacturing to diversify and become more complex and productive, and it raises productivity in all types of services, from hospitals to digital and IT systems.

This is not to say that higher investment is always good, or that what economies invest in does not matter. As economies develop and returns on investment decline, rebalancing to lower investment and higher consumption is natural. Investment can stay too high for too long, ignoring low returns, which can be particularly destabilizing if it is funded by debt instead of savings. But on the whole, higher investment has been associated empirically with higher output and productivity growth, lower inflation, better fiscal and external balances, and lower poverty rates and inequality.53

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Higher investment is associated with higher output and productivity growth, lower inflation, better fiscal and external balances, and lower poverty rates and inequality. China, Ethiopia, India, Poland, Türkiye, and Vietnam make up our sample set of fast-lane economies, and their high rates of investment multiplied their ratio of capital stock per worker (Exhibit 14). Exhibit 14 Rising capital investment per worker has been the main driver of labor productivity growth. In these fast-lane economies, policies set strong and stable incentives for private investment. They included opening markets to some level of competition and foreign investment, setting up efficient financial sectors, and establishing legal systems to protect ownership rights. Central and Eastern European economies that were integrated into the EU drew in foreign investment and consolidated their financial sectors. From 2004 to 2008, one-fifth of the $220 billion (€168 billion) of net foreign direct investment inflows to Central and Eastern Europe went into the financial sector.54 Much of the rest went to modernize outdated factories and production methods. For example, vehicle production more than doubled between 2000 and 2011, while employment in the sector rose only 60 percent, resulting in a significant productivity increase. Large companies drive investment and growth, making it important to help firms scale up.55 Larger entities have more capacity to invest and export, to adopt technology, to develop talent, to pay their workers better wages, and to adapt to shocks. Many emerging economies have large shares of small, informal businesses that find it hard to boost productivity, affecting development.56 Fast-lane economies also had the willingness and capacity to plow public money into critical infrastructure such as road and railway networks, power and telecommunication systems, health and education facilities, and other urban infrastructure. Ethiopia’s impressive pace relied in large part on public investment, while China’s capital stocks were 86 percent public by 1997 after nearly two decades of high state investment.57 When this type of investment is very high, however, it eventually starts yielding lower returns. In China, for instance, public capital stock is already at OECD levels, but private capital per worker is still well below that point, despite remarkable increases.58 This suggests there is scope for faster growth of private capital. Slow- and middle-lane economies did not enjoy this pace of public or private investment growth. Even lower-income economies such as Cameroon and Pakistan that had very low capital stock per worker in 1997, comparable to China and India, achieved very little growth. Without enough savings and the policy settings to attract private and foreign investment, and without the capacity for public investment, they did not build the infrastructure, plant, machinery, and human capital needed to improve productivity growth. For example, 18 percent of Africa’s urban population still lacks access to electricity, and 66 percent has no access to piped water and sewerage systems.59 Urbanization shifts workers away from farms and into services and construction Enabled by investment in infrastructure, urbanization has meant a major shift in the composition of economies, away from agriculture and into the construction and service-sector jobs that concentrate in cities (Exhibit 15). The urban share of the population in emerging economies has increased on average by nearly ten percentage points over the past quarter century, with remarkable cases across regions (China’s share grew by 31 percentage points, Costa Rica’s by 26 points, Albania’s by 24 points, and Botswana’s by 22 points). Urbanization itself is a weaker differentiator of fast-lane economies than the other factors discussed in this section; many middle- and slow-lane economies also urbanized rapidly. How urbanization is harnessed is what makes the difference.60 Fast-lane economies were better able to develop their cities’ infrastructure and buildings as their workforce was moving there, creating an environment more conducive to investment, growth, and prosperity. Growth in construction jobs was generally higher in fast-lane economies. In China, India, and Vietnam, the share of workers in construction increased by five to 12 percentage points. Exhibit 15 As emerging economies urbanized, their workforces moved away from agriculture. Well-managed cities have all the ingredients to activate the virtuous cycle of rising productivity, income, and demand. As workers move to cities and secure better, more productive jobs, they earn the higher wages that boost both savings and consumption. Higher consumption gives business the incentive to invest, and savings fund the investment—which, in turn, makes workers more productive, restarting the cycle. Across our sample of 54 economies, an average of roughly one-sixth of the workforce left agriculture from 1997 to 2018. In China, agriculture fell from 50 to 27 percent of the workforce, with 150 million people leaving the sector.61 Vietnam’s share dropped from 70 to 38 percent, and Romania halved its share, from 40 to 19 percent. Urbanization’s productivity boost in emerging economies is due both to workers leaving the low-productivity agriculture sector (the mix effect) and to better performance in the agriculture sector itself (the within effect) as it mechanized or lost redundant labor (Exhibit 16). In fastlane economies, agriculture contributed to roughly one-third of all productivity growth from 1997 to 2018. In these economies, across regions, the employment share and often even total employment in agriculture decreased, yet total output nearly doubled. Exhibit 16 Improvements within agriculture and shifting employment away from it have had a significant impact on economy-wide productivity growth. We strive to provide individuals with disabilities equal access to our website. If you would like information about this content we will be happy to work with you. Please email us at: McKinsey\_Website\_Accessibility@mckinsey.com In emerging economies where urbanization started earlier, the productivity impact of agriculture was understandably lower. In 1997, Central and Eastern European economies had a relatively small 17 percent share of workers in agriculture, on average, and Latin American economies 23 percent. The sector contributed about or less than half a percentage point to total productivity growth. Growing service-sector jobs have distinctively high productivity growth in fast-lane economies Across lanes, most of the workers leaving agriculture entered services. But fast-lane economies invested to enhance the productivity of these service sectors even as they industrialized. One central tenet of development economics is that industrialization is the main way to boost productivity growth; by contrast, increasing service-sector productivity is hard.62 While manufacturing is still extremely relevant, we find that many fast-lane economies achieved notably high productivity growth in services, too. Reallocating workers toward services in itself does not always translate into a large productivity boost. In fact, in most cases, more than 60 percent of the workers who entered services went into relatively low-productivity subsectors such as wholesale and retail trade or transportation.63 For example, while 15 percent of China’s workforce entered services between 1997 and 2018, that added only 0.2 percentage point to productivity growth, as about 80 percent of the workers joined low-productivity services. What matters to the success of fast-lane economies is the push to raise productivity within services. What matters to the success of fast-lane economies is the push to raise productivity within services (Exhibit 17). This includes gains in the lower-productivity service sectors mentioned above (such as the spread of modern-format stores in retail) as well as in higher-productivity sectors such as business and financial services. Exhibit 17 Fast-lane economies achieved distinctively high productivity growth in services as those sectors expanded. A substantial share of fast-lane productivity gains was likely due to investment in physical and human capital. India’s early upgrading of digital infrastructure and workforce skills in the 1990s enabled it to become a global IT leader, especially in software, for example.64 Other types of infrastructure, such as transport services, matter as well. Central and Eastern European economies raised productivity in services markedly due in no small part to their ability to attract significant foreign direct investment.65 In fast-lane economies, manufacturing sectors have become more sophisticated and global Fast-lane economies of different income levels were able to outpace other emerging economies in the race to industrialize. They raised growth in manufacturing productivity—and output—largely through building more complex supply chains, producing more sophisticated products, and plugging into global value chains. Whether economies can still industrialize their way to prosperity, as some East Asian economies did in the past, is an ongoing and lively debate in development economics.66 Our findings suggest that manufacturing, including via exports, has continued to be a common way for emerging economies to raise productivity, despite only rare instances in the past quarter century in which the sector significantly expanded employment. In contrast to services, the share of manufacturing jobs in fast-lane economies, except for a few that started from a very low base, either stayed flat or fell (Exhibit 18).67 Exhibit 18 As their manufacturing sectors became more sophisticated and global, fast-lane economies achieved fast productivity growth with similar employment. In China, manufacturing was the single most important driver of productivity, adding 2.6 percentage points in annual growth. Manufacturing also contributed strongly to productivity growth in fast-lane Central and Eastern European economies such as Romania (1.4 percentage points), Slovakia (1.4 points), and Poland (1.0 point). These gains were achieved, in many cases, once economies already had a relatively large manufacturing sector (about 20 percent of total employment), without increasing the sector’s share of employment. In fact, in three of the six fast-lane economies in our sample, the sector’s share of workers actually fell or held steady: China went from 22 to 20 percent, Türkiye dropped from 20 to 18 percent, and Poland stayed at 22 percent.68 India experienced very limited growth in manufacturing’s share of employment, starting from a low base. Only Ethiopia and Vietnam, starting even lower, managed to grow their manufacturing employment substantially. Manufacturing provides a channel for the kind of investment in R&D and innovation that helps drive overall productivity growth; trade in manufactured goods within a global value chain accelerates that growth. A strong manufacturing sector also enables economies to produce the basic materials and capital goods they need for urbanization, infrastructure, and mechanization in other sectors. Fast-lane economies pursued each of these factors more than those in the slower lanes; many of the latter relied more on commodity exports. R&D-rich, globally integrated manufacturing supports the evolution to a more diversified and sophisticated economic fabric. Indeed, fast-lane countries have above-average economic complexity, a measure of the diversity and sophistication of the products that an economy is capable of producing. This capability is an indication of a country’s economic development and competitiveness.69 China has increased its economic complexity toward advanced-economy levels (Exhibit 19). Exhibit 19 Fast-lane economies export more complex products and are less dependent on the export of commodities. Trade in manufactured goods amplifies the productivity dividend, especially when it is part of a global value chain. Trading firms learn faster and are more competitive at home and abroad.70 When they are part of a global value chain, companies are also able to specialize in core tasks and access inputs and knowledge from their foreign partners. Greater exports are also an important source of demand, providing economies with the incentives and revenues to invest in capital goods and technology. Where fast-lane economies benefit from economic complexity and trade, slow-lane economies may suffer from excessive reliance on resources. On average, 78 percent of the goods exported by slow-lane economies are commodities, about double the share in fast-lane economies and advanced economies.71 This dependence makes economies more vulnerable to global shocks and impedes their industry-driven productivity growth.72 High-value commodity exports also put upward pressure on the exchange rate, making exports less competitive. This, in turn, discourages investment in tradable sectors and accelerates the growth of nontradable services.73 Solid and improving enablers pave the way to the fast lane Strong investment and productivity growth can only be built on a firm foundation. Knowing the necessary conditions for economic development and growth is the holy grail of economics. The drivers are many, and the circumstances and extent to which they drive productivity growth are hotly debated. Some research institutions have built lists of productivity drivers, including the World Economic Forum’s Global Competitiveness Index of 12 drivers and the World Bank’s 2019 Global Productivity framework of ten.74 There is also a question about whether it takes a certain level of each enabler to achieve a large acceleration in productivity or whether improvements in each driver are enough. The answer is probably a combination. In this section, we focus on three enablers: institutions, innovation (through R&D), and human capital. Effective institutions are fundamental to long-run growth, through both effective public intervention and creating the rules of the game in which businesses invest and thrive. From the vast literature on institutions and productivity growth,75 we have selected pillar 1 from the World Economic Forum’s Global Competitiveness Index to analyze our lanes. This pillar, measuring the relative strength of institutions, includes metrics for government performance, property rights, transparency, security, and a lack of corruption, among other things.76 On a scale from 0 (worst) to 100 (best), the average score of advanced economies is 71. Fast-lane economies have an average of 56, middle-lane economies 52, and slow-lane economies 48. Investment in R&D is a simple proxy for an economy’s capacity to innovate. Fast-lane economies invest on average nearly 1 percent of their GDP in R&D, compared with 0.6 percent and 0.4 percent by middle- and slow-lane economies.77 China has dramatically increased investment in R&D, from 0.6 percent of GDP in 1997 to 2.2 percent in 2019, matching the advanced-economy average for that year. Economies in Central Europe lifted their R&D investment from 0.6 percent to 1.0 percent over that quarter century. Economies in Latin America, many of which are in the slow lane, invest only 0.2 percent of GDP in R&D. The region accounts for less than 2 percent of the world’s patent applications, and of these, less than one-fifth are filed by Latin Americans.78 The third enabler we examined is education, or productive investment in human capital.79 Ample literature supports the relevance of human capital as a driver of economic development.80 A simple measure of education is learning-adjusted years of schooling in the working population. Advanced economies average about 11.0 years, fast-lane economies 9.0 years, middle-lane economies 7.5 years, and slow-lane economies 6.0 years. Regions with an overrepresentation of slow-lane economies are significantly weaker when it comes to these enablers. For example, Latin America’s growth has long been held back by underdeveloped financial sectors and certain regulations that block investment. Weak public institutions and governance also limit government capacity to reduce the region’s considerable gaps in human capital, technology, and infrastructure.81 Similar factors affect economies in Sub-Saharan Africa, despite significant differences in income levels. Political instability can add to this story. Previous MGI work found that coups and other political events affected 30 percent of Africa’s population in the 2010s, compared with 4 percent in the 2000s.82 After peaking in 2008, foreign direct investment flows into Africa declined in 31 of Africa’s 54 economies, falling fastest in the continent’s two largest economies, Nigeria and South Africa. Strong and improving foundations in institutions, education, and innovation are three of the most relevant enablers of productivity growth. They require—and also unleash—the necessary investments that are critical to moving economies into the fast lane.

4. An agenda for productivity growth in a changing geo-economic era

Our diagnosis suggests priorities for advanced economies: a focus on revamping investment and harvesting the productivity dividend from digital and other technologies such as AI. Conversely, commonly raised solutions such as reshoring manufacturing and trying to influence the sector mix are less likely to reaccelerate productivity growth. Improving how we measure GDP and productivity is a worthwhile pursuit, but the drivers of the slowdown outlined in this research have been real and keenly felt regardless of measurement.

We also outline the priorities for emerging economies to get to the fast lane: boost capital investment, build on that investment to urbanize effectively, grow the productivity and size of the service and construction sectors, and increase the sophistication and global interconnectedness of manufacturing.

In this last section, we explore the future of productivity growth by posing seven questions. Because we cover the full range of global economies with different characteristics, we necessarily focus on general points. The first two questions—linked to investment and technology—focus on what is needed to reverse the slowdown and position economies for high productivity growth in a changing era. The final five explore how future productivity growth will be shaped by the big puzzles on the horizon: shrinking and aging populations in many economies, including most advanced economies and China; new ways of working; the growing importance of services; trade tensions and supply-chain disruptions; and energy costs.

1. Can we revamp investment and demand in a changing macro environment?

If there is a common thread in this report, it is the importance of investment. Fully half of the drop-off in productivity growth in advanced economies is a slowdown in capital deepening (that is, the growth of capital per worker). High capital deepening is also the key characteristic of emerging economies in the fast lane.

Investment flows best in “high-pressure” economies that enjoy strong demand, strong growth, and low unemployment. Inflationary pressure and rising interest rates could be signs that we are leaving behind secular stagnation and entering an era of higher demand and investment. Higher real wages may motivate more capital investment, too.83 Although it is too soon to tell, some signs appear positive, particularly in the United States. Real GDP beat expectations by growing at annualized rates of 4.9 and 3.3 percent in the third and fourth quarters of 2023, respectively; this was largely driven by equally high productivity growth.84 Aggregate metrics show that investment is up from pandemic lows, though it still has a long way to go. Anecdotally, the big five US tech firms spent $350 billion among them on R&D and capital expenditures in 2022, as part of a race for supremacy in AI and the cloud.85 Construction activity in the US manufacturing sector is two to three times its normal level, driven in part by a rush to build battery supply chains.86

Advanced economies might also tilt regulatory conditions in favor of investment and innovation. Priorities would include reducing unwarranted burden and complexity (for example, for permits to build renewable power), more effective market regulation, fixing land markets to facilitate building, and better intellectual property and competition policies. Creating the right balance of competition and entrepreneurship would motivate new waves of investment. In the United States, business dynamism shot up in 2020 and kept pace through 2023.87

Emerging economies would benefit from public and private investment in urban infrastructure and in the public services and worker skills that make cities function. While people moving from farms to cities is a major lever for productivity growth, it can result in “sterile agglomeration” without the right hard and soft investments.88 The focus can also extend to secondary cities with large potential.89 This requires creating savings or borrowing power to unleash that investment. However, emerging economies may find funding hard to come by. In the aftermath of the COVID-19 crisis, growing debt distress could be a limitation, and investors may be more attracted to the higher interest rates available again in advanced economies.90

An attractive business environment therefore becomes even more important. This includes low corruption, nimble regulation, high-quality financial markets, and macroeconomic stability, all of which have proved to be persistent challenges in many parts of the world. Solving these issues would not only help attract foreign capital but also activate the virtuous cycle of rising productivity, incomes, demand, and domestic savings. Greater investment in a more favorable business environment would help businesses grow, allowing them in turn to invest in productive capital, hire and develop talent, pay higher wages, and compete in international markets. Developing large leading firms while keeping up competitive pressure would be a major spur of productivity growth in emerging economies.

#### 4. Unions remove performance-based incentives. Those are critical to efficiency.

Maksimovic ’25 [Vojislav and Liu Yang; April 2025; PhD, Chair in Finance and Professor of Finance at the Smith School of Business, University of Maryland; PhD, Associate Professor in Finance at the Smith School of Business, University of Maryland; “What Do Unions Do? Incentives and Investments,” https://damore-mckim.northeastern.edu/wp-content/uploads/2025/05/4\_Union\_Northeastern\_Conference\_2025.pdf]

In this paper, we use granular plant-level data from the Census of Manufacturers and the recent Management and Organizational Practices Survey (MOPS) to analyze the effect of unions on firm outcomes in approximately 30,000 manufacturing plants across the U.S. In contrast to previous studies that primarily focus on industry-level unionization rates, we can measure unionization rates at the plant level. This distinction is crucial as it eliminates potential confounding factors stemming from industry-wide effects (as seen in studies relying on industry-level unionization data) or locational effects (as seen in studies relying on geographic estimates of unionization). We can examine how unionization is linked to plant-level metrics, including key elements of incentive structures, as well as labor costs, investment levels, plant exits, and productivity. This granularity also allows us to compare unionized and non-unionized plants within the same firm, locality, and industry.

As we show below, unionized firms use incentives differently, and their outcomes are correspondingly worse. We have five main findings. First, we show that unionized plants score significantly lower on all three of our measures of non-managerial incentives than nonunionized plants. For example, unionized plants are 26% less likely to have performance-based bonuses, 11% less likely to promote a worker based on performance, and 13% less likely to dismiss a worker shortly following poor performance. Furthermore, the sensitivity to pay-for-performance in these unionized plants is diminished by approximately 30%. In parallel, albeit with a more modest disparity, we also find a reduction in managerial incentives between unionized and non-unionized plants. This spillover effect from unionization onto managerial incentives is consistent with a shift in the breadth of managerial responsibilities, given the alterations in worker incentives.

Second, we find that the performance of manufacturing plants in the U.S. is strongly related to both managerial and non-managerial incentives. In particular, plants where workers receive performance-based bonuses and are promoted or dismissed based on their own performance invest more and grow faster. One standard deviation increase in the usage of incentives is related to a 39% rise in employment and a 22% increase in sales. However, this relationship breaks down for unionized plants. Unionized plants not only have fewer incentives in place, but the incentives they do have are also not linked with positive outcomes on investment and growth observed in non-unionized plants. This lack of effectiveness in incentives further reduces investment levels and growth in unionized plants. We show that differences in incentives, both in terms of level and effectiveness, account for about three-quarters of the gap between unionized and non-unionized plants on these metrics.

#### Economics lit overwhelmingly agrees the net effect of unions is negative---particularly on investment, profit, and R&D. Chart inserted.

Palagashvili ’25 [Liya and Revana Sharfuddin; May 7; PhD economics, senior research fellow and director of the Labor Policy Project at the Mercatus Center; MA development economics, predoctoral researcher at the Labor Policy Project at the Mercatus Center; Mercatus Center, “Do More Powerful Unions Generate Better Pro-Worker Outcomes?” https://www.mercatus.org/research/working-papers/do-more-powerful-unions-generate-better-pro-worker-outcomes]

Bargaining power plays a central role in determining whether the labor union’s voice face or monopoly face will prevail. A labor union’s ability to extract monopolistic gains for its members is shaped by the degree of competition and constraints on substitution facing both the employer and the union. When a single union represents all workers in collective bargaining, there is no competition from other unions, and the firm cannot bypass the union by negotiating directly with individuals. At the same time, workers also face constraints on substitution, as they cannot individually bargain for better terms or seek employment under a different union within the same firm or, in some cases, industry. This mutual lack of alternatives strengthens the union’s monopolistic position and bargaining power, giving it significant leverage in negotiations. A labor union’s ability to extract monopoly gains for its members is determined by the degree of competition and constraints on substitution facing both the employer and labor union. The monopolistic power of US labor unions is a legal construction that can be altered—we discuss this in more detail in the section on policy recommendations, where we suggest that limiting the legal monopoly status of labor unions could diminish their negative, monopolistic aspect while shrinking any short-lived wage premiums for unionized members. Theoretical models have long warned that union power doesn’t just boost wages indefinitely; in fact, press for unsustainable terms, and it can backfire—reducing union income by stifling investment and worsening cost-price imbalances, ultimately driving investors away.[47]

Figure 1 provides a visual interpretation of the empirical effects that labor unions have on worker and firm-level outcomes beyond wages (which we covered in the previous section). The chart summarizes the directional effects of unionization based on the selection of papers included in our study. The values represent the net count of studies reporting either positive (green) or negative (red) effects for each outcome. For instance, the “Employment” variable reflects the number of studies finding either adverse (red) or favorable (green) employment effects due to unionization.

Figure 1. Net number of studies reporting positive or negative effects (excluding wages)

<<FIGURE 1 OMITTED>>

Note: The variable Resource Allocation refers to the impact of unionization on how resources, such as labor and capital, are distributed within firms or across sectors. Studies included under this variable examine whether unionization enhances or hinders the efficient allocation of resources. Investment refers to long-lived tangible capital. Other variables on topics less central to the focus of this paper, such as Product Quality, Self-Employment, and Supply of High-Quality Labor, are omitted from the chart for clarity but included in table A1 in the appendix.

Source: Authors’ findings based on their analysis of the literature on labor unions

As shown in figure 1, most outcomes—including employment, investment, productivity, firm survival, profit, R&D, resource allocation, and output—exhibit predominantly negative effects (red bars), suggesting that most studies show adverse consequences of unionization in these areas. The chart visually emphasizes that unionization’s impact is more often associated with negative outcomes than positive ones across these metrics.

#### Non-union voice alternatives solve.

Addison ’14 [John T.; May 2014; PhD, Research Professor in Economics and Hugh C. Lane Professor of Economic Theory Emeritus at the University of South Carolina; IZA World of Labor, “The consequences of trade union power erosion,” vol. 68, doi: 10.15185/izawol.68]

Although firms in competitive labor markets may undersupply voice, it does not follow that autonomous unionism is the remedy, either from a worker perspective (where workers seek non-adversarial representation) or the practical interest of fostering higher productivity. Here a case can be made for company unionism—including nonunion employee involvement/representation programs, joint plant councils, and alternative dispute resolution programs—which holds out the prospect of greater collective voice for workers without the negative monopoly effect of unionism. Legal niceties largely rule this out in the US (witness the recent Volkswagen case in Chattanooga, Tennessee), but British research suggests that employer-created nonunion forms offer the prospects of meeting the aspirations of workers, and yield gains to workers and firms alike.

Indeed, the most recent research for Britain has found that the decline in union voice has been accompanied by a significant expansion in non-union voice, such that the overall coverage of voice mechanisms has remained high and stable [11]. In short, British employers have thus chosen non-union voice rather than opt for no voice at all. Moreover, comparing voice regimes, non-union voice outperforms union voice for a variety of perceived-outcome indicators—industrial relations climate, productivity, and financial performance—if not quits. This gives credence to the notion that management has an incentive to invest in non-union voice, even if this optimistic scenario is muddied by comparisons between voice types.

#### Unions are unnecessary for voice---other channels solve it better.

Pyman ’16 [Amanda; April 21; PhD, Professor of Management at Deakin University; The Conversation, “They’re the voice: how workers can be heard when unions are on the wane,” https://theconversation.com/theyre-the-voice-how-workers-can-be-heard-when-unions-are-on-the-wane-57209]

As Australian union membership has steadily declined over the last 30 years, employee voice channels have shifted away from collective, largely unionised channels to direct channels, such as team briefings and semi-autonomous teams. This trend is hardly surprising. The most recent union membership figures show that members account for 15% of the workforce.

Does this render the remaining 85% of the workforce silent? Evidence would suggest not.

A series of representation and participation surveys in Australia, modelled on similar surveys undertaken in, among others, the US, Britain and Canada, reveal that employees have fared well with the shift to direct voice.

Direct voice is linked with positive organisational outcomes, such as job satisfaction and a better industrial relations climate (co-operative employment relationship). It has also enhanced individual employment outcomes such as trust in management and perceived influence by employees over job rewards.

While Australian evidence paints a positive picture of direct voice, empirical evidence suggests that employee voice is not a zero-sum game. There are plenty of examples of workplaces that derive positive outcomes from multiple voice channels. Such hybrid arrangements might include unionised representatives plus a non-union employee council, or, semi-autonomous teams alongside union representatives.

Across the Anglo-American world, a parallel trend to the increase in direct employee voice has been an increase in the expression of employee voice through non-union representation.

The “never-member” problem – the majority of the workforce never having joined unions – is one explanation for the rise in non-union employee representation.

#### Sectoral bargaining locks in inflexible labor terms, complexity, and industrial strife---dragging down productivity.

Partridge ’19 [Roger and Bryce Wilkinson; 2019; LLM, Chairman and Senior Fellow of The New Zealand Initiative; PhD economics, Senior Fellow at The New Zealand Initiative; New Zealand Initiative, “Why Fair Pay Agreements would be bad for labour,” https://www.nzinitiative.org.nz/reports-and-media/reports/work-in-progress-why-fair-pay-agreements-would-be-bad-for-labour/document/553]

Lack of flexibility

Collective bargaining of the sort contemplated by the FPAWG lacks flexibility. FPAs are intended to be applied across industries and across occupations. Consequently, by design, they ignore the needs and circumstances of individual employers and their workers trying to meet the demands of a competitive domestic and international marketplace.

How likely is it that an FPA will:

• permit bespoke changes to shift arrangements desired by one innovative firm in an industry, but not by others; or

• permit changes to terms and conditions unanimously agreed to by the workforce of a specific employer but which make different trade-offs – and therefore infringe the “favourability principle”?

Furthermore, union officials in the centralised bargaining structure envisaged by the FPAWG cannot hope to be informed about – or take account of – the varying needs and circumstances of each and every employer of the workers they are mandated to represent. Nor can the statutory body whose task it is to adjudicate if agreement cannot be reached by representatives tasked with negotiating an FPA.

Collective bargaining of the sort contemplated by the FPAWG lacks flexibility

This lack of flexibility with sector- or occupation-wide collective bargaining will be exacerbated by the FPAWG’s proposed prohibition on employers – individually or collectively – from initiating changes to collective bargaining arrangements.131

The adverse impacts of a system of FPAs will be amplified by disruption from automation and innovation to the future workplace. Drawing on research from the McKinsey Global Institute, the report A Future that Works from the Prime Minister’s Business Advisory Council predicts that New Zealand workplaces face technological disruption at 10 times the pace of the Industrial Revolution.132 The report notes that automation holds enormous potential for New Zealand through increased productivity. However, the report concludes that the extent of the benefits will depend on the speed of automation adoption relative to international competition.133

Consequently, it may never have been more important that our labour market regulations operate flexibly to enable individual firms to make timely changes to the terms and conditions of employment to meet the rapidly changing needs of a competitive marketplace. Yet centralised, compulsory collective bargaining of the sort envisaged by the FPAWG would institutionalise inflexibility. Rather than permit individual firms to respond nimbly to the opportunities presented by automation and innovation, firms will be straddled with terms and conditions that are fixed across entire industries or occupations. FPAs will be no prescription for the challenges to the future of work. Rather, they will present an obstacle to businesses trying to meet those challenges.

Perhaps the most blunt and inflexible aspect of the FPAWG’s recommendations is the proposal to extend the terms and conditions of FPAs to all workers in an occupation, including contractors.134 Treating contractors as employees would have profound implications for businesses and contractors alike – especially in sectors like transport, where market-based outcomes have led to many businesses using fleets owned and operated by contractors.135

Feedback from businesses interviewed in the course of our research indicated alarm at the adverse implications for productivity from treating owner-operator drivers as employees.136 Recognising the impracticality of its recommendation, the working group acknowledges the view that “contractors operate under a business model, rather than [an] employment model”, and that its recommendation raised “broader issues” that the government may want to address “by other means”.137

Even if FPAs do not extend to contractors, the FPAWG’s recommendations will significantly reduce the flexibility of New Zealand’s labour markets for reasons outlined above.

Poor incentives

FPAs may also reduce incentives for workers to innovate and work hard. That is the conclusion of the OECD in its Employment Outlook 2018 report.138 The OECD’s conclusion relies on findings in several recent European studies that decentralised wage-setting is associated more with higher productivity than the centralised wage-setting recommended by the FPAWG.139

The OECD conclusion is also consistent with New Zealand’s experience of comparatively rapid increases in multi-factor productivity in the 1990s following the ECA reforms. As we saw in Chapter 3, this sustained period of productivity growth followed a long period of moribund productivity growth under New Zealand’s former system of industrial awards.140

While the OECD also notes the potential for centralised collective bargaining to increase aggregate productivity by setting higher wage floors, forcing unproductive firms to exit the market,141 this means firms failing and jobs being lost. As noted earlier, this is hardly a sensible strategy for labour market reform in New Zealand.142

Cost and complexity

Experience from overseas suggests the centralised, compulsory collective bargaining framework envisaged by the FPAWG will introduce higher cost and complexity to the operation of our labour markets.

Complexity will arise from, among other matters, the need:

• to determine the limits on an “industry” or “occupation”, including whether a particular business falls within a specific “industry” or whether a particular role falls within a specific “occupation”;

• to determine whether the thresholds for triggering or initiating an FPA process have been met;

• to determine which unions and employer organisations are mandated and entitled to represent which workers and businesses. As noted in Chapter 1, so-called “demarcation” disputes between unions (of which there are 135 in New Zealand) were a common phenomenon under New Zealand’s former awards system;

• for consultations between the various representative bodies on the above issues and on the terms and conditions to be decided and being negotiated (in itself an immensely complicated issue when the recommendations envisage negotiations across whole industries or occupations); and

• to determine outcomes judicially if agreement cannot be reached between employee and employer representatives.

These matters may seem simple. In practice, they will create uncertainty and complexity in the operation of the labour market. And they will create a field day for lawyers.

Experience from overseas suggests the centralised, compulsory collective bargaining framework envisaged by the FPAWG will introduce higher cost and complexity to the operation of our labour markets

Box 1 provides some examples from Australia of the types of complications expected to arise from the working group’s recommendations. They are outlined in more detail by John Slater in Industrial Relations in Australia: A Handbrake on Prosperity. 143

A reduction in the dynamism and fluidity of labour markets will adversely affect economic growth and productivity. Unfortunately, the FPAWG report shows few signs of understanding either the risks its recommendations will create, or the adverse consequences for wages, workers and welfare.

Harm to industrial relations

Compulsory industry- or occupation-wide collective bargaining in the form of FPAs also risks taking the “relations” out of industrial relations. Instead of a firm and its workers sitting around a table and discussing their respective wants and needs – and the trade-offs each is willing to make in the interests of a harmonious and productive workplace – negotiations will take place between remote representatives from one or more unions and business organisations.

The change in dynamics will be profound, even for New Zealand’s larger businesses. As one <<BOX 1 OMITTED>> employer put it to us, “[Under FPAs] I will stop being an employer of labour and become a user.”148 Another noted, “Together with the unions we have invested heavily in processes both within and outside bargaining that promote collaborative problem-solving by ‘the people closest to the problem’ with real success. That will be lost with negotiations undertaken by strangers with strangers.”149

It is little wonder that pre-ECA industrial relations in New Zealand were characterised by industrial strife (well-illustrated by Figure 1).

To mitigate this risk under a system of compulsory FPAs, the FPAWG recommends that workers should be prohibited from taking industrial action in connection with the FPA process. However, even without strike action, the representative role envisaged for unions will be a significant logistical exercise, requiring multiple stop-work meetings to enable consultation with workers across entire industries or occupations. Consultation will be needed for initiation, the course of negotiations, and ratifying the final terms of FPAs. Consequently, the FPA process will involve extensive industrial disruption, even when industrial action is not taking place.

Of more concern, perhaps, is the risk of a return to industrial action commonly described as “second-tier bargaining”. The history of New Zealand’s pre-ECA industrial relations suggests the FPA process risks raising workers’ expectations for high wage increases. To enable less-profitable employers to cope with award outcomes, the 1960s and 1970s saw some conservative awards that did not meet workers’ expectations (the most notorious of which was the “nil” wage order of 1968 referred to in Chapter 1). Workers subsequently put pressure on individual employers to negotiate “above award” settlements. This “second-tier bargaining” contributed to New Zealand’s historically high levels of strikes and lockouts during the 1970s and 1980s.150

The adverse implications for productivity of a return to the industrial strife experienced in New Zealand’s recent past casts a shadow over the FPAWG’s recommendations to return to compulsory sector-wide collective bargaining.

#### Sectoral bargaining delinks wages from individual work performance---destroying productivity.

Mansfield ’24 [Iain; Director of Research and Head of Education and Science at Policy Exchange; Policy Exchange, “One size fits all: Sectoral collective bargaining and its implications for business and taxpayers,” p. 24, https://policyexchange.org.uk/wp-content/uploads/One-size-fits-all.pdf]

Productivity may suffer

In the end, of course, workers’ prosperity and security of employment depend on the overall health and growth of the economy. One of the British economy’s key health and growth problems is its poor productivity. Supporters of sectoral collective bargaining argue that forcing up wages can improve productivity by putting less productive firms out of business; or by incentivising employers to innovate or automate; or by pushing them to get more out of their workers by improving their skill levels (though some of these changes would not be in the interests of the workers who lost their jobs.)

It is notable that this increase in productivity as a result of artificially inflated wages was not observed in Britain during the 1970s. Research makes clear that “centralisation [of bargaining] is linked with lower productivity growth, both for total factor and labour productivity.... In the longer term, such delinking of wages from productivity could have potentially important implications for productivity growth. It could reduce incentives for workers to innovate, work hard and move to a better-paid job... More centralised bargaining at sectoral or national level may come at the cost of reduced flexibility to adjust pay and working conditions in line with business conditions for the individual sector or firm, with potentially adverse implications for productivity.”113

### Turns Case---2NC

#### The link zaps advantage one.

Atkinson ’19 [Robert D. and David Moschella; November 12; PhD, founder and president of the ITIF; nonresident senior fellow at ITIF; Information Technology and Innovation Foundation, “The Enterprise Automation Imperative—Why Modern Societies Will Need All the Productivity They Can Get,” https://itif.org/publications/2019/11/12/enterprise-automation-imperative-why-modern-societies-will-need-all/]

One major benefit of higher productivity is it helps nations’ traded-sector firms compete globally. This is clearly true when productivity in traded-sector industries such as motor vehicles, appliances, and semiconductors increases faster than it does for foreign competitors. But it is also true, though more indirectly, when non-traded firms boost their productivity. This is because traded firms purchase many inputs (e.g., legal services, health care, transportation, etc.) from non-traded firms. When the productivity in these areas goes up, traded-sector firms pay less for their inputs, thereby making them more cost-competitive globally.

Higher productivity can also boost the reshoring of work back to the EU or the United States. Indeed, the coming wave of ICT innovations could give high-wage countries more of a productivity boost than lower-wage nations. Although using emerging technologies will often be less expensive in lower income regions, the relative price of the technology compared with labor costs will still be greater than in higher wage nations. Thus, the payback period in terms of actual labor cost savings will often be shorter in high-wage nations.12

#### AND, productivity is the only path to sustainable wage growth.

Ho ’24 [Justin Ho citing Preston Mui and Tim Duy; October 31; reporter for Marketplace; senior economist with the research group Employ America; chief U.S. economist at SGH Macro Advisors Marketplace, “Wage growth is outpacing inflation. High productivity is the key to sustaining that,” https://www.marketplace.org/story/2024/10/31/higher-productivity-wage-growth-outpaces-inflation-fed]

Wednesday we heard that the 2% gap between wages and inflation could stick around, like it did back in the ’60s. The secret sauce to making that happen? Worker productivity.

According to the Labor Department, productivity has grown in six of the last seven quarters. One reason: Unemployment is low and more people are working. Which means?

“They have time to move from lower-productivity jobs to higher-paying, higher-productivity jobs, and they get time to train up in their new occupations,” said Preston Mui, senior economist with the research group Employ America.

He said the government has also invested a lot in American manufacturing. Plus, supply chains have improved.

So, Mui said, workers are more efficient. “We’re seeing an uptick in the growth rate of productivity, which means that we’re seeing a fall in the growth rate of cost.”

That means businesses have fewer reasons to raise prices and bosses can pay their workers more.

“This is a basic, I would say, a basic building block about how we think about sustainable wages over time,” said Tim Duy, chief U.S. economist at SGH Macro Advisors.

And it’s how the Federal Reserve thinks about sustainable wage growth, he said. This month, Christopher Waller, a member of the Fed’s board of governors, said wage growth could sit comfortably at around 4%, or even more, because productivity keeps growing.

“As long as productivity is high enough, then it will be sustainable. And it will not create higher inflation,” Duy said.

But it’s not a given that productivity will keep growing. “Productivity is very volatile on a quarter-to-quarter, or even year-to-year, basis,” said Sarah House, a senior economist at Wells Fargo.

She said there are plenty of reasons to believe that productivity will stay strong. A big one is that the tight labor market of the last several years prompted employers to invest in upgrades.

“New software that makes workers more efficient. Also, increased spending on research and development that can help that next big innovation that can boost productivity,” House said.

That means the current pace of compensation growth, at around 4%, is looking pretty sustainable, she said.