## Case

**1AR – Intertemporal Tradeoff**

**Collapsed public long-termism causes literally every impact. Short-termist policymakers overexploit natural resources, introduce emerging tech, poorly implement healthcare, don’t prepare for pandemics, wreck biodiversity, and can’t plan for nuclear use, asteroids, debt, or AI, that’s Chesterley.**

**1AR – !! – Climate**

**Climate change causes extinction.**

**1. Simultaneous risks. Even if knock-on effects are individually manageable, the nonlinear confluence of food insecurity, migration shocks, conflict, pathogens, extreme weather overcomes capacity for adaptation, that’s Richards.**

**2. Systemic. Undermines cooperation and institutions necessary to combat all other risks.**

**3. Interconnected. Globalization means regional effects cascade.**

**Turns [DA impact].**

**DA impact not systemic.**

**1AR – Emerging Tech**

**Emerging tech causes extinction. Carnivorous resrouce use, environmental degredation, and global war from autonomous weapons use, that’s Saliternik & Agon.**

**1AR – !! – Inequality**

**Inequality solves existential risks.**

**1. Collapses public goods provision by facilitating elite institutional capture. That weakens the societal immune system to biotech, disease, arms races, that’s Schmidt and Jujin.**

**1AR – AT: Inequality Low**

**Every increment matters. Prolonged inequality produces path dependence. Impact is non-linear because system thresholds are invisible.**

**1AR – !! – Secular Stagnation**

**Slow growth signals US weakness which triggers cyberattacks from Russia and China. That causes nuclear retaliation on both sides by threatening the integrity of nuclear arsenals, that’s Engelke and Burrows and Molini.**

## Rates

### LT – Long-Termism – 1AR

#### \*Union politics. Sectoral bargaining replaces political incentvizes with economics.

Jonathan Lepie 19 – Senior field representative at SEIU. “Bargaining Structure and Inflation,” September 2019, Employee Responsibilities and Rights Journal 31(3), pg. 189-195.

The Effect of Relative Deprivation

Decentralized bargaining fosters demands to match wages of higher-paid workers. There is little reason to believe that wages are set by impartial, objective market forces. The laws of supply and demand do not operate on labor markets in the same clear ways they do in bid markets for commodities. When unemployment is high and labor in over-supply, employers do not engage in wholesale wage cutting and the price of labor does not fall in tandem. Similarly, shortages in the labor supply do not automatically increase wages. Some economists have argued that employers actually set wages in a monopsonistic manner based on what other employers are paying and not on supply and demand. Thus, in the 1970s in California, despite a critical shortage of registered nurses, wages for nurses rose at approximately the same rate as for other hospital workers. Instead of raising wages, employers looked to fill vacancies by hiring immigrants from lower wage countries (Erickson and Mitchell 2007). Similar patterns are evident at the higher end of the wage scale with computer programmers, as well as at the low end with farm workers.

According to the theory of relative deprivation, workers form opinions about their pay primarily by comparing their wages to a particular reference group – workers who do the same work. Relative deprivation was first described in a study of military police during the Second World War. The study sought to explain why morale among military police was low in the Army but higher in the Air Corps. It appeared that the source of dissatisfaction was the Army’s promotional system even though promotions were common in the Army and rare in the Air Corps (Runciman 1966).

The study concluded that the reason for this paradoxical result was that people tend to compare within their reference group. If everyone in the reference group is treated similarly (as it was in the Air Corps where hardly anyone got promoted), there is no sense of injustice or relative deprivation. However, if your reference group was the Army and it seemed as if everyone except you was getting promoted, that created feelings of deprivation and injustice. Thus, workers would tend to focus their attention on the wages of other workers in the same jobs while largely ignoring the salaries of managers in their own industry or workers in others.

We can see this dynamic from unionism’s earliest days. In the 1840s, German printers’ apprentices traveled widely to learn different techniques. Young Germans who went to Paris found that the wages there were higher. When they returned to Berlin, their response was to form a union, one of Germany’s first, and to demand equal wages (Moore Jr. 1978). The experience of German printers working side by side with French printers brought the latter into the Germans’ reference group.

Relative deprivation can produce feelings of moral indignation that are just as counterintuitive as the indignation of Army MPs in the above-cited study. For example, in 2011 when public sector employees all over the U.S. were getting laid off and having their wages and benefits cut and with private sector workers faring little better, management at the University of California at Irvine offered an agreement to a union representing the construction trades. Not only were there to be no layoffs and no benefit reductions, there would be a minimum 6% wage increase over two years with an additional 1.5% increase for most workers. Rank-andfile members of the union bargaining team might have considered this a great victory, but they rejected the offer as an insult. The reason, it appears, was that their attention was more narrowly focused and they were aware that workers doing identical jobs at another state university campus were paid 20% more than they were. Their reference group was workers doing the same job in similar institutions, not public sector workers as a whole. Thus, the bargaining team members considered anything less than parity to be a gross injustice.1 This is exactly the kind of result predicted by theory.

Decentralized negotiations will always result in differences in wages. Whether the differences are large or small, they still elicit feelings of relative deprivation and the union is usually compelled to match the higher wages no matter the larger economic context.

The Effect of Intra-Union Competition

Decentralized bargaining also provides an incentive for union leaders to compete. One way leaders can cement members’ loyalty is to negotiate wages that match or, even better, exceed wages negotiated by competing unions. Leaders prove their value to the rank-and-file and increase their chances of being reelected. Thus, decentralized bargaining encourages competition and leapfrogging among unions.

Two Reasons why Centralized Bargaining Fosters Wage Restraint

Centralized Bargaining Fosters Solidarity over Competition

Centralized bargaining fosters wage restraint because it encourages union egalitarianism, that is, unions everywhere tend to negotiate agreements that flatten wages among the groups they represent. The egalitarian tendency among American unions has been noted by Freeman and Medoff, who found that union employees with three years or less tenure earned an average of 27% more than similarly situated non-union workers, while those with 16 or more years earned only 9% more. In addition, unskilled union laborers were found to have a 28% advantage over non-union workers, while skilled craftsmen in unions had only had a 19% advantage (Freeman and Medoff 1984). Similar wage flattening effects have been shown among European unions (Wallerstein 2008).

This tendency is somewhat counter-intuitive. Skilled workers and older workers, the ones who are higher paid, are usually the most active in the union and occupy its positions of power. We would expect them to use that power to increase their own wages at the expense of lower paid workers, those who are unskilled and younger, but a long-term concern for maintaining union solidarity appears to override short-term concerns for immediate gain. Instead, higher paid rank-and-file leaders are willing to forego some part of their wage increases to benefit workers at the bottom of the wage scale in order to keep the membership unified.2

Since continental collective bargaining is structured to include large numbers of workers under a single agreement, the tendency to flatten wages affects more people. If, as is true on the Continent, a single agreement covers all workers in a multitude of plants, workers looking at the wages of others within their frame of reference will find only people earning the same or similar wages, thus eliminating the influence of relative deprivation on their demands. In contrast, Anglo-American unions’ tendency to flatten wages is restricted to workers at a single company or even at a single plant.

When agreements cover large groups, the tendency to flatten wage differences may sometimes go too far. In Scandinavia in particular, where strong union movements significantly compressed wages, market pressures to increase salaries for professionals resulted in splits where professional workers formed their own breakaway union federations (Wallerstein 2008; Golden et al. 2008).

#### \*Intra-union negotiation. It filters out arbitrary wage demands.

Jonathan Lepie 19 – Senior field representative at SEIU. “Bargaining Structure and Inflation,” September 2019, Employee Responsibilities and Rights Journal 31(3), pg. 189-195.

Centralized Bargaining Makes it harder for Workers to Negotiate Wages in Excess of the Norm

Agreements covering large groups of workers force negotiations among union members before negotiations with management even begin. For example, if workers at factory A feel they work harder and deserve higher wages than workers in factories B, C, D, and E in their industry, workers from factory A would have to convince the workers from the other factories to support such a demand in union negotiations. But workers from factories B, C, D, and E might well feel they worked just as hard and that special treatment for factory A was unjustified. Thus, some potentially inflationary wage demands would be filtered out before the union made its proposals to management. The comparatively vast scale of Continental negotiations makes this process important.

Even in cases when workers in factories B, C, D, and E did agree to support factory A’s demands, that would take factory A out of everyone else’s reference group. That is, workers in the other factories support workers in factory A on the basis that there is something different about work in factory A and, therefore, workers in factories B, C, D, and E are not in the same boat. This removes their incentive to match factory A’s higher wages.

#### Wage setting. Inflation indexing solves expectations.

Campolieti ’25 [Michele, Professor in the Department of Management at the University of Toronto Scarborough; “Collective Bargaining and Public-Sector Wage Setting” Volume 78, Issue 3; March 4, 2025; https://doi.org/10.1177/00197939251323234//ekc]

The public sector is an interesting arena to study wage-setting behavior, as unionization rates and collective bargaining coverage tend to be much higher there than in the private sector. For example, unionization rates in the public sector can be 2 to 4.5 times larger than the corresponding rates in the private sector (Riddell 1993; Uppal 2011). In collective bargaining contracts, nominal wages are fixed and set for some specified period. Expectations of future inflation are thus of great importance to bargaining teams, as higher expectations of future inflation can require larger wage increases to maintain the purchasing power of wages. While bargaining teams might have expectations about future inflation, unexpected changes in prices that erode the purchasing power of earnings are a possible concern. Union contracts can also contain indexing provisions, however, often referred to as Cost-of-Living Adjustment (COLA) clauses, which can offset all or part of these unanticipated changes in prices. COLA clauses, which were more common during the 1970s and 1980s, have been in decline over the past few decades (Labour Program 2015). For public-sector workers who do not have the right to strike and use interest arbitration to resolve bargaining impasses, expectations of inflation are also relevant, as arbitrators consider cost-of-living as a criterion when determining their awards. Consequently, inflation expectations can play a key role in wage setting.

The state of the economy, such as the overall level of wage growth and the unemployment rate, which can reflect the tightness in labor markets, may also affect bargaining positions in contract negotiations. For example, if the labor market is tight (i.e., unemployment rates are low) then unions may negotiate for larger wage increases because the “outside wage option” for workers may also increase. Similarly, unions may observe wage increases in other sectors, which can affect their expectations for wage settlements. Moreover, labor market conditions can also enter into arbitrator decision-making, as arbitrators use the criterion of comparability and consider labor market conditions in related or other markets to determine the wage settlements in their awards.

Another factor that may influence wage setting in the public sector is the political or institutional environment, as governments might move to curb wage growth of public-sector workers. The US state of Wisconsin’s Act 10, which significantly weakened the bargaining power of its public-sector unions, is an example of such an effort. Similarly, the federal and provincial governments of Canada have often implemented legislation to curb wage growth for public-sector workers at various times over the past half century (Thompson and Ponak 1992; Rose 2005). In addition, governments can enact special legislation to intervene directly in a work stoppage.

### LT – Productivity – 2AC

#### Creative destruction. Wage flexibility makes tech laggards competitive.

Alfred Kleinknecht 20 - Emeritus professor of Economics and 2020 Visiting Professor at the School of Economics, Kwansei Gakuin University. “The (negative) impact of supply-side labour market reforms on productivity. An overview of the evidence,” March 2020, Cambridge Journal of Economics 44(2), pg. 445–464.

3.3 Decentralized wage bargaining curtails the diffusion of advanced process technology

In Continental Europe, industry-level wage bargains are often imposed by government directives on everyone in the in¬dustry, including non-unionized workers. Supply siders have always inter¬pre¬ted this as a labour market rigidity that supports a trade union wage cartel. Decentralization of wage bargaining has a prominent place on the supply-side reform agenda, as was recently again exemplified by the Troika’s treatment of Greece. Under decentralized bargaining, unions could sacrifice wages in firms that are in trouble, thus pro¬tecting jobs.

This has, however, a negative impact on the Schumpeterian process of 'creative destruction': technological laggards can stay competitive as workers are willing to sacrifice wages in order to rescue their jobs. Downward wage flexibility for their workers is hence an alternative to modernizing their equipment and/or their product offerings. On the other hand, under decentralized bargaining, innovators can lose (part of) their monopoly profits that are an incentive for accepting high risks and uncertainties.

The tendency towards decentralized wage bargaining may be one explanation for the widening productivity gap between 'superstar firms' and laggards (Andrews et al. 2015). Hence, while centralized bargaining is dismissed as a labour market rigidity that negatively affects the efficient allocation of scarce resources, it is an extremely useful vehicle for innovation and speedy technology diffusion among laggards in a Schumpeterian perspective.

4. Counter-arguments by supply-siders

A number of arguments have been made in the literature about favourable effects of flexible labour relations for innovation. These can be summarized under six headings:

First, strong firing protection will slow down the reallocation of labour from old and declining sectors to new and dynamic ones (e.g. Bartelsman et al. 2016).

Second, the difficult or expensive firing of redundant personnel can frustrate labour-saving innovations at the firm level (Scarpetta and Tressel, 2004).

Third, well-protected and powerful insiders could appropriate rents from innovation through higher wage claims, thus reducing incentives for taking innovative risks (Malcom-son, 1997).

Fourth, firms will more easily engage in risky new ventures if they can be sure they can easily quit their personnel in the case of failure (Bartelsman et al., 2016).

Fifth, in the framework of job-matching theory (e.g. Pissarides 2000), one can argue that easier termination of less productive job matches increases the chance that people will find jobs in which they are more productive. Relating this argument to innovation, one could add that higher labour turnover enhances the inflow of 'fresh blood': People with new ideas and new networks may foster innovation. Moreover, there is less chance that employees will be entrenched in safe jobs, gradually losing their creativity.

Sixth, in the tradition of efficiency wage theory (see e.g. Raff & Summers’ 1986 case study of Henry Ford’s five-dollar-day in 1914), one can argue that the (latent) threat of easy firing may prevent 'shirking'.

Against such arguments, several objections are possible. As to the first argument, emerging new industries obviously offer better career opportunities and higher pay than declining industries. Why should we not rely that such incentives will make people move voluntarily into new industries? Is strict firing protection in the coal mines indeed the reason that people do not move into the IT industry?

As to the second argument, rates of job turnover have been estimated as being around or even above 10 per cent per year, thus offering some potential for downsizing without forced leave. Moreover, if firing is difficult, firms have incentives to invest in functional flexibility by means of training, which allows labour to be shifted from old to new activities in internal labour markets. In other words, a lack of external (or numerical) flexibility will enhance internal (or functional) flexibility.

The third argument about workers capturing profits from innovation may indeed be rele-vant under decentralized wage-bargaining that is typical of deregulated Anglo-Saxon labour mar¬kets. 'Rhineland'-type labour markets still rely more on industry-level bar-gaining in which wage bar¬gains are often imposed by government on everyone in a sec¬tor. While the latter is a labour market rigidity from a neoclassical perspective, the above-mentioned vintage models suggest that such a labour market rigidity may increase invest-ments and enhance technology diffusion, as technological laggards may be forced making productivity-increasing investments in response to rising wages.

The fourth argument about encouraging new ventures: This may be relevant as it allows part of the entrepreneurial risks to be shifted to employees which might encourage start-ups. On the other hand, firing protection in Europe is usually build up during many years of ser¬vice in the same firm. People in start-ups that go bankrupt tend to have only minor claims against the firm (if there is still anything left to be claimed).

As to the fifth argument about job matches and inflow of 'fresh blood': whether this is favourable to innovation or not depends on whether firms can rely on readily available general know¬ledge in a Schumpeter-I model, or whether they are dependent on continuous accu¬mulation of firm-specific and often tacit knowledge in a Schumpeter II-model.

In addition to the latter counter-arguments, there is a serious argument, coming from the OECD's Economics Department that propagated the deregulation of labour markets during many years. OECD economists noticed in the OECD Employment Re¬port (2003) that '… a weak trade-off may exist between gains in employment and pro¬ducti¬vity…'. Further, they argue that this has to do with newly created jobs for low-qualified workers:

'For example, decentralisation of wage bargaining and trimming back of high minimum wages may tend to lower wages, at least in the lower ranges of the earnings distribution. Similarly, relaxing employment protection legislation ... may encourage expansion of low-producti¬vity/low-pay jobs in services' (OECD 2003: 43; Box 1.4).

As a justification for the deregulation of labour markets, they argue that such low-productive jobs are created in countries with flexible labour markets and not in the highly regulated labour mar¬kets of Old Europe. In the latter, labour is (too much) protected and hence expensive, keeping low-productive people out of work. In this view, the productivity crisis is just a negative by-product of job creation in the low-wage segment.

There is a certain plausibility to this argument, but one question remains: Should we speak about low productive people or about low productive jobs? Our above-named argu-ments suggest that most of the jobs are low-productive. The mix of low wages and easy-to-fire people is a brake on the diffusion of labour-saving technology. There is less training and old vintages of capital goods are only slowly replaced by new and more productive ones. Moreover, as discussed above, under downward wage flexibility, the Schumpe¬terian process of creative destruction may work weakly, thus increasing the pro-bability of sur¬vival of less talented entrepre¬neurs. All this can have favourable employment effects, at least in the short run. But it also creates a lock-in of people in low-productive work and firms are under-utilizing their talents.

Finally, the OECD researchers provide no empirical support for their hypothesis that low-pro¬ductive jobs would have a significant influence on overall labour productivity growth. A recent test by Vergeer & Kleinknecht (2014) arrives at insignificant outcomes. There are of course people with low pro¬ducti¬vity. The question is, however, whether such people cannot better be helped by subsi¬dizing their work. This is probably more efficient than bringing down economy-wide produc¬tivity growth through supply-side reforms.

Some of the above arguments come close to efficiency wage theory (Shapiro & Stiglitz 1984). For instance, Rebitzer (1995) found a relationship between higher wages and lower super¬vision costs. This implies that shirking is less likely as workers who earn wages above the market-clearing level have more to lose if they are fired after their shirking is discovered. While such arguments focus narrowly on wages and on the disciplinary effects of easy firing, the idea of an implicit contract ('gift exchange') between employer and employees (Akerlof 1982; Akerlof & Yellen 1990) comes closer to our argument.

Other than the key arguments around efficiency wages, however, the main thrust of our above arguments relates to labour market rigidities such as firing protection, (implicit) job guarantees for insiders, or centralized bargaining. Such labour market rigidities increase mutual trust, commitment and loyalty, which, in turn, makes the management of innovation, the mobilization of (tacit) knowledge from the shop floor and knowledge accumulation easier. More trust and loyalty also reduce costs of supervision and reduce externalities as dedicated employees will not so easily leak knowledge to competitors. All this contributes to a better working of the 'routinized' Schumpeter-II innovation model (Schumpeter 1943; for an update see Breschi et al. 2000) and can result, in the end, in higher innovation rates and higher productivity.

5. A review of empirical findings

Many empirical studies used country or sector data, trying to find a relationship between, on the one hand, measures of labour market flexibility (e.g. the OECD's Employment Protection Legislation Index; or data about job tenures or atypical jobs) and, on the other hand, figures on productivity, innovation or patents. Studies by e.g. Buchele & Christiansen 1999; Auer et al. 2005; Storm & Naaste¬pad 2012; Pieroni & Pompei 2008; Rizov & Croucher 2009; Sànchez & Toharia 2000 found negative relationships. Many studies of firm-level data also find a negative relationship between measures of 'low road' person¬nel policies and innovation or productivity (e.g. Huselid 1995; Michie & Sheehan 2001, 2003; Kleinknecht et al. 2006; Zhou et al. 2011; Lucidi & Kleinknecht 2010; Cappellari et al. 2012; or Franceschi & Mariani 2015). But a single study arrives at insignificant results (e.g. Arvanitis 2005) or even concludes to the opposite (e.g. Scarpetta & Tressel 2004). Other studies find a non-linear relationship: a low share of flexible workers has favourable effects while a higher share has unfavourable effects (e.g. Serano & Altuzarra 2010; Hirsch & Mueller 2012).

A common weakness in all these studies is the neglect of controlling for the dominant inno¬vation model in a firm's sector of principal activity. Drawing from the above-named distinc¬tion bet¬ween Schumpeter-I and Schumpeter-II models, Kleinknecht et al. (2014) have classi¬fied sectors by the degree to which either of the two innovation models is more relevant. They found that the probabi¬lity of a firm having innovative activities is negatively related to shares of flexible personnel in sectors that tend towards the Schumpeter-II model, while in Schumpeter-I sectors, flexible work is insignificant.

The latter result has meanwhile been inde¬pen¬dently confirmed by Wachsen & Blind (2016) for the probability of innovation, and by Vergeer et al. (2015) for labour productivity growth using different firm-level databases in the Netherlands. Lisi & Malo (2016) report somehow com¬parable results for Italy: Tempo¬rary contracts have a negative impact on productivity in 'skill inten¬sive' sec¬tors, but have weaker negative effects in less skill-intensive sectors. The most recent contributions are by Cetrulo et al. (2018) and Hoxha & Kleinknecht (2018). Cetrulo et al. analyse 38 manufacturing and service industries across 5 countries (France, Italy, Germany, Netherlands and Spain). Their outcomes confirm that flexible work has a negative impact on the probability of innovation in industries that show a high 'cumulativeness of knowledge' according to Peneder (2010) and/or tend towards a Schumpeter-II innovation model according to the classification by Kleinknecht et al. (2014). The study by Hoxha & Kleinknecht (2018) uses the firm-level database of the German Employment agency (IAB). They find that in industries classified by Peneder (2010) as ‘medium and highly cumulative’, flexible labour has a negative impact on the probability to innovate, while in sectors with ‘low cumulativeness’, many coefficients turn out insignificant.

It seems that in econometric work, control for the dominant innovation model in an industry is crucial. Earlier studies might have had an omitted-variable bias which can explain why not all studies arrived at unambiguous results. In controlling for Schumpeter-I versus Schumpeter-II industries, it does not seem to make much difference how we define them. In Kleinknecht (2014), the concentration of R&D budgets in an industry was taken as an indicator, assuming that a more scattered distribution of R&D in an industry hints either to a high incidence of small entrepreneurial firms and/or to a stronger presence of low-technology firms, while a high concentration of R&D indicates oligopolistic structures with a few technologically dominant firms. The latter is characteristic for a Schumpeter-II innovation model.

The alternative indicator by Peneder (as used by Cetrulo et al. 2018 and by Hoxha & Kleinknecht 2019) measures more directly the ‘cumulativeness’ of knowledge by counting numbers of sources of innovative ideas used by firms in an industry (as reported in several countries and vintages of the EU-Community Innovation Survey). A closer look at Peneder’s (2010) classification (see his Table 5, p. 331) shows that, within manufacturing industry, his sectors with a ‘high cumulativeness’ of knowledge correlate strongly with industries that have high R&D and innovation intensities. In service industries, however, there is no strong correlation between ‘cumulativeness’ and R&D since service firms often perform innovative activities that tend not to be covered by the OECD’s Frascati-Manual definition of R&D but can be measured by other indicators included in the Community Innovation Survey (see OECD/Eurostat 2018).

It can be concluded that the hypothesis of a negative impact of flexible labour on innovation and productivity holds in Schumpeter-II industries in which innovative competencies strongly depend on (tacit) knowledge that is ‘embodied’ by people and accumulated in the past. The latter are identical to the highly R&D intensive industries within manufacturing and to knowledge-intensive services. In typical Schumpeter-I industries, however, one finds only weak or no evidence of a negative impact of flexible labour.

In conclusion, supply-side labour market reforms cannot do much harm in low-technology manufacturing and in less knowledge-driven services, as well as for high tech start-ups. This can explain why the US, in spite of their highly flexible labour market, have been successful in the entrepreneurial phase of IT (e.g. in Silicon Valley), but performed much weaker in a range of ‘old’ industries in the US Rust Belt.

#### Dynamic efficiency. Entry barriers incentivize risky investments.

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6 Discussion and conclusions

An economy can create more value added in two ways only: Either by working more hours or by working more productive hours, through the use of modern technologies, by better management or whatsoever. If two countries have the same GDP growth, but one of them achieves more value-added growth per working hour than the other, the more productive country will need fewer working hours. Hence the less productive country may create more jobs. This suggests that supply-side economists were right when promising us more employment through ‘structural reforms’ of labour markets. But they did not tell us that the extra employment gains are mainly achieved through lower gains in labour productivity. The latter imply that, per hour worked, there is each year less income to be distributed extra between capital, labour and government which reduces the room for solving distributional conflicts.

Given the power relations in the era of supply-side economics, the productivity crisis can be expected to result mainly in two developments. First, there is likely to be in¬creased pressure to¬wards cutting welfare state provi¬sions. Second, against the background of a more unequal income distribution, low productivity gains enhance the growth of a class of working poor and a breakdown of the middle class. All this brings trade unions and classic social-democratic parties in Europe under pressure as they have little to offer to their constituency; at the same time, it provides a favourable breeding ground for populism.

An additional question here is, whether a low-productive and hence labour-intensive growth path in deregulated economies indeed brings down unemployment rates. Some have argued that this is the case, trying to show that deregulation of labour markets causes lower rates of unemployment (e.g. Nickell et al. 2005). Vergeer & Kleinknecht (2013) have demonstrated, however, that the (highly cited) results by Nickell et al. (2005) are not robust. Outcomes change decisively with small (and plausible) changes of regres-sion specifications (Vergeer & Kleinknecht 2013). Others have argued that results of such studies are also quite sensitive to the selection of countries or time periods (Baker et al. 2005; Howell et al. 2007; Baccaro & Rei 2007; Piasna & Myant 2017).

It is of course true that, owing to lower labour productivity growth, you get more jobs for each per cent of GDP growth. There are, however, at least three reasons of why this does not need to translate into lower unemployment rates. First, during many years, the deregulated Anglo-Saxon econo¬mies have increased their labour supply through generous immigration policies. Second, supply-side reforms have changed power relations such that trade unions can hardly push anymore for shorter standard working times. Actually, in some cases, wor¬king hours have been increased rather than reduced. Third, Central Banks believe in the theory of the NAIRU. The latter is certainly not a hot topic at this moment, but if, at some time in the future, unemployment should fall below the NAIRU rate, Central Banks have, in prin¬cip¬le, the task of avoiding an 'overheating' of the business cycle by means of restrictive moneta¬ry policies that raise unemployment rates. In conclusion, it is by no means sure that the low-productive and hence labour-intensive growth in deregulated Anglo-Saxon labour markets will, in the end, lead to lower unemployment, and this explains why the empirical evidence is far from clear-cut.

On the other hand, in the 1950s and 1960s, when labour productivity growth in Europe was still high (see Figure 1) we experienced a reduction of total hours worked in the total economy – in spite of high GDP growth (see Vergeer & Kleinknecht 2011). Nonetheless, there was only moderate unemployment, and this was achieved through shorter working weeks per worker. For example, an average German wor¬ker worked 2.427 hours per year in 1950, 1.756 hours in 1980; and 1.354 hours in 2017. This helped achieving moderate unemployment rates, in spite of a growing labour supply due to women entering the labour market. In principle, having a high speed of diffusion of labour-saving technology thanks to high wages, powerful trade unions and strict regulation of labour markets does not need to lead to high structural unemployment, provided that high productivity gains are not exclusively used for wage increases, but also for financing adequate labour time policies.

Finally, the above observations also form a challenge to neoclassical thinking. It is a merit of Joseph A. Schumpeter that he recognized as early as 1943 that there is a discrepancy between neoclassical (static) efficiency ('how to allocate scarce resources efficiently?') and dynamic efficiency ('how to make resources less scarce through innovation?'). What is good for static efficiency can be counter-productive for dynamic efficiency and vice versa. Hence neoclas¬sical theory has little to offer for an innovation policy agenda:

“Perfect competition … is a condition for optimal allocation of resources … But … intro-duction of new methods of production and new commodities is hardly conceivab¬le with perfect … competition … And this means that the bulk of … economic pro¬gress is incom-patible with it. As a matter of fact, perfect competition is and always has been temporarily suspended whenever anything new is being introduced …” (Schumpeter 1943, S. 104-105).

There are several trade-offs between static and dynamic efficiency. For example, in neoclassical theory, monopoly power is undesirable, as it leads to welfare losses. From a Schumpeterian perspective, large firms with monopoly power are valued much more positively, due to three reasons: First, large firms reaping monopoly profits from innovation can more easily finance risky innovation projects and can more easily absorb losses from failed projects. Second, due their size, large conglomerates tend to have larger portfolios of inno¬vative projects running in parallel. A diversified portfolio encourages innovation as it reduces innovation risks. Third, innovation itself can be defined as a deliberate attempt at creating an imperfect market with high entry barriers. The unique knowledge embodied in a new product or process serves as a market entry barrier. The higher the entry barrier, the higher are the monopoly profits – and the higher is the incentive to invest in highly risky innovative projects.

In conclusion, once we recognize the high risks and uncertainties of innovative projects, we also have to accept that firms need the prospect of high (and sustained) monopoly profits in order to accept those potential risks. This means that, under perfect competition, when entry barriers are absent and above-normal profits are quickly competed away through new entrants, innovation will hardly occur. The innovative process benefits from imperfect markets and it creates imperfect markets as its result.

A similar argument can be made about centralized wage bargaining. As discussed above, this is a labour market rigidity in neoclassical theory, but it enhances the diffusion of advanced process technology among laggards. This holds, in particular, if there is an additional labour market rigidity: government imposing the bargained wage increases on everyone in the industry.

Moreover, strong insider positions are valued negatively in neoclassical theory. In an innovation perspective, however, this is an investment in the loyalty and commitment of personnel, which has a number of advantages for knowledge management, for using knowledge from the shop floor, for risk-taking by employees, for limiting the leaking of trade secrets, or for limiting the growth of management bureaucracies that can impair the autonomy of profes¬sio¬nals, as discussed above. Such arguments are an admittedly hard message to supply-side economists: market imperfections can be extremely useful for innovation, while impeding the efficient allocation of scarce resources.

Dealing with innovation, we have to recognize that market failure is not just a rare exception. This has a lot to do with the public goods character of knowledge that makes it hard protecting property rights and assuring the appropriation of innovation bene¬fits by the inno¬vator. Searching for solutions, one often tries to repair one market imperfection by introducing another one. For example, trademarks, copyrights or patents give a de¬gree of monopoly power to creative people. In a neoclassical perspective, the latter create welfare losses, but in a Schumpeterian perspective, they are highly desirable in¬cen¬tives for investment in creative but risky and uncertain solutions.

To conclude, the above may shed some light on the observation that, in spite of a highly flexible labour market, the US did quite well during the entrepreneurial phase of IT ('Schum¬peter-I') in the 1980s and 1990s (e.g. in Silicon Valley). Our arguments might, how-ever, also be an explanation of why, during a long period, a broad range of classical industries in the US had hard times competing against Japanese and German suppliers, thus creating the US Rustbelt. Under a highly flexible labour market, admired by neoclassical economists, US firms are weak in mastering the Schumpeter-II innovation model. This can explain the difference between Wolfsburg and Detroit.

Obviously, since the 1990s, successful Silicon Valley firms were gradually shif¬ting towards a Schumpeter-II innovation model. This means that path-dependent learning, accumulation of (tacit) knowledge, longer job tenures and loyalty of personnel are becoming increasingly important. Our arguments suggest that the US hire and fire labour market is no longer an optimal environment for those firms. The rigid German labour market (preferably before the Hartz labour market reforms of 2003-5) would have provided them a better environment.

#### Empirics. Sectoral bargaining reduces turnover.

Damian Grimshaw 24 – King’s College London; Bernd Brandl; Durham University Business School; Fabio Bertranou and Sonia Gontero; ILO Subregional Office for the South Cone of Latin America; International Labour Review, “Tracing the potential benefits and complex contingencies of multilevel collective bargaining,” vol. 163

In its influential state-of-the-art study, the OECD (2019a) demonstrates that countries with multilevel bargaining systems (varying by the type and degree of their coordination) have experienced stronger labour market performance than countries with decentralized bargaining in recent years. Both the unemployment rate and the employment rate register stronger performance, especially for countries with strongly coordinated multilevel systems.

Co-ordinated bargaining systems are associated with higher employment and lower unemployment relative to fully decentralised systems […]. This is particularly the case for predominantly centralised systems, while for organised decentralised systems the result on unemployment is somewhat smaller and less robust. Centralised but weakly co-ordinated systems and largely decentralised systems hold an intermediate position, with better employment outcomes than in fully decentralised ones but similar unemployment outcomes. (OECD 2019a, 112).

This result of better labour market performance is confirmed by other studies that analyse similar or different groups of countries (for example, Brandl 2023a; Eurofound 2023; Visser 2013). Moreover, these indicators are inclusive of all groups of workers, which refutes claims made in earlier studies that strong unions necessarily advantage “insiders” at the expense of “outsiders” (Lindbeck and Snower 2001). The OECD data show that countries with multilevel bargaining systems are also associated with better labour market outcomes for relatively disadvantaged workforce groups. Figure 2 shows that the unemployment rates of youth, women and low-skilled workers are either significantly lower than, or no different from, countries with decentralized bargaining.

2.3.  Economic performance

There is a long-standing body of theoretical and empirical work that focuses on the economic effects of different collective bargaining structures. Ideas and evidence have shifted over time from positive support for more centralized bargaining systems in the 1970s to a questioning of the macroeconomic performance effects of multilevel systems in the 1980s, followed by a divergence of viewpoints in the early 2000s (for a review, see Grimshaw and Hayter 2020). Today, there is near consensus that bargaining systems have limited influence on macroeconomic performance (compared to capital investment and systems for innovation and skill development, say), but positive effects on firm and sectoral performance, including productivity and innovation (Brandl and Braakmann 2021; Doucouliagos, Freeman and Laroche 2017; Grimshaw, Koukiadaki and Tavora 2017). The OECD’s view, consistent over the last two decades, is illustrative of the mainstream viewpoint regarding macro-level effects: “The overall fragility of the evidence linking collective bargaining to macroeconomic performance suggest[s] that great caution should be exercised when attempting to draw guidance for making policy choices from this research” (OECD 2004, 133).

In their comprehensive European study of inter-country productivity effects, Brandl and Braakmann (2021) find that multilevel bargaining is a necessary condition for delivering productivity growth. They show that:

(i) Enterprise bargaining and coordinated multilevel bargaining both generate higher productivity growth than either absent collective bargaining or uncoordinated bargaining; and

(ii) Strongly coordinated multilevel systems have superior productivity effects. Three types of vertically coordinated systems are especially effective: enterprise-sector systems, sector-national systems and enterprise-sectornational systems.

The OECD’s (2019a) analysis of firm-level productivity effects confirms the classic study by Freeman and Medoff (1984), namely that union presence (a key determinant of collective bargaining) tends to impact positively on organizational productivity by reducing voluntary worker turnover and increasing tenure and firm efficiency. Evidence for Latin America is also mostly supportive. Drawing on World Bank Enterprise Survey data, Rios-Avila (2014) finds that the impact of union presence on firm productivity in the manufacturing sector is positive in Chile, Mexico, Panama and Uruguay, but neutral in Bolivia and negative in Argentina. The most recent meta-analysis, covering 111 studies on union and productivity levels (mostly from the United States and the United Kingdom), found that, overall, unions have a small but positive effect on productivity (Doucouliagos, Freeman and Laroche 2017). Except in the case of the United Kingdom, the findings “reject the neoclassical economics view that unions are invariably harmful to productivity” (ibid., 70). A summary of selected empirical results from this research shows that:

(i) Where unions are autonomous, organized at industry level and nonparochial (that is, not focused on defending job territories), they are more likely to have positive productivity effects;

(ii) The presence of multiple unions at establishment level may be adversely associated with productivity levels;

(iii) Countries with sectoral bargaining structures display a positive relationship between union strength and productivity growth, while this relationship is neutral for countries with enterprise-level bargaining.

Sectoral bargaining can be particularly beneficial for companies that are technology leaders. As less innovative and unproductive firms are pushed out of the market by standardized sectoral wages, more innovative firms can capture their market share. These positive incentives for management to compete on organizational and/or technological innovations, rather than labour costs, are beneficial for the long-run productivity and competitiveness of industries and countries (see, for example, Bloom, Sadun and Van Reenen 2017; Doucouliagos and Laroche 2003; Scarpetta and Tressel 2004; Wachsen and Blind 2016; Willman 1986).

#### Tech diffusion. High-quality workers are key.

Keith Sisson 24 - Professor Emeritus at University of Warwick Business School. “Introducing sectoral bargaining in the United Kingdom: Why it makes sense and how it might be done,” November 2024, Industrial Relations Journal 55(6), pg. 446-471.

2.4 Sector agreements encourage ‘high road’ business strategies

For many years, the practice of employers' organisations and trade unions using sectoral bargaining to take wages out of competition tended to be frowned upon, reflecting the prevailing ‘primacy of markets’ thinking. This was particularly the case, as in printing, when across the board rises in product prices often immediately followed increases in pay. Recently, however, taking wages out of competition has come to be viewed much more positively. Indeed, it is seen as contributing not just to reducing inequality, but also to boosting growth and productivity. In the words of the OECD (2017) ‘Better use of skills in the workplace. Why it matters for productivity and local jobs’, ‘There is a broad distinction between employers that pursue “high road strategies”, where employees and the skills that they possess are viewed as an integral part of a business's competitive advantage, or “low road” strategies, where labour is considered a commodity and workers are seen as a cost to be minimised’.

In a globalised marketplace, a ‘low road’ strategy is not only seen as a dead end on its own terms but also as hampering much needed innovation and growth. Müller and Schulten (2020) put it like this in discussing the debate that took place over the European Union's (EU's) minimum wage directive:in contrast to the aftermath of the 2008 financial crisis, ‘adequate minimum wages and strong collective bargaining are no longer viewed as impediments to “flexibility” and “competitiveness” but instead as “preconditions of inclusive growth in Europe”’.10

A key benefit of sector agreements is that they raise awareness of the importance of employment matters and help to diffuse good employment practice and workplace innovation. Inadequate diffusion, the Productivity Institute (2024) emphasises, along with an absence of joined-up policy-making and underinvestment, are the fundamental issues needing to be tackled if the United Kingdom's growth performance is to be improved.

A good illustration of what sector agreements can do is to be found in another of the UK industries where multi-employer bargaining is the norm: electrical contracting. The Joint Industry Board for Electrical Contracting, (2024) involving the Electrical Contractors' Association and Unite, which dates back to the late 1960s, publishes a Handbook that not only gives details of the various ‘agreements’ between the two parties. It also has sections covering the ‘main provisions’ of employment law along with codes of ‘best practice’ and ‘good practice’. Significantly, too the JIB does not limit itself to employment matters. In its own words, the aim of the JIB is

… far reaching in seeking to generally improve the Industry, its status and its productivity in the interests of the employer, the employees and the nation. It goes far beyond a normal Industrial Agreement; the parties to the JIB seek at all times to develop a common approach to all the problems which are encountered by an industry not only in their own interests but in the public interest as well.

2.5 Sector agreements contribute to better policy making

A fundamentally important dimension that rarely gets any attention in the United Kingdom is that sectoral bargaining creates the platform for the involvement of both trade unions and employers' organisations in economic and social policymaking.11 Indeed, in several countries, sector agreements have been supplemented by cross-sector ‘social pacts’, reflecting the value policymakers place on involving representative trade unions and employers' organisations (the ‘social partners’) in grappling with their country's economic and social problems.

The benefits of involving representatives of trade unions and employers' organisations in policymaking are increasingly recognised. In its 2019 ‘Employment outlook chapter, facing the future of work: How to make the most of collective bargaining’, the OECD (2019b) offers what might be described as a paean to collective bargaining and ‘social dialogue’, seeing them as ‘flexible tools to address some of today's and tomorrow's challenges’ complementing public policies. In its 2020 ‘Global deal report, social dialogue, skills and Covid-19’, the OECD (2020) is again very complimentary. To paraphrase Nilsson's (2020) overview for Social Europe, ‘social dialogue has proved a key tool in addressing the damage wrought on labour markets by the pandemic’: examples include short-time working schemes, guidelines and protocols on measures to keep the virus from spreading through workplaces, flexibility in working time and supply chain management.

To put it at its most basic, ‘social dialogue’12 is recognised to make for better decision-making in such instances, because people with intimate knowledge are involved. However, that's not all. ‘Social dialogue’ combines two of Walton and McKersie's (1965) negotiation processes mentioned earlier: ‘integrative bargaining’ and (mutual) ‘attitudinal structuring’. The essentially deliberative decision-making involved in ‘social dialogue’ helps to build trust and social cohesion. By regularly meeting to discuss and manage problems, the different stakeholders, along with policymakers, improve their mutual understanding of the problems each is facing. When a crisis strikes, therefore, the existence of sufficient social trust helps to secure a consensus that can more readily be reached.

Also important, the process works as a coordination instrument. Again at its most basic, it encourages joined-up government, with different agencies becoming involved. More generally, it encourages the parties involved to pursue similar action and behaviour in the knowledge that everyone is more or less in the same boat. It could be short-time working arrangements, for example, or levels of pay increase.

### Rates – Biotech – Rates Not Key – 1AR

#### Rates not key.

Seed Healthcare 24, "What Lower Interest Rates Mean for Biotech, Pharma and VC," https://seedhealthcare.com/what-lower-interest-rates-mean-for-biotech-pharma-and-vc/

Skeptical Voices: Interest Rates Aren’t Everything

Not all industry leaders are convinced that interest rate cuts will have a significant impact on the biotech sector. Venture capital experts like Srini Akkaraju of Samsara BioCapital argue that broader economic fundamentals, such as M&A, play a more crucial role in driving biotech investment. Historically, interest rates have not been the primary factor influencing biotech, but in recent years, their importance has grown.

Also it’s noted that while lower interest rates tend to attract generalist investors to biotech, the industry is currently in an “innovation cycle” where fewer companies are positioned to launch blockbuster drugs. As a result, the impact of rate cuts on IPO activity and long-term growth may be more muted than expected.

#### Biotech is bust: rates have no correlation with success.

Annalee Armstrong 24, Senior Editor at Bio Space, citing Jared Holz, a Financial Analyst at Mizuho Securities, "After Fed Rate Cut, Biotech Stocks Face 'Anticlimactic' Reality," Bio Space, 9/19/2024, https://www.biospace.com/business/after-fed-rate-cut-biotech-stocks-face-anticlimactic-reality

Biotech industry watchers have been eagerly awaiting a drop in the federal interest rate. Now that it’s here, the biotech index has collectively shrugged.

On Wednesday, the Federal Reserve cut rates by half a percentage point—more than expected. But if industry watchers were expecting a sudden gold rush of fundraising, M&A deals and IPOs, that’s unlikely to happen, according to Jared Holz, an analyst with Mizuho Securities.

“I don’t think that there are meaningful shifts in the way that executives are running these companies,” Holz told BioSpace. “I feel like the headline is a little bit anticlimactic.”

That sentiment bore out in the numbers. The S&P Biotech XBI, considered the best measure of small-cap biotech stocks, spiked initially when the news was released at 2 p.m. ET on Wednesday, gaining about $2, but closed right where it began, at $100. This morning the index was up about 2%. Overall, it’s the same as it has been since August, Holz said. That said, he added that the rate cut is certainly “a net positive.” For one, Holz said that the rate cut does bring down the cost of capital, which is good for everyone.

“Money goes a little bit further, it helps strengthen operations. That’s a fundamental positive for a group that is so predicated on . . . capital preservation and our perennial financers,” Holz said.

Careful What You Wish For

Many biotechs have been taking dramatic steps to hang on amid the rocky markets, with programs jettisoned and substantial layoffs to preserve cash. The rate cut could spur some return to scientific projects, but that will be hard to quantify, Holz said.

Holz noted that since the rate drop, there has been a “bit more momentum” for small cap equities though, which bodes well for biotech.

“When I look at biotech, I just view it as a nichey, highly academic kind of component of small cap equities,” he said. “If small cap stocks continue to trade well, biotech will probably do fine. And if not, then maybe there’s a point in which there’s a little bit of stagnation in terms of the index.”

As for M&A, Holz doesn’t see a big spike coming. Major pharma players have still been executing a fairly normal number of deals, albeit smaller ones. About 15 to 20 deals usually get done each year, and pharma is on track for that for 2024.

“Potentially lower rates help a bit just in terms of managing balance sheet, but I don’t really think rates have a material impact on M&A strategy at all,” Holz said.

One place that could see a slight boost is the IPO market. Three biotechs went out last week prior to the rate cut, seeking over $700 million. That was a glimmer of activity after a relatively slow summer but biotech is unlikely to return to the pandemic-fueled IPO heyday, when dozens of biotechs headed to the public markets—nor should it, said Holz.

“I don’t see the floodgates opening necessarily, because the last time that we were kicking out 50 or more IPOs a year, the broader sector was negatively impacted by that,” Holz said. “Be careful what you wish for. Too many IPOs in this space I think is actually a very, very meaningful negative for publicly traded equities.”

### AT: biotech - !

#### Trump makes volatility and disruption in the sector inevitable. They’ll survive.

Eleanor Malone 1/20, survey of Biopharma CEOs, "Scrip Asks… What Does 2025 Hold For Biopharma? Part 3: Impacts Of Political Change In US And Beyond," Scrip, 01/20/2025, https://insights.citeline.com/scrip/scrip-asks/scrip-asks-what-does-2025-hold-for-biopharma-part-3-impacts-of-political-change-in-us-and-beyond-CKTDR3BC2JBU5O6MUHDAKXGXHU/

Uncertainty

Perhaps the most closely watched election for the pharma industry was that of the US, its most lucrative market, and this was reflected in the predictions shared by pharma leaders.

“The next four years should be very dynamic for biopharma. Inevitable changes within the Department of Health and Human Services (HHS) could bring both opportunities and challenges for different sectors,” commented Dan Yerace, director and vice president of operations at cell and gene therapy company Coeptis Therapeutics.

One distinguishing feature of Trump’s previous administration was his unpredictability, which is likely to add to the potential for upheaval that could be expected with any political switch.

This was flagged up by London-based partner of global law firm Cooley Frances Stocks Allen: “Looking ahead it is hard to predict the overall impact of the incoming Trump administration and what Robert F. Kennedy Jr.’s appointment will mean for FDA and the global biotech and pharma markets. Having had a quick and conclusive election result, and an appointment of any kind, reduces uncertainty but, given the administration’s emphasis on disruption, it is hard not to expect movements which will both create opportunity and change,” she said. “As ever in a paradigm of uncertainty, those companies best able to be nimble and respond quickly to opportunity are the most likely to take advantage of those developments.”

Bill Coyle, principal (global head of biopharma) at consultancy ZS, also emphasized the need for companies to react effectively to change. “Against the backdrop of biopharma innovation this year, uncertainty will be high in 2025 with the incoming Trump administration set to potentially disrupt pharma and healthcare more generally. Government savings targets combined with anti-pharma rhetoric are sure to result in the need for biopharma companies to quickly understand and evaluate the impact of policy ideas that appear with little notice and could have significant implications.

Optimism

“We live in politically turbulent and uncertain times: in the past few weeks, I have read in reliable newspapers that the new Trump presidency will either be very good or very bad for pharma (a view that depends very largely on whether you supported him or not during the Presidential election),” commented Simon Kerry, CEO of UK drug discovery company Curve Therapeutics and newly elected director to the board of the UK BioIndustry Association (BIA). “I predict, however, that the world will not end in the next four or five years: there will be decisions made by politicians that may affect our sector for good or bad, but the fundamentals of the biotech industry remain strong and, I believe, the sector will remain resilient in the face of any occasional headwinds.”

He added that following the election of UK Prime Minister Keir Starmer in July 2024, “here in the UK, the BIA is working hard to make sure that we are front and centre of the new government’s mind and has already been successful in retaining the R&D tax credit at its current levels.”

Gene Mack, CEO of Gain Therapeutics, shared Kerry’s general optimism about the sector despite political changes.

“While investors have expressed concerns about President-elect Trump’s appointment of Robert F. Kennedy Jr. as HHS Secretary and RFK’s stated intentions to address pharmaceutical industry practices, I remain optimistic about the CNS [central nervous system] space in the coming year,” Mack said. “The development of life-changing medicines continues to receive broad support across government and public and private sectors.”

## Shutdown

### Shutdown DA---Won’t Pass---1AR

#### Both sides have incentives to make the shutdown happen.

Alexander Bolton 9/25, Senior staff writer, covered United States Senate operations since 2009, specialized in congressional ethics and campaign finance and budget and appropriations reporting, regular radio and television appearances, "GOP, Democrats Both See Incentives in a Shutdown That Looks Inevitable," The Hill, 09/25/2025, https://thehill.com/homenews/senate/5520645-trump-democrats-funding-showdown/

Congressional lawmakers and their aides are bracing for a shutdown that appears inevitable after President Trump canceled a meeting planned for Thursday with Senate Democratic Leader Chuck Schumer (N.Y.) and House Democratic Leader Hakeem Jeffries (N.Y.).

Senate Democrats have said they cannot vote for any House-passed government funding bill if GOP leaders refuse to sit down and talk with them, but Republicans say there’s nothing to negotiate, framing next week’s vote on a “clean” continuing resolution to keep the government open as a take-it-or-leave-it proposition.

“I think there’s a 99 percent chance that there’s a shutdown. There just doesn’t seem to be any endgame for either party to get out of a shutdown,” said Brian Darling, a GOP strategist and former Senate aide.

“Republicans want to show that they want to get their priorities funded and I think the Democrats need to dig in and show that they can fight. I think both parties have an incentive from their base to shut their government down, it’s just a matter of how long,” he said.

Trump has made it clear he’s not ready to offer any concessions to Schumer and Jeffries. He’s also prepared to make the shutdown as painful as possible for Democrats by prioritizing funding for Republican requests and shifting money from Democratic-leaning states to GOP strongholds.

The White House on Wednesday stepped up its pressure on Democrats to back down and accept a House-passed stopgap funding measure by circulating a memo warning of mass layoffs.

The memo directs agencies to use a shutdown as an “opportunity to consider reduction in force (RIF) notices to all employees in programs, projects or activities” if the funding for those programs lapses on Oct. 1 and they are not “consistent with the president’s priorities.”

Schumer issued a statement Wednesday night calling it “an attempt at intimidation.”

“Donald Trump has been firing federal workers since day one — not to govern, but to scare,” he wrote.

Jonathan Kott, a Democratic strategist and former Senate aide, said Trump is provoking Democrats to block any Republican-drafted government funding bill by refusing to consider their requests to address rising health care costs, the issue that Schumer has put at the center of the funding showdown.

“If he won’t even sit down and meet to have a discussion, he is telling Congress, he is telling the American people he would rather shut down the government,” Kott said of Trump.

Kott said Democrats can’t back down now, warning that if they agreed to a clean short-term funding stopgap after demanding concessions on health care, they would undermine any leverage they might have in November or December to negotiate a longer-term funding deal.

“If the president of the United States won’t even meet with you in October, why would you think he would meet with you in November?” he said. “The fact that he won’t even take the meeting tells you everything you need to know.”

Some centrist Democratic senators, however, privately wonder how much leverage Schumer and Jeffries have in the standoff.

Republicans have proposed a “clean” seven-week stopgap funding bill, the same type of straightforward resolution that Democrats passed 13 times when they controlled the Senate during former President Biden’s time as president.

“How many of their darlings are we holding? Where’s our leverage? Identify what’s our leverage point,” said Sen. John Fetterman (D-Pa.), who is questioning Schumer’s hard-line strategy heading into the Sept. 30 deadline for keeping the government open.

Fetterman warned that a shutdown could give Trump the same unfettered power to redirect funding, slash agency budgets and furlough workers that Schumer and other Democrats raised the alarm about when they voted for a partisan GOP funding bill in March.

Fetterman thinks that’s why Republicans jammed the Senate with such a partisan funding bill in March. He believes they were trying to lure Democrats into the trap of a shutdown to give Trump more power.

“I thought it was a honey trap back then, they were begging us to effectively do it,” he said.

The Pennsylvania Democrat warned that a shutdown now would give Trump’s allies the same opportunity to tear the government apart.

“Now this creates more opportunities to do all of those things that’s compatible with the [Project 2025] plan. I think that’s exactly what they want,” he said, referring to the conservative blueprint to overhaul the federal government.

John Ullyot, a Republican strategist and senior adviser to Trump’s 2016 campaign, said Republicans feel confident they’ll have the upper hand politically if federal departments and agencies shut down indefinitely.

“I’d say it’s all up to Schumer. President Trump holds all the cards right now and it looks bad for Democrats if they shut down the government. I think Schumer will blink at the last moment because he knows the Democrats are really in a tailspin as a party right now and if they were to take this step right now, this would put them even further down in the political landscape for the next [election] cycle,” he said.

“Schumer really has to look at this and he doesn’t have a lot of cards to play. If he wants to shut down the government then that’s something they’re going to have to answer for and it isn’t pretty for the party,” he said.

Senate Majority Leader John Thune (R-S.D.) on Wednesday said the Democrats’ funding demands are so outrageous that it’s not even worth Trump’s time to meet with them, backing the president’s decision to cancel Thursday’s leadership summit on the funding impasse.

“The Democrats’ requests are completely unhinged and unreasonable and unserious, and if they want to have a serious conversation … I’m sure the president … would be happy to do that,” Thune said Wednesday during a CNN interview.

“But at least right now, what they’re asking for to keep the government open for seven weeks is over a trillion dollars in new spending and all kinds of policy riders that never go on continuing resolutions,” he said.

Senate Democrats last week unveiled an alternative continuing resolution to fund the government until Oct. 31 that would permanently extend the enhanced health care premium subsidies that are due to expire at the end of this year — something that would cost $350 billion over 10 years — and restore nearly $1 trillion in Medicaid funding cut by the Republicans’ One Big Beautiful Bill Act.

Democrats have added language to unfreeze funding targeted by Office of Management and Budget Director Russell Vought, including the $5 billion in foreign aid he wants to claw back through a pocket rescission.

Democrats have already voted down the seven-week continuing resolution passed last week by House Republicans, even though it kept current funding levels in place and didn’t include any poison-pill policy riders.

Sen. Patty Murray (D-Wash.), the vice chair of the Senate Appropriations Committee, who has played a central role in crafting the Democratic funding strategy, argued Wednesday that Trump, not Democratic leaders, are being unhinged and unreasonable.

“Here’s the truth: Republicans are forcing a shutdown because they won’t so much as sit down with Democrats to find a solution to fund the government & protect your health care,” she posted on the social media platform X.

#### Neither side can solve this on their own. GOP rescissions make them totally untrustworthy which stops Dem dealmaking.

Catie Edmondson 9/24, Congressional Correspondent at The New York Times, Barnard College at Columbia University graduate, "Shutdown Crisis Tests Trump's Go-It-Alone Approach to Democrats," The New York Times, 09/24/2025, https://www.nytimes.com/2025/09/24/us/politics/trump-democrats-government-shutdown.html

President Trump’s decision this week to abruptly cancel a meeting with top Democrats aimed at averting a government shutdown within days highlighted the toxic relationship helping drive Congress and the White House toward a crisis.

With a Republican governing trifecta, Mr. Trump has adopted a go-it-alone approach at the dawn of his second term, freezing out Democrats and never once inviting their leaders to the White House for negotiations or anything else.

With Democrats opposing him at every turn, the president has been able to rely exclusively on Republicans to push through his big priorities, including enacting a major tax cut and domestic policy bill, clawing back billions in congressionally approved spending and winning confirmation of his nominees.

That will not be the case when it comes to funding the government, which Congress must do by Tuesday to avoid a shutdown.

Because Republicans have only a narrow majority in the Senate, passing a government spending bill that can win the necessary 60 votes depends on attracting at least a small amount of Democratic support. That will require bipartisan negotiation, an art that has been fading steadily on Capitol Hill and has so far been lost altogether during Mr. Trump’s second term.

Even talks around whether and when to meet have prompted a round of recriminations and finger-pointing. Mr. Trump said earlier this month that Republicans should not “even bother” negotiating with Democrats, and suggested his party could fund the government solely with Republican votes.

The characterization infuriated Democrats, who have demanded that any measure to extend spending also carry more than $1 trillion to continue Obamacare subsidies and reverse cuts to Medicaid and other health programs that Republicans made over the summer.

“The way this country works, you’ve got to sit down with people you may not agree with and come to an agreement, come to a negotiation,” Senator Chuck Schumer of New York, the minority leader, said on Tuesday after Mr. Trump canceled their meeting. “Donald Trump is not a king. He’s the president, and he has his responsibility to work to avoid the Trump shutdown, and time is of the essence.”

Mr. Trump canceled the meeting after a call with Speaker Mike Johnson and Senator John Thune of South Dakota, the majority leader, who urged the president not to meet with Democratic leaders. Mr. Johnson had told reporters before the meeting was canceled that he was “not certain” it was “necessary.”

Republicans, who believe Democrats will be blamed for any shutdown, have noted that they are simply offering what has become the routine move on Capitol Hill for avoiding shutdowns: a temporary funding bill, known as a continuing resolution, or C.R., that keeps federal spending levels flat. Under President Joseph R. Biden Jr., Mr. Thune told reporters last week, Republicans repeatedly agreed to such bills.

They have also relished digging up old quotes from Democrats arguing that debates around health care should be separate from funding discussions.

“The suggestion by the Democrats that they ought to be able to hijack a continuing resolution to attach a trillion dollars of policy is completely out of any sort of historical context of what C.R.s have been used for in the past,” Mr. Thune said.

G.O.P. leaders have good reason to fear a meeting between the president and Democrats. Mr. Trump, who is supremely confident in his own deal-making skills, has a track record of complicating his own party’s position in high-stakes negotiations when he sits down with Democrats.

In 2018, ahead of another government funding deadline, Mr. Trump declared in a televised negotiating session with Mr. Schumer and Representative Nancy Pelosi of California, then the Democratic leader, that he would be “proud to shut down the government for border security.” In doing so, he violated an unwritten rule that has governed both parties’ approach to shutdown messaging for decades: Always make sure the other party shoulders the blame.

“I will take the mantle,” Mr. Trump said then. “I will be the one to shut it down — I’m not going to blame you for it.”

The president has also been known to vacillate wildly in such sessions, sometimes siding with his adversaries and endorsing politically popular policies that violate the long-held orthodoxies of his own party, leaving Republicans scrambling to sidestep his new position.

Mr. Trump already has displayed some discomfort with the unpopular Medicaid cuts included in his tax cut law, which Democrats have made clear would be on the table for reversal in any spending negotiation.

The gridlock in Congress is not new. For years now, lawmakers have mostly careened from one stopgap spending bill to another to fund the government, heading off a shutdown days or even minutes before the deadline. In doing so, they have essentially punted each time on resetting funding levels, kicking the can down the road for a few months.

The last time lawmakers negotiated spending bills — as opposed to simply extending funding levels with a temporary measure — was in early 2024, when Democrats controlled the White House and the Senate, and Republicans controlled the House.

Republicans were able to win cuts to the State Department and foreign aid programs, and more funding for border security measures, while Democrats secured a combined $1 billion in new funding for federal child care and education programs.

“It’s no small feat to get a package like this done in divided government,” Mr. Schumer said at the time.

But such negotiations have grown increasingly difficult.

While appropriators in the Senate this year have advanced largely bipartisan spending bills, for example, their counterparts in the House have put forward much more partisan measures enacting steep cuts across agencies.

While appropriators once prided themselves on the art of congressional deal-making — often greased by earmarks directing funds to their home states and districts — lawmakers largely acknowledge those days are behind them.

“I don’t want us to go from one reconciliation bill to a rescissions package to another rescissions package to a reconciliation package to a continuing resolution,” said Senator Lisa Murkowski, Republican of Alaska. “We’re lawmakers. We should be legislating.”

In the few instances bipartisan negotiations have yielded results that have been enacted into law — the infrastructure bill passed under Mr. Biden, the spending bills in early 2024 and the last aid package Congress passed for Ukraine — they have provoked spasms of anger from the right.

Republicans who voted for the infrastructure law received violent threats; fewer than half of House Republicans voted for the spending bills; and the hard right flank of the House G.O.P. caucus moved to oust Mr. Johnson for allowing the Ukraine bill to be put to a vote.

At the same time, Mr. Schumer and Democrats experienced an angry backlash from their supporters for agreeing in March to supply the votes needed to move ahead with the stopgap spending measure that is about to expire.

Now, furious with the Trump administration’s attempts to unilaterally freeze and claw back funds, they are in no mood to strike a deal with a president they say could pull the rug out from underneath them at any moment.

“No one wants a shutdown, but agreeing to a deal that can be revoked whenever Trump demands it isn’t responsible,” Representative Brendan Boyle of Pennsylvania, the top Democrat on the Budget Committee, said. “It only teaches the other side that they can do it again and again.”

#### Dems have explicitly ruled out a handshake agreement. But nothing else is even possible at this stage because the GOP have left town, so they can’t codify anything.

Andrew Solender 9/24, congressional reporter at Axios, "Jeffries rules out handshake deal with GOP to avert shutdown," Axios, 09/24/2025, https://www.axios.com/2025/09/24/hakeem-jeffries-donald-trump-government-shutdown

House Minority Leader Hakeem Jeffries (D-N.Y.) drew a clear line in the sand Wednesday on what a deal to stop a government shutdown must look like, telling reporters he will not accept any type of unwritten agreement.

Why it matters: It's the latest stumbling block in the tense and largely fruitless cross-party posturing over the need to extend federal funding past September.

Jeffries and Senate Minority Leader Chuck Schumer (D-N.Y.) had initially secured a meeting with President Trump earlier this week, but it was cancelled at the urging of Republican congressional leaders.

Funding is set to run out at midnight on Sept. 30, at which point most federal agencies will shut down without a spending agreement from Congress.

Driving the news: Jeffries said in a press gaggle on Capitol Hill he has a "positive and communicative relationship" with Speaker Mike Johnson (R-La.), but that there is "no trust" between House Democrats and Republicans.

"They consistently try to undermine bipartisan agreements that they themselves have reached," Jeffries continued.

As such, he said, "any agreement related to protecting the health care of the American has to be ironclad and in legislation."

Between the lines: Jeffries' comments demonstrate just how far apart the two parties are at this point.

Democratic leaders have pushed for the extension of expiring Affordable Care Act subsidies and the restoration of Medicaid funding slashed in the Big, Beautiful Bill as part of a stopgap spending bill.

Republicans, by contrast, have insisted on passing a "clean" measure without any tangential provisions.

This is a gulf Senate Republicans need to bridge in order to get the necessary Democratic votes to bypass their chamber's 60-vote filibuster threshold.

What to watch: Jeffries is still pushing to sit down with Republicans, telling reporters Democrats are "ready to meet with anyone, any time, any place" in order to stop a shutdown.

Jeffries said the last time he spoke with Johnson was last week, and that they only spoke "briefly" about the "logistics" around a vote to fund the government.

The two House leaders "had no discussion of substance," Jeffries said.

He added that he expects to have a conversation with Schumer "at some point later on" Wednesday, adding that they "have been in close contact with each other."

The bottom line: Republicans are not yet extending any offer for a handshake deal or spoken agreement to pass health care funds later on — let alone codifying those funds in legislation.

### Won’t Pass---GOP

#### And Trump isn’t even willing to talk. He’s cancelled meetings.

Sahil Kapur et al. 9/23, "Trump cancels meeting with top Democrats on how to prevent a government shutdown," NBC News, 09/23/2025, https://www.nbcnews.com/politics/donald-trump/trump-cancels-meeting-top-democrats-prevent-government-shutdown-rcna233187

President Donald Trump on Tuesday abruptly canceled a planned meeting with top congressional Democrats one week before a potential government shutdown.

In a long social media post, Trump wrote that after “reviewing the details of the unserious and ridiculous demands” that Democrats are making, “I have decided that no meeting with their Congressional Leaders could possibly be productive.”

He unloaded on Democrats and said any meeting with House Minority Leader Hakeem Jeffries, D-N.Y., and Senate Minority Leader Chuck Schumer, D-N.Y., would be conditioned on their changing their posture.

“I look forward to meeting with them if they get serious about the future of our Nation,” he wrote on Truth Social, while inveighing against Democratic calls to repeal portions of his sweeping domestic agenda law, including cuts and changes to Medicaid.

His comments online came a few hours after Jeffries and Schumer issued a joint statement about the meeting, which had been planned for Thursday.

Congress is in the midst of a standoff as government funding is set to expire on Sept. 30. The Republican-controlled House passed a short-term bill to keep the government open through Nov. 21, but the Senate — which requires 60 votes to pass a bill — rejected both the GOP and Democratic proposals.

Jeffries slammed Trump for canceling the meeting.

“Trump Always Chickens Out,” he wrote on X.

Schumer also responded to Trump’s move.

“Trump is running away from the negotiating table before he even gets there,” he said in a statement. “While Americans face rising costs and a Republican healthcare crisis, Trump would rather throw a tantrum than do his job. Democrats are ready to work to avoid a shutdown — Trump and Republicans are holding America hostage. Donald Trump will own the shutdown.”

Democrats have demanded an extension of Obamacare funding in order to prevent insurance premium increases next year.

Speaker Mike Johnson, R-La., and Senate Majority Leader John Thune, R-S.D., spoke to Trump on Monday night by phone and urged him to call off the meeting with Jeffries and Schumer, two sources familiar with the conversation said.

The Republican leaders stressed that Democrats already put out their demands for the continuing resolution, and Trump not need meet with them.

The sources noted that Trump may still decide to hold a meeting with the two Democrats, but that Thune and Johnson would likely be involved in some way.

Thune's office did not respond to a request for comment on the call and deferred to the White House on details of a potential meeting. Johnson's office did not respond to a request for comment.

Sen. Chris Murphy, D-Conn., had a pithy response to Trump’s Truth Social post.

“This is delusional but you don’t have to read the whole thing,” he wrote on X. “Boils down to: he’s shutting down the government because he thinks he’s a king.”

#### He’s said Dem demands are ‘unserious and ridiculous’.

Catie Edmondson 9/23, covers Congress for The Times, "Trump Cancels Meeting With Democrats as Shutdown Nears," New York Times, 09/23/2025, https://www.nytimes.com/2025/09/23/us/politics/trump-shutdown-democrats.html

President Trump on Tuesday canceled a meeting at the White House with top congressional Democrats to discuss federal funding, writing on social media that he had decided talks would not be “productive,” escalating a standoff that threatens to shut down the government next week.

Mr. Trump had been set to meet with Senator Chuck Schumer and Representative Hakeem Jeffries, both of New York, in an attempt to break through the impasse gripping Capitol Hill. To avert a shutdown on Oct. 1, lawmakers must agree on a spending bill that can win at least 60 votes in the Senate to advance. But Republicans control only 53, so Democrats are demanding that Mr. Trump negotiate with them, including for funding to extend Obamacare subsidies set to expire at the end of the year.

But Mr. Trump accused “Radical Left Democrats” of making “unserious and ridiculous demands” in return for their votes. Mr. Trump added that he would not meet with them unless “they get serious about the future of our Nation.”

Mr. Jeffries responded by calling Republicans “extremists” who were prepared to shut down the government because they were “unwilling to address the Republican health care crisis that is devastating America.”

Mr. Schumer said Mr. Trump was “running away from the negotiating table before he even gets there.”

“Democrats are ready to work to avoid a shutdown — Trump and Republicans are holding America hostage,” Mr. Schumer said in a statement. “Donald Trump will own the shutdown.”

Last week, Senate Democrats blocked Republicans’ plan to keep federal funding flowing past a Sept. 30 deadline, demanding more than $1 trillion to extend the Obamacare subsidies and reverse cuts to Medicaid and other health programs that Republicans made over the summer.

Senate Republicans in turn blocked the Democrats’ proposal, arguing that there was nothing to negotiate and that they were offering the status quo — simply extending federal spending at current levels.

“The Republican bill is a clean, nonpartisan, short-term continuing resolution to fund the government to give us time to do the full appropriations process,” said Senator John Thune of South Dakota, the majority leader. “And the Democrat bill is the exact opposite.”

#### He’s communicated this to senior GOP---he’s not backing down.

Kit Maher et al. 9/23, CNN, "Trump cancels meeting with Democratic leaders, deepening risk of government shutdown as funding deadline looms," CNN, 9/23/25, https://www.cnn.com/2025/09/23/politics/trump-cancels-meeting-democrats-shutdown?iid=cnn\_buildContentRecirc\_end\_recirc&recs\_exp=up-next-article-end&tenant\_id=related.en

President Donald Trump scrapped a White House meeting with top congressional Democrats later this week, as the threat of a government shutdown looms over Washington.

“After reviewing the details of the unserious and ridiculous demands being made by the Minority Radical Left Democrats in return for their Votes to keep our thriving Country open, I have decided that no meeting with their Congressional Leaders could possibly be productive,” Trump wrote on his Truth Social platform Tuesday morning.

The president also rattled off a list of demands he claimed Senate Minority Leader Chuck Schumer and House Minority Leader Hakeem Jeffries want in exchange for their party’s votes to keep the government funded and avert a shutdown on October 1. The pair had confirmed just shortly before that they were scheduled to meet with the president this week in the Oval Office.

While a single meeting between Trump and the Democrats was unlikely to result in a swift deal to avert a shutdown altogether, it had been the most tangible indication yet that party leaders would come to the table to negotiate on funding. Now, with each party publicly trading barbs and refusing to cave, the prospect of a shutdown seems more serious than ever.

Lawmakers left Washington on Friday for a week in their home districts without a path forward, after the Senate rejected both a House-passed seven-week government funding measure and a Democratic alternative.

Republicans have argued their bill to fund the government through November 20 is a “clean” continuing resolution, or CR, with only $30 million in extra security money for members of Congress, $58 million for security for the executive and judicial branch and a funding “fix” for DC to adjust a mistake in an earlier bill.

The Democratic bill, meanwhile, included expensive health care changes, such as extending enhanced Affordable Care Act subsidies that are set to expire at the end of the year. Republicans have argued it’s inappropriate to add such provisions to a stopgap funding bill and that they should be negotiated as part of a year-end funding bill.

Meeting pulled after call with top Republicans

Trump’s move to cancel the Thursday meeting came after a conversation with GOP leaders Monday night, where they cautioned against dealmaking with Democrats, according to a person familiar with the discussions.

Trump spoke by phone with House Speaker Mike Johnson and Senate Majority Leader John Thune about the upcoming funding deadline, shortly after reports surfaced that the president was planning to meet with Schumer and Jeffries.

On the call, the GOP leaders told the president that Schumer was seeking a shutdown brawl with him, and they panned Democrats’ demand to make enhanced Obamacare subsidies permanent as essentially giving free health care to illegal migrants, that person said.

“Thune has been abundantly clear about what he thinks on this issue, and the president is aware of his position,” one source familiar with the discussions told CNN.

Johnson made a similar case against the Affordable Care Act enhanced premium subsidies inside the Capitol last week before lawmakers left town, telling reporters: “We’re not going to pay for health care for illegal aliens, that’s against the law, we’re not doing that.”

Republican House Speaker Mike Johnson told reporters shortly before Trump’s post that he and Senate Majority Leader John Thune would attend any meeting that took place with Democratic leaders, but he questioned whether a meeting was necessary.

“Chuck Schumer and Hakeem Jeffries have made just wild partisan demands that they’re trying to attach to a very simple, short term, very clean CR. We just want to keep the government open so our appropriators can continue to do their work,” he told reporters, accusing his Democratic colleagues of “trying to make a mockery of it.”

### Won’t Pass---Dems

#### Democrats have zero reason to negotiate because of rescissions.

Charlie Hunt 9/23, Associate Professor of Political Science, Boise State University, "Facing a shutdown, budget negotiations are much harder because Congress has given Trump power to cut spending through 'rescission'," The Conversation, 09/23/2025, https://theconversation.com/facing-a-shutdown-budget-negotiations-are-much-harder-because-congress-has-given-trump-power-to-cut-spending-through-rescission-265827

What is different about the 2025 budget fight than previous ones?

A lot of the dynamics are still the same. You still have partisan fighting. And you still have some divides within the two parties that I think are worth mentioning. One example: There was a Senate vote just the other day on one of these budget resolutions, and a couple of Republicans voted with the Democrats. So for some of these more deficit-hawk Republicans, that concern is still playing a role.

What’s new this time around is this element of rescissions. This is a tool that’s been available since the 1970s in which presidents ask Congress to rescind spending that they had allocated. This is what happened earlier this year with the rescissions on public broadcasting – NPR and PBS – that got a lot of attention, as well as on USAID. Trump said he wanted to cut funding for public broadcasting – the GOP in the Senate and House voted to let him. They didn’t need 60 votes in the Senate for a rescission, either. Just a majority for this move.

So in this case, Democrats are looking at this and thinking, “Why should we negotiate, if you’re just going to rescind that later on without our consent?” That’s a major element that’s changed. While it’s a power that has been in place for a while, Trump and the Republicans have been really willing to wield that.

#### They’re publicly unified and not backing down.

Sarah Ferris 9/20, CNN reporter covering Capitol Hill, "'It's a new world with Trump': Inside Democrats' shutdown gamble," CNN, 9/20/25, https://www.cnn.com/2025/09/20/politics/democrats-government-shutdown-schumer?iid=cnn\_buildContentRecirc\_end\_recirc&recs\_exp=up-next-article-end&tenant\_id=related.en

Still locked out of power in Washington, Senate Minority Leader Chuck Schumer and his party are seizing on a fresh battle with President Donald Trump: a high-stakes gamble over this month’s government funding deadline.

With a shutdown on the line, Schumer and other top Democrats in Congress are vowing to play hardball against Trump. One of the party’s biggest demands: They want Republican leaders to commit to billions of dollars in enhanced Obamacare subsidies that would otherwise expire at the end of the year.

“Donald Trump would rather shut down the government than even talk to Democrats about lowering the cost of health care for Americans,” Schumer told reporters on Friday.

But by taking that hardline approach, Democrats are also taking a major political risk.

Party leaders and rank-and-file are publicly projecting a united front, and many Democrats are truly eager for a fight with Trump. But behind the scenes, some are also worried about the party’s exit strategy if Trump and the GOP refuse to cave. They fear that a shutdown could wreak havoc across the country — only for Democrats to ultimately yield to Republicans with nothing in exchange.

One Democratic lawmaker close to leadership acknowledged that the party is heading into uncertain territory with its shutdown threat, but said there were simply no other options.

“I can’t tell you if it’s gonna be a good play or a bad play on shutting it down,” the Democratic member said. “The point is, nothing else has worked to stop their momentum. You gotta throw some tacks in the road.”

Others in the party are more anxious about what happens if Trump and his administration begin yanking resources like food stamps and blaming Democrats for the lapse. “There’s no way to play this shutdown game and win,” one senior aide to a Democratic centrist added.

A funding lapse on October 1, of course, isn’t yet guaranteed.

Republican leaders in the House and Senate believe Schumer wants to find an off-ramp, according to multiple GOP sources. Some Democrats, too, still publicly and privately hope that Schumer and Senate Majority Leader John Thune can reach a deal on the enhanced subsidies, even if it’s not formally included in a funding agreement, multiple Democratic sources said.

Meanwhile, Schumer and House Minority Leader Hakeem Jeffries on Saturday sent a letter demanding a meeting with the president, who Democrats say isn’t talking to them at all. Hours later, Trump signaled openness to meeting with the Democratic leaders but doubted whether it would make a difference.

“I’d love to meet with them, but I don’t think it’s going to have any impact,” Trump told reporters.

Some saw Friday’s Senate votes sinking both Democratic and Republican plans as leverage points — rather than real shutdown threats — with so many days to go before the deadline.

“A government shutdown is not good for everyone. No one ever wins and the American people fail,” Rep. Ami Bera, a centrist from California, told CNN. “I wouldn’t make plans on [September] 29 or 30 because we might be back.”

But Republicans insist there’s no reason to have a conversation over health care at all as part of this funding bill, which would simply keep the government operating at status quo through late November.

“Looks to me like it’s this or a shutdown,” Thune said plainly when asked about Democrats’ choice.

“These guys just didn’t listen to the voters last November,” House GOP Whip Tom Emmer added of Democrats’ health care demands.

Schumer’s next play

Lawmakers left Washington on Friday without a clear path forward.

Both sides remained dug in with no plans to vote again until a day before the deadline, and no one on Capitol Hill can predict what happens before then. But for now, Democrats are leaning into their spotlight moment and insist they’re not backing down.

“Donald Trump says he doesn’t want to talk. He’s still in the go-to-hell mode. His marching orders to Republicans are don’t even bother with Democrats,” Schumer told reporters on Friday, after he and nearly every Democrat in Congress opposed the GOP’s plan for a seven-week stopgap. “They, by not negotiating, are causing the shutdown.”

It’s a notable position for Schumer, who triggered fierce backlash in his party this spring by helping Trump and Republicans keep the government open without anything in return. This time, he said, “the world is totally changed,” and the American public has “seen the damage the Republicans are doing.”

Republicans still need at least seven votes in the Senate on any funding bill and Democrats say they won’t back the current GOP funding plan. Republicans, meanwhile, say they have no reason to offer anything else.

Schumer has faced intense pressure inside the Capitol not to yield this time, including from Jeffries. Many in the party, including Jeffries, see the funding fight as a chance to take a high-visibility stand against Trump and his policies with the whole nation watching closely, according to people familiar with his thinking. A shutdown is bad, they say, but this is their only real leverage point with Trump.

“It’s the Republicans’ shutdown. We’re fighting for the health care of the American people,” a forceful Jeffries declared from the Capitol steps on Friday, surrounded by dozens of his members. “We will do that today. We will do that tomorrow. We will do that next week. We will do that next month. We will do that this year. We will do that next year.”

Sen. Peter Welch of Vermont argued Trump and the GOP have broken years of precedent by refusing to engage with Democrats on a bipartisan funding bill. While he was adamant that he doesn’t want to see a shutdown, he added: “In every other situation we’ve had here, there’s been a negotiation. … It’s a new world with Trump, and he probably does want a shutdown.”

Asked about the GOP’s insistence they will only put up a status-quo funding bill, he said: “That’s today. We’ll see.”

If Schumer and Senate Democrats were to accept a side deal on the Obamacare enhanced subsidies — without putting it into a funding law — it would likely infuriate House Democrats.

Many in the party remain distrustful of Schumer after the party-wide reckoning in March, when he yielded to Trump on that earlier funding bill. Schumer and Jeffries have insisted publicly they are in full alignment this time, but even close confidantes of both leaders say they can’t predict what happens next.

“I think he saw the consequences [of] what happened to him in March,” Rep. Ro Khanna told reporters, when asked if Schumer would hold the line on the funding bill.

Asked the same question, progressive Vermont Sen. Bernie Sanders, who caucuses with Democrats, declined to answer: “You’d have to ask Mr. Schumer.”

One senior Democrat who speaks to both party leaders regularly said it’s unclear whether Schumer can hold the position: “We hope so. We don’t know.”

Some House Democrats are working behind the scenes to keep up the pressure on the New York senator. In one instance, a report that said progressive force Rep. Alexandria Ocasio-Cortez is considering a primary run against Schumer surfaced the morning of the Senate’s big funding vote. (Asked by CNN, Ocasio-Cortez would not comment on whether she is considering a run in the 2028 primary.)

For now, both sides acknowledge there’s no clear way out without a big U-turn by one party, but they’re also quick to place the blame.

“What we’re asking for is super reasonable,” Sen. Chris Murphy of Connecticut said. “Republicans refuse to negotiate with Democrats, they’re sending us home next week. It’s 100% clear they want a shutdown.”

### AT: Military Impact---2AC

#### Military will keep getting funding even during a shutdown.

Anastasia Obis 9/18, staff writer, "Lawmakers want guaranteed pay for troops as government shutdown looms," Federal News Network, 9/18/25, https://federalnewsnetwork.com/congress/2025/09/lawmakers-want-guaranteed-pay-for-troops-as-government-shutdown-looms/

House lawmakers are racing to ensure that troops, including the Coast Guard, civilian employees and contractors continue to receive pay and benefits as the threat of a government shutdown looms at the end of the month.

The legislation, dubbed the “Pay Our Troops Act of 2026,” would guarantee pay for service members if Congress fails to pass legislation to keep the government open before Oct. 1.

The bill would use existing, unappropriated Treasury funds for fiscal 2026 to continue paying service members and civilian workers in the event of a government shutdown until Congress passes a continuing resolution, an appropriations bill that funds the Defense Department or January 1, 2027 — whichever comes first.

“The Pay Our Troops Act of 2026 is a common-sense, bipartisan measure that ensures those in uniform, as well as the civilians and contractors who support them, are protected from the political uncertainty of government shutdowns,” Kyleanne Hunter, CEO of Iraq and Afghanistan Veterans of America, said in a statement.

House Republicans unveiled legislation to fund the government through Nov. 21, but Democrats signaled they would reject the measure and vote to shut down the government unless the bill addresses Democrats’ priorities, such as extending expiring health care subsidies and reversing the Medicaid cuts that were part of the GOP tax bill.

House Republicans plan to vote on the measure on Friday, but it is unclear if they have the votes to pass the bill.

Senate Minority Leader Chuck Schumer (D-N.Y.) received significant blowback from Democratic voters in March after he and other Democrats joined Republicans in approving a six-month funding deal — the Democratic base said the party gave in too quickly to the GOP demands. This time, Democratic leaders say they are on a firmer political ground and are considering a risky shutdown.

The standoff has fueled concerns about a potential shutdown and that service members could be required to work without pay.

Rep. Jen Kiggans (R-Va.), who reintroduced the bill, said the legislation “ensures that we honor the commitment of our troops by guaranteeing their pay, no matter what happens in Washington.” The bill has been backed by dozens of co-sponsors.

Multiple military and veterans groups have endorsed the bill as well.

“Our military is willing to do their job for the country, which often puts their lives at risk. We just ask that Congress do their job to keep the government running and get us paid,” Kathy Roth-Douquet, Blue Star Families CEO, said.

Congress passed similar protections for service members ahead of a 16-day shutdown in 2013.

During the 2018-2019 shutdown, most troops continued to receive pay, but Coast Guard members worked without pay for over a month because the service is part of the Department of Homeland Security rather than the Defense Department.

In the event of a shutdown, all federal employees are guaranteed to get back pay after it ends under the current law.

Hundreds of federal workers across more than 50 agencies signed a petition on Thursday urging Democrats to “rein in executive lawlessness” and protect vital public services even if it means they have to shut down the government.