# Explanation/Guide

### File Description and General Tips

This file contains a disadvantage that can be read against both the Surveillance State Repeal Act affirmative and the Secure Data Act affirmative. It contains materials for both the negative and the affirmative.

When reading this disadvantage, the negative should introduce it as an off-case position in the 1NC. The 1NC shell is included in this file. To extend the disadvantage in the negative block, the negative should prepare blocks to each affirmative response. When doing so, the negative can make use of the backline evidence contained in the file. Students should carefully choose which extension evidence to read; it is very unlikely that students will be able to read *all* extension cards in any 2NC or 1NR.

When answering this disadvantage, the affirmative should use the 2AC frontline. It includes seven arguments. For each 2AC argument, the affirmative is provided with two extension cards that could be useful for the 1AR. Due to the intense time constraints of that speech, students should carefully choose which (if any) extension evidence to read.

This disadvantage relies on the same internal link as the affirmative’s tech leadership advantage. If the affirmative reads the tech leadership advantage, they cannot contest the link to the disadvantage without undermining their advantage, too. If the affirmative is *not* reading the tech leadership advantage, they can make analytical arguments challenging the link to the disadvantage. To answer these arguments, the negative materials include blocks that extend the link.

### Explanation of the Negative

The EU Tech Sector DA argues that U.S. surveillance has led companies to choose to use EU companies for their technology needs, especially in the area of cloud computing, because they don’t want their data spied on. When the plan passes and the U.S. reduces surveillance, those EU companies can no longer use privacy as a way to differentiate themselves from stronger U.S. firms. That collapses Europe’s cloud computing sector, which substantially hurts the GDP of Eurozone countries. Without economic growth, the Eurozone will collapse, causing global economic decline and war.

### Explanation of the Affirmative

The affirmative argues that the Eurozone is already doing poorly because of lack of business confidence, GDP growth, and the crisis in Greece. They also introduce an impact turn arguing that because Eurozone collapse is inevitable, it would be better if it happened sooner, rather than waiting for a messier breakup later. Finally, the affirmative argues that the Eurozone collapse won’t cause major economic decline and that economic decline doesn’t cause war.

# Negative

## 1NC

### 1NC — EU Tech Sector DA

#### The first/next off-case position is the EU Tech Sector DA.

#### First, the European Cloud Computing industry is growing now — it’s a central driver of innovation and growth.

Venkatraman 14 — Archana Venkatraman, Datacentre Editor for Computer Weekly, MA in journalism from Mumbai University, 2014 ("EU funds project to boost European cloud computing market," *ComputerWeekly*, July 21st, Available Online at http://www.computerweekly.com/news/2240225047/New-EU-funded-project-to-boost-European-cloud-computing-market, Accessed 08-12-2015)

A European Union-funded project called Cloudcatalyst has been set up to assess the current cloud computing market in Europe, identify barriers to cloud adoption and provide tools to boost its growth in the region.

The project aims to instill confidence in European businesses, public entities, ICT providers and other cloud stakeholders eager to develop and use cloud services.

It will create “a strong and enthusiastic community of cloud adopters and supporters in Europe”, according to Cordis, the European Commission's project funding arm.

According to the EC, cloud computing is a “revolution” but its providers are still struggling to captivate and build trust among businesses and everyday citizens. “Cloud-sceptics” are concerned over data security and legal exposure and a lack of information around cloud is hindering its adoption.

The Cloudcatalyst project will tackle this issue by providing useful tools to foster the adoption of cloud computing in Europe and to boost the European cloud market, according to Cordis, the European Commission’s primary public repository that gives information about EU-funded projects.

The project, which is funded by FP7 – the 7th Framework Programme for Research and Technological Development – will target all cloud players. These include software developers, members of the scientific community developing and deploying cloud computing services, incubators at the local, national and European levels, large industries, SMEs, startups and entrepreneurs.

With a total budget of over €50bn, the project will primarily analyse practices across Europe and identify the conditions for a successful adoption.

“We will cover all the main issues around cloud and give a clear overview on a number of topics, such as current cloud trends, critical success factors to overcome major technical barriers, data privacy and compliance requirements, and recommendations for quality of service and cloud SLA," said Dalibor Baskovc, vice-president at EuroCloud Europe, one of the project partners.

The project will also create a series of tools to help stakeholders create value-added cloud products and services. These consist of the Cloud Accelerator Toolbox and the Go-to-the-Cloud service platform – a collection of management tools bundling together trend analysis, use cases and practical recommendations in the form of printable report templates and instructional videos.

“The tools we are developing will help companies adopt and deploy cloud solutions, whatever their different needs and requirements are,” said Baskovc.

The project will also carry out a number of market surveys to gather key information and produce an overview of the cloud adoption status, such as why companies should develop cloud services, the main internal problems in adopting a cloud product, the associated risks and how these issues can be addressed.

According to the European Commission, cloud computing has the potential to employ millions in Europe by 2020.

“We see cloud as an engine of change and a central ingredient for innovation in Europe,” Francisco Medeiros, deputy head of unit, software and services, cloud computing at the European Commission told the Datacentres Europe 2014 audience in May this year. “Cloud is one of the fastest-growing markets in Europe.”

In 2013, worldwide hardware products grew by 4.2% to €401bn, while software and services grew by 4.5% to €877bn, signifying the importance of software services, said Medeiros.

#### Second, the plan devastates the European cloud computing industry. Aggressive U.S. surveillance policy creates the demand for European companies.

Venkatraman 13 — Archana Venkatraman, Datacentre Editor for Computer Weekly, MA in journalism from Mumbai University, 2013 ("EC: Europe should become a ‘trusted cloud region’ in the post-Prism age," *ComputerWeekly*, October 18th, Available Online at http://www.computerweekly.com/news/2240207456/EC-Europe-should-become-a-trusted-cloud-region-in-the-post-Prism-age, Accessed 08-12-2015)

European cloud providers must turn the Prism surveillance revelations into a Europe-wide opportunity to build trusted cloud services for customers globally, the European Commission (EC) has said.

According to the EC, Prism revelations could slow down the adoption of cloud computing services and Europe should build on its “relatively high standards” of data protection, security, interoperability and transparency of cloud services to become the world’s trusted cloud region.

Earlier this year it was revealed that Prism is a programme that allows the US intelligence community to gain access from nine internet companies to a wide range of digital information on foreign targets operating outside the US. Its existence was revealed by whistleblower Edward Snowden.

At that time, EC vice-president Neelie Kroes said US cloud service providers could suffer loss of business in light of revelations about the US National Security Agency’s (NSA) Prism surveillance system.

In its latest memo, the EC said that as cloud users become more conscious of the need for cheap, flexible IT services, without wanting to compromise privacy, Europe should ride on its relatively higher standards of security and transparency to develop cloud services.

The EC’s call for Europe to become a global cloud hub comes after it established a European Cloud Partnership steering board and discussed the possible fall-out of Prism revelations. The board members concluded that post-Prism, two issues must be addressed.

One is that trust in cloud is suffering, which affects cloud uptake and results in Europe lagging behind in cloud computing adoption.

Second, the Prism revelations have led to calls for national or regional cloud computing initiatives. Such fragmentation or segmentation of the cloud computing market along national or regional lines could unfortunately hold back the development of cloud computing in Europe, the EC warned.

Addressing the concerns of European citizens, businesses and public administrations should be seen as an opportunity for the development of cloud computing in Europe. Tackling the current lack of regulatory consistency in particular could boost the competitiveness of the European economy.

The Commission advised regional cloud providers to use the security, privacy and transparency standards to their competitive advantage and aim to make Europe the world’s most secure and trusted region for cloud computing.

The European organisation also suggested that the providers must develop an EU-wide single market for cloud computing where the barriers to data movement within the EU is reduced to boost competitiveness. That is why Europe must establish a fully functioning internal market for cloud computing, the EC said. It further advised them to restore trust with more transparency, use of high standards, avoiding lock-in contracts and providing audit reports of data access to customers.

It also urged the region’s largest IT procurer – the public sector -- to widely adopt European cloud services to and drive its adoption among other enterprises.

“Achieving this ambition is not a task for the European Commission alone. It begins with the cloud providers themselves and includes all stakeholders: Member states, industry and individual users,” the EC said in its memo.

#### Third, European leadership on cloud computing is critical to EU GDP and job growth.

European Commission 12 — European Commission, Executive Body of the European Union, 2012 (“Unleashing the Potential of Cloud Computing in Europe: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee Of The Regions,” European Commission, September 27th, Available Online at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0529:FIN:EN:PDF>, Accessed 08-12-2015)

Where the World Wide Web makes information available everywhere and to anyone, cloud computing makes computing power available everywhere and to anyone. Like the web, cloud computing is a technological development that has been ongoing for some time and will continue to develop. Unlike the web, cloud computing is still at a comparatively early stage, giving Europe a chance to act to ensure being at the forefront of its further development and to benefit on both demand and supply side through wide-spread cloud use and cloud provision.

The Commission therefore aims at enabling and facilitating faster adoption of cloud computing throughout all sectors of the economy which can cut ICT costs, and when combined with new digital business practices1 , can boost productivity, growth and jobs. On the basis of an analysis of the overall policy, regulatory and technology landscapes and a wide consultation of stakeholders, undertaken to identify what needs to be done to achieve that goal, this document sets out the most important and urgent additional actions. It delivers one of the main actions foreseen in the Communication on e-Commerce and online services;2 it represents a political commitment of the Commission and serves as a call on all stakeholders to participate in the implementation of these actions, which could mean an additional EUR 45 billion of direct spend on Cloud Computing in the EU in 2020 as well as an overall cumulative impact on GDP of EUR 957 billion, and 3.8 million jobs, by 2020.3

Several of the identified actions are designed to address the perception, by many potential adopters of cloud computing, that the use of this technology may bring additional risks.4 The actions do so by aiming at more clarity and knowledge about the applicable legal framework, by making it easier to signal and verify compliance with the legal framework (e.g. through standards and certification) and by developing it further (e.g. through a forthcoming legislative initiative on cyber security).

Addressing the specific challenges of cloud computing would mean a faster and more harmonised adoption of the technology by Europe's businesses, organisations and public authorities, resulting, on the demand side, in accelerated productivity growth and increased competitiveness across the whole economy as well as, on the supply-side, in a larger market in which Europe becomes a key global player. Here, the European ICT sector stands to benefit from important new opportunities; given the right context, Europe's traditional strengths in telecommunications equipment, networks and services could be deployed very effectively for cloud infrastructures. Beyond that, European application developers large and small could benefit from rising demand.

#### Fourth, European growth is vital to prevent total Eurozone collapse.

Mazower 12 — Mark Mazower, Ira D. Wallach Professor of History, Director of the Heyman Center for the Humanities, and Director of the Center for International History at Columbia University, holds a D.Phil. in History from Oxford University, 2012 (“Without growth, Europe will unravel,” *The Guardian*, September 24th, Available Online at <http://www.theguardian.com/commentisfree/2012/sep/24/without-growth-europe-will-unravel>, Accessed 08-14-2015)

The eurozone crisis has made this conflict between the logics of global economics and national politics emerge starkly. In the early years of the euro, electorates were willing by and large to pool sovereignty, and hence give up their right to be consulted, when the payoff was greater prosperity and mobility. But if austerity measures leave the continent floundering in a Japanese-style recession for the next decade, all bets are off. In such circumstances, with high levels of unemployment across much of southern and eastern Europe, electoral sentiment may move sharply away from Brussels and demand instead that their politicians protect their national economies.

In short, unless there is a plan for integration that prioritises recovery and growth, what we may end up with is not a Europe that is a "democratic federation of nation states" at all but a gradual unwinding of the entire integration process. A prospect to make some Eurosceptics rejoice, no doubt, but replete with dangers of its own.

Europeans thus have a tough choice to make: the historic preservation of their national institutions, or greater co-operation and derogation of powers. If, as the Dutch elections suggested last month, they would still mostly opt for the latter then the real argument becomes about the nature of the new institutions, their powers and the philosophy behind them.

This is where the battle is now joined – as François Hollande's pro-growth France battles Merkel's inflation-obsessed Germany, and Mario Draghi's European Central Bank tussles with the German Bundesbank. It is the critical struggle for anyone concerned with the preservation of the European model of social welfare. What a sad commentary on the state of British diplomacy that what David Cameron's government thinks about this remains entirely irrelevant.

#### Finally, Eurozone breakup causes global economic collapse and European war.

Recknagel 11 — Charles Recknagel, Osher fellow at the Hoover Institution and a senior correspondent for the Persian Gulf region at Radio Free Europe, 2011 ("What If The Eurozone Collapses?," RadioFreeEurope, December 2nd, Available Online at http://www.rferl.org/content/what\_if\_the\_eurozone\_collapses/24409489.html, Accessed 08-13-2015)

But if the eurozone breaks up, none of its member states can hope to escape the massive economic turmoil that would result. Nor could any country elsewhere in the world that is linked to the eurozone by banking or trade ties.

From Bad To Worse

The countries that would suffer first and foremost would be the eurozone's weak countries -- the same ones whose governments' over-borrowing has sparked the now two-year-old euro crisis.

The well-known commercial bank UBS recently estimated that the costs of leaving the eurozone for a weak country would be equivalent to 9,500 to 11,500 euros ($12,800-$15,500) per person in the first year. That equates to a range of 40 to 50 percent of the country's gross domestic product (GDP).

Those high costs would come as the country leaving the eurozone switched back to a national currency and printed money to pay its debts and public-sector wages. The new currency would be devalued in its purchasing power compared to the former euro because people would have little confidence in it and price inflation would almost certainly follow.

Panos Tsakloglou, a political economist at Athens University of Economics and Business, says that initially the living standards of a country like Greece would decline dramatically.

The only ray of hope would be that the devalued currency would make Greece's products cheaper for other countries to buy, boosting trade and eventually leading a recovery.

"If we judge from the position of other countries that left monetary unions, what we is that initially in a period of two or three years the economic situation deteriorates dramatically," Tsakloglou says, citing the case of Argentina after it left its currency peg with the U.S. dollar in 2002.

"After that, and we are talking about a very strong decline in the living standard, after that there is a far speedier recovery than in the first scenario" of Greece staying in the eurozone and applying austerity measures, he notes. "However, it starts from a substantially lower base."

Tsakloglou personally hopes to see Greece emerge from its crisis by staying in the eurozone -- a sentiment most of his countrymen strongly share.

'New Euro' Birthing Pains

The eurozone's northern countries, too, could expect a period of difficult readjustment if the euro collapses, even if some of them band together to create a new currency of their own. That new currency, given the fate of the original euro, would almost certainly have a new name -- one that no one has proposed yet.

A breakup of the eurozone would leave the core northern countries with a heavy debt load as they had to find ways to bail out their banks devastated by the defaults on previous loans to the weaker euro countries.

UBS estimates that for a country such as Germany to leave the euro, the cost would be equivalent to 6,000 to 8,000 euros ($8,000-$10,800) per person in the first year, an amount equivalent to 20 to 25 percent of the country's GDP.

Equally difficult could be the almost certain appreciation of the "new euro" as it was set free of the drag of weaker economies. That would mean exports from the core states would become more expensive than those form competing states like the United States and Japan, something that could slow the core countries' growth.

Back To The Credit Crunch

Across Europe and the much larger financial world, the shock waves of any breakup of the eurozone would be almost certain to bring a new global recession.

Banks, brokers, and exchanges are already in the front line of the euro crisis and would take huge losses as governments that owe them money default or make payments with devalued currencies. Even banks that never loaned directly to those governments would be vulnerable, as the cost for buying insurance for loans would soar generally.

All banks would have less money to lend, likely creating another worldwide credit crunch and slowing economies everywhere.

"It would certainly hurt the United States because U.S. banks are fairly heavily exposed to Germany and France and the core banks. They are not exposed to the periphery," says Boone of the London School of Economics.

"But there would be lot of concern about whether or not they would be able to make it through, so there would be another big shift towards less risky assets around the world, you would have trouble in stock markets and in some of the emerging market bonds and so I would expect we would end up with another [global] recession and it would take one or two years to get out of that."

The End Of 'Europe'?

It's a scenario that gives no joy to anyone. And it also is one that could change the face of Europe forever.

Since the end of World War II, Europeans have become used to the idea of an increasingly united Europe -- one where countries that so frequently warred in the past are bound by economic ties that make new conflicts between them virtually unthinkable.

But how much that ideal could survive the crash of the euro is open to question. Many experts worry that a collapse of the eurozone could also bring the collapse of the European Union itself.

Tsakloglou fears that protectionist feelings would grow to such heights with the collapse of the euro that it's hard to imagine any of the revenue sharing that currently underpins the EU could continue.

"We can have some sort of collapse of the eurozone and continuation of the European Union. However, I have the feeling that the political pressures will be enormous," says the Greek economist.

## 2NC/1NR

### They Say: “European Economy Low”

#### Eurozone economies are improving — the IMF concludes that recovery will continue.

Cherry Creek News 7/27 — Cherry Creek News, 2015 ("IMF says Eurozone economies strengthening," The Cherry Creek News, July 27th, Available Online at http://www.thecherrycreeknews.com/imf-says-eurozone-economies-strengthening/, Accessed 08-13-2015)

The International Monetary Fund says the euro area recovery is strengthening, but the weak outlook over the next 7 to 10 years calls for a stronger collective push to create the conditions for stronger growth.

In the IMF’s latest review of the currency union, the fund calls for increasing demand, cleaning up bank and corporate balance sheets, stepping up structural reforms, and strengthening governance.

Although unemployment is still high, steady job growth and rising real wages have underpinned a rebound in consumption, the report said.

“The outlook for the eurozone is definitely improving and it’s aided by a weaker oil price, a weaker euro, the exchange rate, and the ECB’s quantitative easing program has definitely eased financial conditions, both for the public sector and the corporate sector. And in the near term we see these factors pushing the recovery forward,” said Mahmood Pradhan, mission chief for the euro area.

Strong policy actions by the European Central Bank (ECB) have also boosted confidence and improved financial conditions.

“I think the ECB has taken a very substantial move, a very substantial measure in its latest public sector asset prices program, adding to its already existing private sector prices program. So buying these public sector securities has definitely eased financial conditions and it will help demand in the economy. Now, the important thing here is that the ECB intends to stay the course until September 2016, and that, we think, will be necessary. It may need to go beyond that,” Pradhan said.

Among the large economies, Germany continues to grow slightly above 1½ percent, while Spain is rebounding strongly. Italy is emerging from three years of recession, and activity in France picked up at the beginning of this year.

The recovery is supported by cheaper oil, monetary easing, and a weaker euro, with growth in euro area economies expected to rise modestly to 1.5 percent this year and 1.7 percent in 2016.

#### Eurozone growth is stable — OECD estimates prove.

Irish Examiner 8/11 — The Irish Examiner, Byline James Regan, 2015 ("OECD upbeat on eurozone economic growth," No Publication, August 11th, Available Online at http://www.irishexaminer.com/business/oecd-upbeat-on-eurozone-economic-growth-347519.html, Accessed 08-13-2015)

Economic growth is showing further signs of firming in France, Italy and the eurozone overall, while growth looks to be easing to around long-term trends in the US and UK, the Organisation for Economic Co-operation and Development (OECD) said.

Trends are pointing more strongly to a loss in growth momentum in Brazil and China, meanwhile, according to the OECD’s monthly leading indicator, a measure designed to flag turning points in the international economy.

Stable growth momentum is expected in Germany, Japan and India, while indications for Russia also point to stable growth momentum although below the long-term trend, the OECD said yesterday.

The indicator, a synthetic index where 100 is the long-term average, remained at 100.7 in the eurozone for the fourth consecutive month in June but continued to ease to 99.4 in the US from May’s 99.5, having fallen below 100 in February.

Britain’s reading slipped to 99.8 in June, having dipped below 100 to 99.9 in May. The index rose month-on-month to 100.8 from 100.7 in France and was stable at 100.9 in Italy.

China’s indicator continued its steady decline to 97.4 in June from 97.5 in May. The reading for Germany was stable at 100.0.

#### Eurozone outlook improving, but a major shock could eliminate growth.

BBC News 7/27 — BBC News, 2015 2015 ("Eurozone outlook improves, International Monetary Fund says," BBC News, July 27th, Available Online at http://www.bbc.com/news/business-33669031, Accessed 08-13-2015)

The outlook for the eurozone has improved, says the International Monetary Fund (IMF), thanks to a falling oil price, a weaker euro and action taken by the European Central Bank (ECB).

It predicted that growth would pick up to 1.7% next year, from 1.5% this year.

However, the IMF warned that the region was still "vulnerable to shocks".

This could tip the block into "prolonged stagnation," the fund said in its latest assessment of the region.

It cited uncertainty arising from the situation in Greece as a potential trigger for such a shock, saying that further volatility from the situation could not be ruled out.

Greece is currently negotiating its third bailout with creditors.

ECB plan

"Several factors cloud the outlook for growth over the next five years," said the IMF's Mahmood Pradhan.

"These include high unemployment, especially among the youth; large corporate debt; and rising non-performing loans in the banking system.

"A moderate shock to confidence - whether from lower expected future growth or heightened geopolitical tensions - could tip the block into prolonged stagnation," he said.

### They Say: “Greece Prevents European Growth”

#### Eurozone recovery is strong and growing — Greece is no longer a drag on growth.

Reuters 8/5 — Reuter’s, Byline Jonathan Cable, 2015 ("Euro zone's July business growth exceeds expectations: PMI," Reuters, August 5th, Available Online at http://www.reuters.com/article/2015/08/05/us-eurozone-economy-pmi-idUSKCN0QA0SC20150805, Accessed 08-13-2015)

Euro zone business growth accelerated at the end of last month as companies largely put the Greek debt crisis behind them, suggesting the bloc's economic recovery is on track, a survey showed on Wednesday.

Greece's flirtation with bankruptcy had threatened to wreck the currency union, but Athens agreed a framework bailout plan with its European Union partners in mid-July in exchange for stringent reforms and budget austerity.

With conditions and sentiment improving in the bloc after the deal, Markit's July final Composite Purchasing Managers' Index (PMI) beat an earlier estimate of 53.7, settling at 53.9.

That was shy of June's four-year high of 54.2, but the index has now been above the 50 mark that separates growth from contraction since mid-2013.

The composite PMI pointed to third-quarter expansion of 0.4percent, Markit said, in line with the expectations for the previous three months but less than the 0.5 percent median forecast in a Reuters poll taken two weeks ago.

"The euro zone economy showed reassuring resilience in the face of the Greek debt crisis in July," said Chris Williamson, Markit's chief economist.

"With survey results like these, the European Central Bank will no doubt see the euro zone recovery as remaining firmly 'on track', supporting the view that the region looks set to grow by at least 1.5 percent in 2015."

Services, which dominate the bloc's economy, also performed better than first thought. A PMI covering the sector came in at 54.0, above the flash 53.8. In June, it was 54.4, better than a four-year high.

#### Greece not affecting overall Eurozone economies — business confidence and investment spending prove.

Wall Street Journal 7/30 — Wall Street Journal, Byline Paul Hannon 2015 ("Eurozone Businesses Unruffled by Greek Crisis ," Wall Street Journal, July 30th, Available Online at http://www.wsj.com/articles/eurozone-businesses-unruffled-by-greek-crisis-1438247308, Accessed 08-13-2015)

Eurozone businesses were untroubled by the threat of a Greek departure from the eurozone in July, becoming more upbeat about their prospects even as consumers grew more wary.

A European Commission survey released on Thursday recorded a surprising strengthening of confidence across a range of businesses and in most of the major eurozone economies.

The survey was carried out as Greece edged as close to departure from the currency area as any member has ever reached, before an agreement was secured on July 13 that could pave the way for fresh loans from the rest of the eurozone to the country over a three-year period.

But despite the prospect of sustained economic growth, the European Central Bank faces a difficult task in lifting inflation toward its target of just under 2%. Figures also released on Thursday showed consumer prices rose very slightly in Germany and Belgium during July, and declined in Spain.

The pickup in business confidence suggests that a recent rise in investment spending and employment is likely to continue, supporting the currency area’s modest economic recovery.

The commission’s headline Economic Sentiment Indicator—which aggregates the business and consumer measures—rose to 104.0 from 103.5, reaching its highest level since July 2011 and remaining well above the average of 100.0 going back to the start of the series in 1990. Economists surveyed by The Wall Street Journal last week had expected a modest decline to 103.3.

The Commission confirmed that consumer confidence weakened during the month, but manufacturers, service providers and retailers became more upbeat. Construction companies and banks were slightly more downbeat.

With its future as member of the currency area in doubt and its banks closed, Greek confidence evaporated, with the ESI for the country falling to 81.3 from 90.7. But it was a very different story elsewhere in the eurozone, as sentiment strengthened in Germany, France and Spain.

The rise in business confidence is consistent with other data that suggest the wider eurozone economy has been little affected by the deterioration in Greece’s relationship with fellow eurozone members since the start of the year. The economy grew at the same modest pace in the first quarter as in the final three months of 2014, and most indications point to a continuation of that performance in the second quarter. Figures released earlier on Thursday showed Spain’s economy continued to gain momentum in the three months to June, growing by 1% from the previous quarter, its most rapid expansion in seven years.

Greece accounts for just 2% of total eurozone output, and its trade links with many other parts of the currency area are weaker than its relative size would indicate, so few businesses outside the country have been directly affected by its slide back into contraction this year. Indeed, manufacturers reported a pickup in export orders during July, a sign that businesses have not put their plans on hold to await the outcome of Greece’s talks with its creditors.

A final deal between the Greek government and its creditors faces an array of challenges, including growing skepticism over whether the bailout plan can return Greece’s ravaged economy to health.

Contagion from Greece’s financial difficulties have proved much weaker than in previous periods of heightened concern about the durability of the eurozone, as yields on bonds issued by other eurozone governments remained relatively unchanged even as those of Greece soared. That is partly due to the ECB’s program of quantitative easing, which was expanded in March to include government bonds.

#### Greece economy won’t drag down the Eurozone — recent reports prove growth continues elsewhere.

Wall Street Journal 7/27 — Wall Street Journal, Byline Nina Adam and Todd Buell, 2015 ("Eurozone Recovery Continues as Bank Lending, Sentiment Rise," Wall Street Journal, July 27th, Available Online at http://www.wsj.com/articles/eurozone-recovery-continues-as-bank-lending-sentiment-rise-1437994638, Accessed 08-13-2015)

FRANKFURT—Eurozone bank lending to households has picked up and German business sentiment has improved, indicating the region’s economy is maintaining its momentum despite lingering concerns about the sustainability of Greece’s debt situation and China’s economic outlook.

The European Central Bank said Monday that bank lending to households, adjusted for sales and securitization, rose 1.7% in June from the year-earlier period, a higher rate than in May.

But the provision of new credit remained uneven among the 19 countries sharing the euro and growth in loans to businesses was still depressed, the data showed.

“Overall bank lending to households and businesses are trending in the right direction, but the improvement is still pretty gradual at the moment and not as fast as the European Central Bank would undoubtedly like, particularly in relation to businesses,” whose loans rose by just 0.1% from June last year, said Howard Archer, the chief economist at IHS.

But the eurozone’s economic recovery remained on track, economists said, supported by the ECB’s economic stimulus program, a weaker euro exchange rate and lower energy prices.

Staff at the ECB expect eurozone gross domestic product to expand by 1.5% this year, in light of a rapidly improving Spanish economy and sturdy growth in Germany.

Germany’s Ifo think tank said Monday its business climate index for the eurozone’s largest economy rose to 108.0 in July from a revised 107.5 in June and was above a forecast of 107.5 in a Wall Street Journal poll of economists.

“Manufacturers are clearly more optimistic about future business developments,” Ifo President Hans-Werner Sinn said, as a weaker euro makes German goods more competitive outside the eurozone.

Ifo said that business managers were relieved that the imminent threat of Greece leaving the currency area was averted. The indebted country managed in mid-July to clinch a last-minute agreement with other eurozone members that could pave the way for fresh loans.

“Despite Greece, China and other irritants, the eurozone recovery is on track and looks set to pick up some extra momentum later this year,” said Holger Schmieding, the chief economist at Berenberg. “Even German businesses, who tend to react sensitively to any global disturbance, are shrugging off the Greek noise,” he said.

### They Say: “Cloud Computing Not Key to Economy”

#### European cloud computing brings increased GDP and millions of jobs to Europe — unified action is key.

European Commission 12 — European Commission, Executive Body of the European Union, 2012 (“Unleashing the Potential of Cloud Computing in Europe - What is it and what does it mean for me?,” European Commission, September 27th, Available Online at <http://europa.eu/rapid/press-release_MEMO-12-713_en.htm>, Accessed 08-12-2015)

What are the main advantages of cloud computing for users?

Users do not have to buy software or buy and maintain expensive servers and data storage. This saves on money, office space and in-house IT support staff. Users also have near total flexibility about the storage space and tools they use.

Why do we need an EU strategy to unleash the potential of cloud computing?

The economic benefits are much bigger - €160 billion per year, or around €300 per person per year - through pan-European action. Today the patchwork of different rules at Member State level increases companies' uncertainty about their legal obligations, thus delaying the adoption of cloud computing. While cloud initiatives in the Member States are welcome, such as Andromède in France, G-Cloud in the UK and Trusted Cloud in Germany, this is not enough and not the most efficient way to grow the market for everybody's benefit.

What are the economic and job gains from a European cloud strategy?

New estimates indicate that cloud computing revenues in the EU could rise to nearly €80 billion by 2020 if policy intervention is successful (more than doubling the growth of the sector). So this strategy is about building a new industry, and better competing against the United States in particular.

More broadly, we expect a net annual gain of €160 billion to EU GDP by 2020 (or a total gain of nearly €600 billion between 2015 and 2020) if the full EU cloud strategy is in place. Without that, economic gains would be two-thirds less.

These benefits largely come from businesses being able to either save money or get access to technology that makes them more productive.

In terms of overall job numbers, we expect to see 3.8 million jobs generated following full implementation of the strategy, against 1.3 million if the regulatory and other policy barriers are not tackled.1

#### The cloud computing industry is critical to the annual growth rate of the EU — new jobs, expansion of businesses and increased production.

Etro 11 — Federico Etro, Professor of Economics at the University of Venice, former professor at the University of Edinburgh and the University of Milan, published numerous articles in the American Economic Review, European Economic Review, International Economic Review, Economic Journal, Rand Journal of Economics and others, 2011 ("Understanding Cloud Computing Competition, Environment and Finance," The European Business Review, November 24th, Available Online at http://www.europeanbusinessreview.com/?p=3140, Accessed 08-12-2015)

The first and most relevant benefit of cloud computing is associated with a generalized reduction of the fixed costs of entry and production, in terms of shifting fixed capital expenditure from IT into operative costs depending on the size of demand and production. This contributes to reducing the barriers to entry especially for SMEs, as the provider owns infrastructure, it does not need to be purchased for one-time or infrequent intensive computing tasks, and it generates quick scalability and growth. The consequences on the endogenous structure of the markets with largest cost savings will be wide, with entry of new companies, a reduction of the mark ups, and an increase in average and total production. In recent research (Etro 2009; Etro and Colciago, 2010), we have adopted a macroeconomic approach emphasizing the effects that this innovation has on the cost structure of the firms investing in IT and consequently the incentives to create and expand new businesses, on the market structure, on the level of competition in their sectors, and ultimately on the effects for aggregate production, employment and other macroeconomic variables.3

The diffusion of cloud computing could provide a substantial contribution to the annual growth rate, helping to create more than a million new permanent jobs.

Our methodology is based on a DSGE calibrated model augmented with endogenous market structures in line with recent developments in the macroeconomic literature. This model includes a realistic structural change to the cost structure with the purpose of studying the short- and long-term reactions of the economy. Starting from conservative assumptions on the cost reduction process associated with the diffusion of cloud computing over five years, we have estimated that the diffusion of cloud computing could provide a positive and substantial additional contribution to the annual growth rate (up to a few decimal points), helping to create more than a million new permanent jobs through the development of a few hundred thousand new small- and medium-sized enterprises across the EU. Empirical exercises under different scenarios show a strong impact on the creation of new businesses, in the magnitude of a few hundred thousand within the EU. Moreover, the effect is expected to be deeper in countries where the diffusion of smaller companies is particularly strong or where IT adoption has been generally rapid.

Part of the positive effects of cloud computing will depend on the speed of its adoption, so policymakers should promote rapid adoption. Concrete interventions include:

• Expansion of the broadband capacity, especially in countries where this capacity is lower, as in Italy and other Mediterranean countries;

• International agreements in favor of unrestricted flow of data across borders (since data centers are located in different countries with different privacy laws, data portability remains a key issue for the diffusion of cloud computing);

• Agreements between EU authorities and industry leaders on a minimum set of technological standards and process standards to be respected in the provision of cloud computing services to guarantee data security and privacy and promote a healthy diffusion of the new technology;

• Introduction of fiscal incentives for the adoption of cloud computing and a specific promotion in particular dynamic sectors (for instance, governments could finance, up to a limit, the variable costs of computing for all the domestic and foreign firms that decide to adopt a cloud computing solution).

#### Cloud computing underpins the entire public and private sectors — leads to jobs, investments and new businesses.

Etro 11 — Federico Etro, Professor of Economics at the University of Venice, former professor at the University of Edinburgh and the University of Milan, published numerous articles in the American Economic Review, European Economic Review, International Economic Review, Economic Journal, Rand Journal of Economics and others, 2011 ("Understanding Cloud Computing Competition, Environment and Finance," European Business Review, November 24th, Available Online at http://www.europeanbusinessreview.com/?p=3140, Accessed 08-12-2015)

Cloud computing allows firms to rent computing power and storage from cloud computing providers, and to pay on demand; this improves productivity and at the same time has a positive environmental impact, creating new businesses, investments and jobs.

Cloud computing is going to reshape business in Europe and worldwide. It has been defined by the US National Institute for Standards and Technology as “a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.” It is a general purpose technology able to improve productivity in all sectors and, at the same time, to have a positive environmental impact. Through cloud computing, firms will be able to rent computing power and storage from a service provider, and to pay on demand, as they already do for other inputs such as energy and electricity (the price of using a computer for a thousand hours is the same as that of using a thousand computers for one hour). This article examines some issues related to the diffusion of cloud computing: its general role in section 1, competition policy issues in section 2, environmental issues in section 3 and macroeconomic issues in section 4.

Introduction

A new general purpose technology such as cloud computing can provide huge cost savings and more efficiency in large areas of the private sector (especially in fields such as services and selected manufacturing sectors where ICT costs are relevant), and also of the public sector, including hospitals and healthcare, education and the activity of government agencies with periodic spikes in usage.

Case studies in the private and public sectors suggest that cost advantages can be substantial. A few examples from a specific sector, the health sector, can exemplify the point (let us start from the most simple applications to move toward more relevant ones). One of the leading Italian hospitals, the Children’s Hospital of Bambin Gesù in Rome, has recently switched to an online solution for the email services of its 2500 employees (the switch took place in 2010 in less than four months, created large cost savings and allowed IT specialists to focus on other more relevant tasks for the hospital). Similar experiences are planned by the USL of Asolo in Veneto, which is also trying to use cloud computing to help operative tasks. The Swedish Red Cross has improved the coordination of its intervention by adopting a cloud computing solution, which has reduced costs of about 20 % and enhanced communication in real time between its employers. A Russian cardiovascular centre, Penza, has adopted a cloud computing solution to coordinate activities, diagnosis and decisions on treatment and surgery between doctors around the country, with crucial gains for the patients. During the H1N1 pandemic, a global cloud computing tool was build and made available in a few days (based on the Microsoft’s Windows Azure platform) to centralize and provide information on the diffusion of the flu.

### They Say: “Turn — Delaying Eurozone Collapse Bad”

#### Roubini is wrong — any Eurozone collapse is a major economic disaster. Empirically proven.

Åslund 12 — Anders Åslund, Ph.D., Senior Fellow at the Peterson Institute for International Economics, Professor of Economics at Georgetown, worked as an economic adviser to the Russian, Ukrainian, and Kyrgyz governments, former Director of the Russian and Eurasian Program at the Carnegie Endowment for International Peace, and the founding director of the Stockholm Institute of Transition Economics and professor at the Stockholm School of Economics, 2012 ("Why a collapse of the Eurozone must be avoided – at almost any cost," Vox, a Publication of the Center for Economic and Policy Research, August 21st, Available Online at http://www.voxeu.org/article/why-collapse-eurozone-must-be-avoided-almost-any-cost, Accessed 08-13-2015)

Articles on a possible breakup of Eurozone either see it as a mere devaluation (Lachman 2010, Roubini 2011) or reckon that its collapse would amount to a major economic disaster (Buiter 2011, Cliffe et al. 2010, Normand and Sandilya 2011). It seems the latter is more likely. Large imbalances have accumulated between southern debtor countries and northern creditor countries. Any capping of these balances would disrupt the payments mechanism between the Eurozone countries and impede all economic activity (Åslund 2012).

In the last century, Europe saw the collapse of three multi-nation currency zones, the Habsburg Empire, the Soviet Union, and Yugoslavia. They all ended in major disasters with hyperinflation. In the Habsburg Empire, Austria and Hungary faced hyperinflation. Yugoslavia experienced hyperinflation twice. In the former Soviet Union, ten out of 15 republics had hyperinflation (e.g. Pasvolsky 1928, Dornbusch 1992, Pleskovic and Sachs 1994, and Åslund 1995).

The output falls were horrendous and long lasting. The statistics are flimsy, but officially the average output fall in the former Soviet Union was 52%, and in the Baltics it amounted to 42% (Åslund 2007, 60). Five out of twelve post-Soviet countries – Ukraine, Moldova, Georgia, Kyrgyzstan, and Tajikistan – had not reached their 1990 GDP per capita levels in purchasing power parities by 2010. Similarly, out of seven Yugoslav successor states, at least Serbia and Montenegro, and probably Kosovo and Bosnia-Herzegovina, had not exceeded their 1990 GDP per capita levels in purchasing power parities two decades later (World Bank 2011). Arguably, Austria and Hungary did not recover from their hyperinflations in the early 1920s until the mid-1950s. Thus half the countries in a currency zone that broke up experienced hyperinflation and did not reach their prior GDP per capita in purchasing power parities until about a quarter of a century later.

#### The Eurozone will survive now — dismantling costs and debt burdens.

Aloha Insight 7/26 — Aloha Insight, Czech Republic global macroeconomic, equity research and strategy firm offering long-term horizon investment advice, 2015 My ("Unlikely Break Up Of Eurozone," Seeking Alpha, July 26th, Available Online at http://seekingalpha.com/article/3358045-unlikely-break-up-of-eurozone-one-crucial-but-ignored-reason, Accessed 08-14-2015)

It widely known that the eurozone (EZ) is mostly a political project. Its aim was to unite, but often it has an opposite effect. Moreover, it is quite clear the EZ is far from being an optimum currency area. Therefore, it seems easy to conclude the EZ will fall apart, sooner or later. Nevertheless, this would be rather premature conclusion and the reasons are many. For example, it is costly to dismantle the project and these costs could be higher than the costs related to the sub-optimality of the currency area. Besides, too much political capital was invested in the project, and even countries like Greece do not want to return to their own currency (and they know why). But there is another reason against the break up of the EZ, and it "rules them all".

The reason I am talking about is summarized in the following chart. It shows a development of gross external debt of the selected European countries. Most of this debt is denominated in euros, which means one simple thing: If a highly indebted country leaves the EZ and its new currency depreciates vis-a-vis euro, the burden of its debt will rise correspondingly. And given the high level of external indebtedness, it could easily be a catastrophic event leading to a default.

It is reasonable to expect the temptation to leave the EZ would be highest in case of the least competitive countries and economies. They would attempt to boost their competitiveness and exports by currency devaluation, which is a relevant strategy given their situation. Nevertheless, these are also the countries with the high external indebtedness. While they could increase their competitiveness by external devaluation, their debt burden would increase substantially too. In the end, this would not be a free lunch, but an extremely costly one. Moreover, Spain and also Portugal have already made quite significant improvement in their competitiveness through internal devaluation (see this). Exit of those two countries is therefore very unlikely.

It is hard to imagine France would even think about leaving the euro, which leaves Italy as a possible candidate for an exit from the EZ. Its economic progress is rather slow compared to Spain and Portugal, and as can be seen from the chart, its external debt is relatively low. Nevertheless, my guess is that given the long and rather problematic history of the Italian lira, most of the Italians would be against an Italxit.

What about Germany? If Germany left the eurozone (and some commentators suggest it should), its D-mark would probably appreciate sharply. The overall effect could be positive as far as the current account is concerned. And the chart suggests Germany has quite high external debt. In this case, it is a motivation to leave - there would be quite a significant decrease of the debt service burden after D-mark appreciation. Nevertheless, the value of large quantity of external assets owned by Germans would also decrease. And perhaps most importantly, Germany would probably be the last country to leave the EZ given the whole political and cultural setup in Europe.

The levels of external indebtedness from the '90s (around 50% of nominal GDP - see the chart) would not probably play a significant role in the whole game of euro's survival. Nevertheless, the indebtedness is currently significantly higher (see the chart) and it would be extremely hard to dismantle this "bomb" without causing shock waves through the whole global economy. It took more than 100 years to make the dollar currency area work. My guess is Greece will leave the euro eventually, but the EZ will survive and it may even get into a better shape. But it will be very slow and painful process.

#### No Eurozone collapse — it’s a long-term project.

Kumar 13 — Ben Kumar, Investment Manager at Seven Investment Management, 2013 (“Loving and Hating Europe,” Financial Times, December 1st, Available Online to subscribing institutions via Lexis-Nexis, Accessed 08-13-2015)

In the past, we've invaded Europe, defended Europe from invasion, been invaded by Europeans, been invading with Europeans, stopped Europeans invading one another, helped Europeans invade one another. The continent is constantly lurking in our peripheral vision, sitting there just across a narrow strip of sea: our largest trading partner, and source of most contention; our holiday destination and site of our bloodiest battlefields; our closest ally and age-old enemy.

From an investment perspective, the British view of Europe is just as mixed as the historical one expressed above, albeit with less invading. However, we currently seem to be at something of an inflection point in the opinion of the UK investor.

Just two years ago, sentiment was clearly weighted towards a collapse of the eurozone as a currency union - some financial press headlines from then include: "The terrible consequences of a eurozone collapse", "Why a breakup of the eurozone is likely", "Brace for eurozone breakup".

Around this time, with Greece on the edge of ruin, a GBP250,000 prize was offered to the economist who could develop the best exit strategy from the eurozone. Today, no one is seriously talking about Greece leaving. The benchmark European equity index is now 50 per cent higher than it was in September 2011, and with such a dramatic shift in outlook, it is worth looking at what has changed since then. The European Central Bank has also just cut its main interest rate partly to reduce the strength of the euro after its recent strong run in currency markets.

The signs were already there in 2011; governments of troubled countries were already enacting reform policies to try and rein in budget deficits and rapid debt growth. Greece slashed government spending, pushed through labour reforms and started taking tax collection seriously. Portugal and Ireland took the same approach. Spain forced its banks to move the bad debt on their balance sheets to the state-supported "bad bank" SAREB.

When these policies were announced, growth was already slumping and they seemed likely to make a bad situation worse. However the populations of these countries (and a number of others) have, after some understandable initial protests, knuckled down, made changes to their lifestyles and committed to a more sensible longer-term approach. The motivation for taking the short-term pain is the understanding that being a part of a larger whole is a thoroughly good thing. Some 24 months later, the 'short term' is nearly over, and growth is sporadically returning. Ireland, Portugal and Spain have all seen an end to recessions, with Italy and Greece also moving firmly towards positive GDP growth.

The peripheral reforms could not have been undertaken without the support of the other side of the eurozone coin - continued growth in the core, in particular from Germany. After ten years as the 'sick man' of Europe in the early part of this century as the costs of reunification took their toll, German economic strength since the financial crisis has been sufficient to allow sustained weakness in the other countries, whether due to debt or austerity. There has been some criticism of German export policies recently - with the US Treasury singling out German exports as weighing down the world.

However, the German ability to continue creating goods that are in demand by the rest of the world continues to give implicit strength to the euro project - an economic safety net that enables policymakers to behave strategically for the long term. And perhaps we should ask why Germany should be castigated for producing goods everyone else wants but can't seem to make as well for themselves?

A 50 per cent rise in a developed country equity market in two years is dramatic, and many investment managers missed out on some, or all, of the rally, due to a lack of understanding of the real driver behind the continued survival of the eurozone. The euro is not an "experiment" from which "lessons can be learned". It is not a trial run before the real thing, not a snappy idea conceived in 1999 and then rushed in before the new millennium.

The integration of Europe is a decades-old project, with further decades (or even centuries) still to go and the eventual creation of a united Europe will not be through luck, but rather through a consistent effort over many generations by politicians from numerous countries. The eurozone passed the point of no return some time ago, and while the journey may not be smooth or short, arrival at the final destination is not in doubt.

### They Say: “No Economic Collapse”

#### Euro collapse causes EU collapse and ensures war.

CNBC 11 — CNBC, Byline Silvia Wadhwa, German financial journalist for CNBC Europe, and Antonia van de Velde, journalist at CNBC, 2011 ("Euro Collapse Could Lead to War: Polish FinMin," CNBC, June 8th, Available Online at http://www.cnbc.com/id/44535393, Accessed 08-14-2015)

A collapse of Europe’s monetary union would likely lead to a breakup of the European Union as a whole, posing significant risks to the region and even raising the possibility of war in the long term, Poland’s Finance Minister told CNBC late on Thursday.

"If the euro zone were to fall apart then it's hard to exclude the possibility of EU falling apart as well," Polish finance minister Jacek Rostowski said in an interview.

"The EU has been one of the two great pillars of European peace and security of the past 60 years," he said.

"Therefore the danger in a longer-time horizon, in 10-20 years, in the absence of one of the key elements of our security system and one of the key elements of our political system, which ensures we deal with problems in this peaceful, democratic way we've developed, the risk of all sorts of authoritarian political movements, and therefore even war, in the long horizon, rises,” he said.

#### Collapse of the Eurozone triggers global depression.

Buiter 11 — Willem Buiter, Citigroup’s Chief Economist, former Chief Economist and Special Counsellor to the President of the European Bank for Reconstruction and Development, 2011 ("The terrible consequences of a eurozone collapse," Other News: Information that Markets Eliminate, Originally published in the Financial Times, December 8th, Available Online at http://www.other-news.info/2011/12/the-terrible-consequences-of-a-eurozone-collapse/, Accessed 08-13-2015)

What happens if the euro collapses? A euro area breakup, even a partial one involving the exit of one or more fiscally and competitively weak countries, would be chaotic. A full or comprehensive break-up, with the euro area splintering into a Greater Deutschmark zone and about 10 national currencies would create pandemonium. It would not be a planned, orderly, gradual unwinding of existing political, economic and legal commitments.

Exit, partial or full, would likely be precipitated by disorderly sovereign defaults in the fiscally and competitively weak member states, whose currencies would weaken dramatically and whose banks would fail. If Spain and Italy were to exit, there would be a collapse of systemically important financial institutions throughout the European Union and North America and years of global depression.

Consider the exit of a fiscally and competitively weak country, such as Greece, an event to which I assign a probability of about 20-25 per cent. Most contracts, including bank deposits, sovereign debt, pensions and wages would be redenominated in new Drachma and a sharp devaluation, say 65 per cent, of the new currency would follow. As soon as an exit was anticipated, depositors would flee Greek banks and all new lending governed by Greek law would effectively cease. Even before the exit, the sovereign and the banking system would fail because of a lack of funding. Following the exit, contracts and financial instruments written under foreign law would likely remain euro-denominated. Balance sheets would become unbalanced and widespread default, insolvency and bankruptcy would result. Greek output would collapse.

Greece would temporarily gain a competitive advantage from the sharp decline in the new Drachma’s value, but like Portugal, Spain and Italy, Greece does not have the persistent nominal rigidities to make it a lasting competitive advantage. Soaring wage and price inflation would restore the uncompetitive status quo. Without external funding, imports would collapse, disrupting domestic production. Aggregate demand and aggregate supply would chase each other downwards.

If Greece storms out of the eurozone there might be little fear other countries would follow suit.

However, if Greece is pushed out of the eurozone because other member states refuse to fund the Greek sovereign and the European Central Bank refuses to fund Greek banks, the markets could beam in on the next most likely country to go. This could prompt a run on that country’s banks and stop funding for its sovereign, financial institutions and companies. Fear might actually then force the departure of the afflicted country. Exit contagion might sweep right through the rest of the eurozone periphery — Portugal, Ireland, Spain and Italy — and then begin to infect the “soft core” of Belgium, Austria and France.

A disorderly sovereign default and eurozone exit by Greece alone would be manageable. Greece accounts for only 2.2 per cent of eurozone area GDP and 4 per cent of public debt. However, a disorderly sovereign default and eurozone exit by Italy would bring down much of the European banking sector. Disorderly sovereign defaults and eurozone exits by all five periphery states — an event to which I attach a probability of no more than 5 per cent — would drag down not just the European banking system but also the north Atlantic financial system and the internationally exposed parts of the rest of the global banking system.

The resulting financial crisis would trigger a global depression that would last for years, with GDP likely falling by more than 10 per cent and unemployment in the West reaching 20 per cent or more. Emerging markets would be dragged down too.

#### Eurozone collapse triggers a depression that will last for generations and cause extremism.

The Telegraph 11 — The Telegraph (London), Byline Bruno Waterfield, 2011 ("Eurozone collapse 'will send continent into depression'," The Telegraph, November 11th, Available Online at <http://www.telegraph.co.uk/finance/financialcrisis/8882812/Eurozone-collapse-will-send-continent-into-depression.html>, Accessed 08-14-2015)

José Manuel Barroso [President of the European Commission] issued his chilling warning as France began diplomatic overtures to create a eurozone vanguard, potentially with fewer than the 17 existing members of the single currency.

Mr Barroso said that if the euro area of the 17 member states or the wider 27-country EU broke apart the estimated initial cost would be up to 50 per cent of European gross domestic product. “It would jeopardise the future prosperity of the next generation. That is the threat that hangs over us,” he said.

In a speech in Berlin aimed at tackling any support for a smaller elite eurozone comprised of the EU’s strongest economies, Mr Barroso warned that the consequence of a split would be a million lost jobs in Germany.

The result of such an economic shock would be emergence of extremism and divisions within Europe, the former Portuguese prime minister told his German audience.

“Populism and sometimes even nationalism raises its head across our continent,” he said. “This is ignoring the global realities as well as our common history that teaches us that this continent is simply too small and too inter-dependent for us to stand apart, to turn our backs to each other.”

Financial markets tumbled yesterday as news broke that MPs in Germany’s ruling Christian Democratic Union party plan to debate a motion next week allowing countries to leave the euro area.

Angela Merkel, the German chancellor, and Nicolas Sarkozy, the French president, first raised the prospect of a country exiting the euro last week when they said that a proposed Greek bailout referendum would be an in-or-out vote on euro membership.

Leaving the currency area is not envisaged under current euro rules.

George Papandreou, the Greek prime minister, scrapped the ballot before stepping down and handing over power to a national unity government.

Reminding Germany of the legacy of the Second World War, Mr Barroso called on Europe’s largest country and economy to “take its responsibilities seriously”.

“Just as the founding fathers had a vision of Europe after two devastating world wars, we must also now act with resilience and with vision towards a Europe that is strong but open,” he said. “Now is Germany’s time to show that it is fighting the cause of a strong, integrated and competitive Europe.”

A eurozone crash, the commission has predicted, would see £10 trillion wiped off the value of the European economy, a catastrophe that would send living standards plummeting to the levels of Latin America. The shock would wipe out all the gains of Europe’s longest period of peace since the Second World War and herald the political chaos and collapse of governments that ushered in Nazism 80 years ago.

“It would be worse than anything our post-war generation can even imagine,” said an official. “Only those Europeans in their late eighties will have any idea about bad it could get.”

### They Say: “Economic Decline Doesn’t Cause War”

#### Empirical studies confirm: growth reduces conflict.

Kim and Conceição 10 — Namsuk Kim, Policy Specialist at the United Nations Development Programme, holds a Ph.D. in Economics from the University of Maryland, and Pedro Conceição, Director of the Office of Development Studies at the United Nations Development Programme, holds a Ph. D. in Public Policy from the LBJ School of Public Affairs at the University of Texas-Austin, 2010 (“The Economic Crisis, Violent Conflict, and Human Development,” International Journal of Peace Studies, Volume 15, Number 1, Spring/Summer, Available Online at http://www.gmu.edu/programs/icar/ijps/vol15\_1/KimConceicao15n1.pdf, Accessed 09-22-2013, p. 32)

2. From Low Human Development to Conflict

While there are a number of factors that could cause conflict, empirical studies find that poor economic performance is associated with higher incidence of conflict. Being a poor country is correlated with most forms of violence (UNDP, 2008a). Growth rates are also strongly associated with risks of conflict in developing countries. If the growth rate in developing countries is increased by 1 percentage point from the mean, the risk of conflict decreases by 0.6 percentage points to 4.0 percent (Collier et al., 2009). Kang and Meernik (2005) show that the growth rate in conflict countries in the five years prior to conflict, including cases of conflict recurrence, was on average 0.5 percent compared to 2 percent in the countries that remained peaceful.

Figure 2 shows that economic development and conflicts are observed to be clearly related. The level of GDP is negatively correlated with observing a new conflict. Collier et al. (2009) finds that the predicted risk for a hypothetical country with characteristics set at the study’s sample mean was 4.6 percent. If the level of per capita income were to be halved from this level, the risk would be increased to 5.3 percent.

#### Economic decline causes war—*strong statistical support*.

Royal 10 — Jedidiah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, M.Phil. Candidate at the University of New South Wales, 2010 (“Economic Integration, Economic Signalling and the Problem of Economic Crises,” *Economics of War and Peace: Economic, Legal and Political Perspectives*, Edited by Ben Goldsmith and Jurgen Brauer, Published by Emerald Group Publishing, ISBN 0857240048, p. 213-215)

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

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

Second, on a dyadic level, Copeland's (1996, 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult [end page 213] to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4

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

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

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

Furthermore, crises generally reduce the popularity of a sitting government. “Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force.

In summary, recent economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels.5 This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict, such as those mentioned in the first paragraph of this chapter. [end page 214] Those studies tend to focus on dyadic interdependence instead of global interdependence and do not specifically consider the occurrence of and conditions created by economic crises. As such, the view presented here should be considered ancillary to those views.

#### Economic decline risks global nuclear war.

Mead 14 — Walter Russell Mead, James Clarke Chace Professor of Foreign Affairs and the Humanities at Bard College, Professor of American Foreign Policy at Yale University, former Henry A. Kissinger Senior Fellow for U.S. Foreign Policy at the Council on Foreign Relations, Editor-at-Large of *The American Interest*, 2014 (“Hi Reddit! I'm Walter Russell Mead, Editor-at-Large of The American Interest, Professor, and Author. Ask me anything!,” Reddit Ask Me Anything Q&A, October 22nd, Available Online at <http://www.reddit.com/r/IAmA/comments/2k0es0/hi_reddit_im_walter_russell_mead_editoratlarge_of/>, Accessed 12-02-2014)

hunterhall6: In Policy Debate, a academic activity, individuals use your literatuere from "NEW PERSPECTIVES QUARTERLY, Summer, 1992, p. 30" to describe "economic collapse causing global nuclear war."

This section is as follows: "The failure to develop an international system to hedge against the possibility of worldwide depression- will open their eyes to their folly. Hundreds of millions-billions-of people around the world have pinned their hopes on the international market economy. They and their leaders have embraced market principles-and drawn closer to the West-because they believe that our system can work for them. But what if it can't? What if the global economy stagnates, or even shrinks? In that case, we will face a new period of international conflict: South against North, rich against poor. Russia. China. India-these countries with their billions of people and their nuclear weapons will pose a much greater danger to world order than Germany and Japan did in the 1930's."

Since you are open to questions, do you truely believe a economic collapse could cause a global nuclear war?

[–]WalterRussellMead: Yes, I still think that could happen.

 [–]Visceral\_Realism: I kept wondering when that 'Mead '98' card was gonna come up!

 [–]hunterhall6: It seems as if economies are so interdependent upon each other they would not go to a nuclear war? Thoughts?

 [–]WalterRussellMead: It would never be a rational decision to go to thermonuclear war, but people don't always make rational decisions.

### They Say: “EU Cloud Computing Weak Now”

#### EU cloud computing industry growing now — US surveillance is the key factor.

NYT 14 — New York Times, Byline Mark Scott, 2014 ("European Firms Turn Privacy Into Sales Pitch," Bits Blog, New York Times, June 11th, Available Online at http://bits.blogs.nytimes.com/2014/06/11/european-firms-turn-privacy-into-sales-pitch/, Accessed 08-11-2015)

Despite the difficulties, some of Europe’s large telecommunications companies are trying to break into cloud computing.

Over the last two years, Orange, the French telecommunications company, has noted a growing demand for cloud services from European companies looking to share data across their international operations.

In response, Orange now offers cloud computing through a network of 30 data centers worldwide, including two in the United States. It also has checks in place so that companies can restrict where their data is stored to comply with specific domestic privacy rules.

And since the revelations about the N.S.A. were reported last year, the company has received an increasing wave of questions about data security, according to Axel Haentjens, vice president of cloud computing at the Orange division that provides I.T. services to companies.

In the face of this continuing concern about who has access to online data, Orange is now hoping it can make inroads against American competitors with global companies looking for cloud providers that are perceived to be more secure.

“The Snowden story has shifted the pendulum away from U.S. companies,” Mr. Haentjens said. “There’s a lot of appetite from Europe to sign deals with European cloud providers.”

#### EU is prepared for major cloud computing growth, but security is key.

European Commission 12 — European Commission, Executive Body of the European Union, 2012 (“Digital Agenda: New strategy to drive European business and government productivity via cloud computing,” European Commission, September 27th, Available Online at http://europa.eu/rapid/press-release\_IP-12-1025\_en.htm?locale=en, Accessed 08-12-2015)

The European Commission's new strategy for "Unleashing the potential of cloud computing in Europe" outlines actions to deliver a net gain of 2.5 million new European jobs, and an annual boost of EUR 160 billion to EU GDP (around 1%), by 2020.

The strategy is designed to speed up and increase the use of cloud computing across the economy.

'Cloud computing' refers to the storage of data (such as text files, pictures and video) and software on remote computers, which users access over the internet on the device of their choice. This is faster, cheaper, more flexible and potentially more secure than on-site IT solutions. Many popular services such as Facebook, Spotify and web-based email use cloud computing technologies but the real economic benefits come through widespread use of cloud solutions by businesses and the public sector.

Key actions of the strategy include:

Cutting through the jungle of technical standards so that cloud users get interoperability, data portability and reversibility; necessary standards should be identified by 2013;

Support for EU-wide certification schemes for trustworthy cloud providers;

Development of model 'safe and fair' contract terms for cloud computing contracts including Service Level Agreements;

A European Cloud Partnership with Member States and industry to harness the public sector's buying power (20% of all IT spending) to shape the European cloud market, boost the chances for European cloud providers to grow to achieve a competitive scale, and deliver cheaper and better eGovernment.

Vice-President Neelie Kroes said: "Cloud computing is a game-changer for our economy. Without EU action, we will stay stuck in national fortresses and miss out on billions in economic gains. We must achieve critical mass and a single set of rules across Europe. We must tackle the perceived risks of cloud computing head-on."

Vice-President Viviane Reding said: "Europe needs to think big. The cloud strategy will enhance trust in innovative computing solutions and boost a competitive digital single market where Europeans feel safe. That means a swift adoption of the new data protection framework which the Commission proposed earlier this year and the development of safe and fair contract terms and conditions."

### They Say: “Plan Doesn’t Hurt EU Tech Sector”

#### NSA surveillance allows European companies to catch up in the cloud computing market — rapid growth makes this a key time.

Castro 13 — Daniel Castro, Vice President of the Information Technology and Innovation Foundation and Director of the Center for Data Innovation, 2013 (“How Much Will PRISM Cost the U.S. Cloud Computing Industry?,” Information Technology and innovation Foundation, August, Available Online at <http://www2.itif.org/2013-cloud-computing-costs.pdf>, Accessed 08-12-2015)

The United States has been the leader in providing cloud computing services not just domestically, but also abroad where it dominates every segment of the market. In the 2013 Informa Cloud World Global Insights survey, 71 percent of respondents (of which only 9 percent were from North America) ranked the United States as the leader in cloud computing usage and innovation.1 In this same survey, nine out of ten respondents linked cloud computing to their country’s economic competitiveness.

But other countries are trying to play catch-up to the United States’ early success. Of the $13.5 billion in investments that cloud computing service providers made in 2011, $5.6 billion came from companies outside North America. 2 Even national governments are helping to bankroll these efforts to combat U.S. market leadership—France, for example, invested €135 million in a joint venture in cloud computing.3

At stake is a significant amount of revenue. As shown in figure 1, the global enterprise public cloud computing market will be a $207 billion industry by 2016.4 Europeans in particular are trying to edge out their American competitors, and they are enlisting their governments to help. Jean-Francois Audenard, the cloud security advisor to France Telecom, said with no small amount of nationalistic hyperbole, “It’s extremely important to have the governments of Europe take care of this issue because if all the data of enterprises were going to be under the control of the U.S., it’s not really good for the future of the European people.”5

And governments have begun to respond. In a 2012 policy document titled “Unleashing the Potential of Cloud Computing in Europe,” the European Commission (EC) called for a number of steps to promote cloud computing adoption in Europe, including creating pan-European technical standards, EU-wide certification for cloud computing providers, and model contract language.7 The Europeans are quite frank about their intentions. The EC notes “this strategy is about building a new industry, and better competing against the United States in particular.”8 Gartner estimates that in Western Europe alone the cloud computing market will be $47 billion by 2015, and the EC estimates that European cloud computing providers stand to gain €80 billion in revenue by 2020.9

While much of this projected growth was until recently up for grabs by U.S. companies, the disclosures of the NSA’s electronic surveillance may fundamentally alter the market dynamics. Neelie Kroes, European Commissioner for Digital Affairs, stated the problem quite succinctly, “If European cloud customers cannot trust the United States government, then maybe they won't trust U.S. cloud providers either. If I am right, there are multibillion-euro consequences for American companies. If I were an American cloud provider, I would be quite frustrated with my government right now.”10

The impact of PRISM on U.S companies may be particularly acute because cloud computing is a rapidly growing industry. This means that cloud computing vendors not only have to retain existing customers, they must actively recruit new customers to retain market share. Global spending on cloud computing is expected to grow by as much as 100 percent between 2012 and 2016, whereas the global IT market will only grow by 3 percent.11 If U.S. companies lose market share in the short term, this will have long-term implications on their competitive advantage in this new industry.

Rival countries have noted this opportunity and will try to exploit it. One tactic they used before the PRISM disclosures was to stoke fear and uncertainty about the USA PATRIOT Act to argue that European businesses should store data locally to protect domestic data from the U.S. government.12 Reinhard Clemens, CEO of Deutsche Telekom’s T-systems group, argued in 2011 that creating a German or European cloud computing certification could advantage domestic cloud computing providers. He stated, “The Americans say that no matter what happens I’ll release the data to the government if I’m forced to do so, from anywhere in the world. Certain German companies don’t want others to access their systems. That’s why we’re well-positioned if we can say we’re a European provider in a European legal sphere and no American can get to them.”13 And after the recent PRISM leaks, German Interior Minister Hans-Peter Friedrich declared publicly, “whoever fears their communication is being intercepted in any way should use services that don't go through American servers.”14 Similarly, Jörg-Uwe Hahn, a German Justice Minister, called for a boycott of U.S. companies.15 After PRISM, the case for national clouds or other protectionist measures is even easier to make.

#### NSA surveillance is a boon to European tech companies — massive tech industry growth.

NYT 14 — New York Times, Byline Claire Cain Miller, 2014 ("Revelations of N.S.A. Spying Cost U.S. Tech Companies," New York Times, March 21st, Available Online at http://www.nytimes.com/2014/03/22/business/fallout-from-snowden-hurting-bottom-line-of-tech-companies.html, Accessed 08-11-2015)

The business effect of the disclosures about the N.S.A. is felt most in the daily conversations between tech companies with products to pitch and their wary customers. The topic of surveillance, which rarely came up before, is now “the new normal” in these conversations, as one tech company executive described it.

“We’re hearing from customers, especially global enterprise customers, that they care more than ever about where their content is stored and how it is used and secured,” said John E. Frank, deputy general counsel at Microsoft, which has been publicizing that it allows customers to store their data in Microsoft data centers in certain countries.

At the same time, Mr. Castro said, companies say they believe the federal government is only making a bad situation worse.

“Most of the companies in this space are very frustrated because there hasn’t been any kind of response that’s made it so they can go back to their customers and say, ‘See, this is what’s different now, you can trust us again,’ ” he said.

In some cases, that has meant forgoing potential revenue.

Though it is hard to quantify missed opportunities, American businesses are being left off some requests for proposals from foreign customers that previously would have included them, said James Staten, a cloud computing analyst at Forrester who has read clients’ requests for proposals. There are German companies, Mr. Staten said, “explicitly not inviting certain American companies to join.”

He added, “It’s like, ‘Well, the very best vendor to do this is IBM, and you didn’t invite them.’ ”

The result has been a boon for foreign companies.

Runbox, a Norwegian email service that markets itself as an alternative to American services like Gmail and says it does not comply with foreign court orders seeking personal information, reported a 34 percent annual increase in customers after news of the N.S.A. surveillance.

Brazil and the European Union, which had used American undersea cables for intercontinental communication, last month decided to build their own cables between Brazil and Portugal, and gave the contract to Brazilian and Spanish companies. Brazil also announced plans to abandon Microsoft Outlook for its own email system that uses Brazilian data centers.

Mark J. Barrenechea, chief executive of OpenText, Canada’s largest software company, said an anti-American attitude took root after the passage of the Patriot Act, the counterterrorism law passed after 9/11 that expanded the government’s surveillance powers.

But “the volume of the discussion has risen significantly post-Snowden,” he said. For instance, after the N.S.A. surveillance was revealed, one of OpenText’s clients, a global steel manufacturer based in Britain, demanded that its data not cross United States borders.

#### EU tech companies use US surveillance policy to increase their market share — it’s working.

NYT 14 — New York Times, Byline Mark Scott, 2014 ("European Firms Turn Privacy Into Sales Pitch," Bits Blog, New York Times, June 11th, Available Online at http://bits.blogs.nytimes.com/2014/06/11/european-firms-turn-privacy-into-sales-pitch/, Accessed 08-11-2015)

Timo Laaksonen wants to look after your online data.

As the head of cloud computing at F-Secure, a European online security company, Mr. Laaksonen has a simple sales pitch for F-Secure’s cloud storage application.

The company’s product, which was introduced late last year, allows people to access their photos, documents and video files from anywhere in the world, much like services from the American companies Dropbox and Google, among others.

But unlike its United States rivals, F-Secure says it never shares an individual’s data with other companies or governments. And, his company says, all of the information is stored in secure servers in Finland, which has some of the toughest privacy laws in the world.

“When it comes to cloud services, it’s very much about trust,” said Mr. Laaksonen, a 53-year-old Finn, who added that telecommunications companies like AT&T and BT of Britain now offered F-Secure’s cloud service to their customers. “As a Finnish security company, we can differentiate ourselves, particularly against U.S. companies,” Mr. Laaksonen said.

F-Secure is just one of many European cloud companies hoping to take advantage of people’s growing appetite for online privacy. These European cloud operators have turned a particular focus on their local roots after the revelations by Edward J. Snowden, the former National Security Agency contractor, about surveillance activities by American and British intelligence agencies.

To lure customers, the companies are pointing out that their data centers are in the European Union, whose privacy laws are more stringent than those in the United States. Large companies like Deutsche Telekom, Germany’s former state telephone monopoly, as well as smaller start-ups, are trying to win market share from American rivals like Amazon that dominate the global cloud market.

National governments and the European Union are also providing financial incentives and long-term contracts to domestic cloud providers in a bid to jump-start an industry that remains a relative minnow compared with American whales like Google.

In Germany, for example, that includes the creation of a “Made in Germany” label by local cloud computing companies to highlight domestic providers that comply with the country’s data protection rules. The goal is to win more privacy-conscious German customers.

“We have to match the quality of American companies, but with the additional benefit of extra security,” said Oliver Dehning, a co-founder of the German email cloud company AntiSpamEurope, whose three data centers are all based in the country. “Being a German company is a major plus when talking to customers.”

# Affirmative

## 2AC

### 2AC — EU Tech Sector DA

#### 1. Not Unique — European economy low — no long term recovery.

Stratfor 8/12 — Stratfor, a global intelligence and research company, 2015 ("Taking the Shine Off European Growth," Stratfor, August 12th, Available Online at https://www.stratfor.com/analysis/taking-shine-european-growth, Accessed 08-13-2015)

Among the eurozone's "Big 4" — Germany, France, Italy and Spain — the picture does not look any rosier. If Italy is not struggling with a budget deficit problem of the same scale as Spain's, it is only by the grace of European Central Bank President Mario Draghi and his quantitative easing program. Italy's debt amounts to 132 percent of its GDP, the second highest in the European Union after Greece, and its S&P credit rating hovers just one notch above junk status. In an unconstrained market, Italy would be paying a much higher interest rate on this debt, deeply affecting the government's budget, but the European Central Bank's willingness to buy Italian bonds has caused interest rates to fall extremely low for the time being. This support will only work for as long as it is applied, however, and the quantitative easing program is currently scheduled to end in September 2016. In the meantime, Italy and neighboring France have shown only meager stirrings of growth and unemployment loiters above 10 percent in both countries. In Italy's case, unemployment, 12.7 percent in June, appears to still be growing. France also suffers from high debt, currently 95 percent of GDP, and has had run-ins with the European Commission over its high budget deficit, which stands at 4 percent.

Before the creation of the eurozone, the French and Italian financial problems would have had a clear solution. Unlike Germany, which has a deep intolerance of inflation, France and Italy have regularly used currency devaluation and inflation to increase competitiveness and reduce debt levels. Such maneuverings were notably employed during the 30-year period after World War II, in which the Bretton Woods financial system and the U.S. implementation of the Marshall Plan coincided to create the perfect circumstances for growth.

The prospect of a lasting currency devaluation is now of course complicated by the fact that both are members of a single currency, and any plan for engineering high inflation immediately encounters two barriers. First, the European Central Bank is constructed on a German model and thus geared primarily toward keeping inflation levels down. Second, since the members of the eurozone are bound together in a single currency, the only methods of increasing competitiveness through Germany are by internal devaluation, as seen in Spain, or by reducing inflation lower than Germany. However, Germany is unlikely to willingly allow its own inflation to soar so its eurozone colleagues can inflate away their debt while maintaining competitiveness. Thus Europe's second and third largest economies are trapped with low growth, high debt and high unemployment, and this during a period in which the economic climate is supposed to be relatively favorable.

Incidentally, Ireland, another recipient of a bailout with reforms attached, has had more success in adopting the German model. Its impressive growth has coincided with an increase in its trade surplus since the crisis struck, and its exposure to the fast-growing British economy has also helped. Unfortunately, Ireland's small size (just 1.3 percent of the EU economy) means that it is unlikely to make a dramatic impact on the overall picture.

The German plan, which advocated that Europe's Mediterranean states solve their economic problems by increasing their competitiveness and thus transforming to a German model, appears to be failing, or at least moving too slowly to avert a disaster, such as the loss of confidence in Italy's ability to pay its debt. The World Economic Forum's Global Competitiveness Report for 2014 revealed that not one Mediterranean country is among Europe's top 10 most competitive economies, and they are mostly stagnant. Comparing their positions to the equivalent 2011 report, France has slipped from 18th to 23rd in the world and Italy from 43rd to 49th. Spain has improved its position but only by one place, putting it 35th in the world and 16th in Europe.

Thus talk of a European recovery appears to be premature. Spain, the one large country that is posting newly impressive growth figures, has not managed to base this growth on exports, and it still suffers deep underlying weaknesses, like its counterparts in France and Italy. Indeed, Spain's recent growth may actually create problems for its peers if the positivity spreads to the markets and investors begin to move funds out of bonds and into more growth-friendly instruments. This would increase government borrowing costs across the Continent irrespective of quantitative easing, which would be particularly painful for Italy. Since the financial crisis of 2008, Germany has been repeatedly asked whether it is willing to subsidize its less competitive neighbors for the sake of the union. Up until now it has been postponing answering the question, preferring instead to focus on improving its neighbors' competitiveness. These attempts appear to be failing, and sooner or later Germany will face pressure to subsidize its neighbors once more. And each time the issue comes up, a decision on the matter becomes harder to avoid.

#### 2. Alternate Causality — Greece prevents European growth.

Star Tribune 8/13 — Star Tribune (Minneapolis), Byline Pan Pylas of the Associated Press, 2015 ("As crisis over Greece intensified, eurozone economic growth likely eased in second quarter," Star Tribune, August 13th, Available Online at http://www.startribune.com/eurozone-economic-recovery-likely-stalled-in-q2/321729261/, Accessed 08-13-2015)

LONDON - The eurozone's hopes for a strong economic recovery this year have soured over the past couple months, partly because of the crisis over Greece's future in the currency zone and fading growth in China.

So there's growing speculation that official figures released Friday will show the 19-country bloc's growth rate eased during the second quarter.

With most elements of economic activity — such as industrial production, retail sales and construction — already shown to have had a subdued quarter, economists think the quarterly growth rate was unchanged at 0.4 per cent. Many note, however, that the figure could disappoint and come in as low as 0.2 per cent.

"Recent European data have tended to underwhelm, suggesting that the euro area has struggled to build upon the momentum gained earlier in the year," said James Nixon, chief European economist at Oxford Economics. "The recovery is therefore delicately placed."

The stalling in growth would be disappointing for the eurozone, where there was much optimism in early spring that the region was set for a strong pick-up.

With oil prices sharply lower, the euro at multiyear lows and the European Central Bank on a 1.1 trillion-euro ($1.3 trillion) bond-buying spree to keep market interest rates low, there were hopes that the eurozone had turned a corner after years of crisis. In the first quarter of 2015, the eurozone's big four economies — Germany, France, Italy and Spain — were all growing at the same time for the first time since 2010.

Since then, the eurozone has seen the Greek debt crisis explode again and suffered from growing uncertainty over the Chinese economy.

Though Greece may only account for around 2 per cent of the eurozone's annual GDP, it has proved a headache for its partners in the region. As the prospect of a Greek exit from the euro grew in June and July, tensions grew, hurting confidence among investors and consumers.

By contrast, China is not a minnow — it is the world's second-largest economy — and its economic slowdown and market volatility in the last few months are having a negative impact around the world. Just like the United States, if China sneezes, the world catches a cold.

#### 3. Cloud Computing isn’t key to the European economy — it’s just a small portion of overall GDP.

#### 4. Turn: Eurozone Collapse Good — collapse is inevitable, but delaying it means economic crisis and the end of the EU.

Roubini 12 — Nouriel Roubini, chair of Roubini Global Economics, professor of economics at the Stern School of Business NYU, voted as the most influential economist in the world by Forbes magazine in 2012, 2011 ("Delaying A Eurozone Breakup Will Only Make Matters Worse: Nouriel Roubini," EconoMonitor, Economy Watch, August 16th, Available Online at <http://www.economywatch.com/economy-business-and-finance-news/delaying-a-eurozone-breakup-will-only-make-matters-worse.16-08.html>, Accessed 08-14-2015)

NEW YORK – Whether the eurozone is viable or not remains an open question. But what if a breakup can only be postponed, not avoided? If so, delaying the inevitable would merely make the endgame worse – much worse.

Germany increasingly recognizes that if the adjustment needed to restore growth, competitiveness, and debt sustainability in the eurozone’s periphery comes through austerity and internal devaluation rather than debt restructuring and exit (leading to the reintroduction of sharply depreciated national currencies), the cost will most likely be trillions of euros.

Indeed, sufficient official financing will be needed to allow cross-border and even domestic investors to exit. As investors reduce their exposure to the eurozone periphery’s sovereigns, banks, and corporations, both flow and stock imbalances will need to be financed. The adjustment process will take many years, and, until policy credibility is fully restored, capital flight will continue, requiring massive amounts of official finance.

Until recently, such official finance came from fiscal authorities (the European Financial Stability Facility, soon to be the European Stability Mechanism) and the International Monetary Fund. But, increasingly, official financing is coming from the European Central Bank – first with bond purchases, and then with liquidity support to banks and the resulting buildup of balances within the eurozone’s Target2 payment system. With political constraints in Germany and elsewhere preventing further strengthening of fiscally-based firewalls, the ECB now plans to provide another round of large-scale financing to Spain and Italy (with more bond purchases).

Thus, Germany and the eurozone core have increasingly outsourced official financing of the eurozone’s distressed members to the ECB. If Italy and Spain are illiquid but solvent, and large-scale financing provides enough time for austerity and economic reforms to restore debt sustainability, competitiveness, and growth, the current strategy will work and the eurozone will survive.

In the process, some form of fiscal and banking union may also emerge, together with some progress on political integration. But, however important the fiscal and banking union elements of this process may be, the key is whether large-scale financing and gradual adjustments can restore sustainable growth in time. This will require considerable patience from governments and publics in the core and periphery alike – in the former to maintain large-scale financing, and in the latter to avoid a social and political backlash against years of painful contraction and loss of welfare.

Is this scenario plausible? Just consider what must be overcome:

economic divergence and deepening recessions;

irreversible balkanization of the banking system and financial markets;

unsustainable debt burdens for public and private agents;

daunting growth and balance-sheet costs in countries that pursue internal devaluation and deflation to restore competitiveness;

asymmetrical adjustment, with moral-hazard risks in the core and insufficient financing in the periphery fueling incompatible political dynamics;

fickle and impatient markets and investors;

austerity fatigue in the periphery and bailout fatigue in the core;

the absence of conditions for an optimal currency area;

and serious difficulties in achieving full fiscal, banking, economic, and political union.

 If a gradual process of disintegration eventually makes a eurozone breakup unavoidable, the path chosen by Germany and the ECB – large-scale financing for the eurozone periphery – would destroy the core central banks’ balance sheets.

Worse still, massive losses resulting from the materialization of credit risk might jeopardize core eurozone economies’ debt sustainability, placing the survival of the European Union itself in question. In that case, surely an “orderly divorce” now is preferable to a messy split down the line.

Of course, a breakup now would be very costly, requiring an international debt conference to restructure the periphery’s debts and the core’s claims. But breaking up earlier could allow the survival of the single market and of the EU. A futile attempt to avoid a breakup for a year or two – after wasting trillions of euros in additional official financing by the core – would mean a disorderly end, including the destruction of the single market, owing to the introduction of protectionist policies on a massive scale. So, if a breakup is unavoidable, delaying it implies much higher costs.

But politics in the eurozone does not permit consideration of an early breakup. Germany and the ECB are relying on large-scale liquidity to buy time to allow the adjustments necessary to restore growth and debt sustainability. And, despite the huge risk implied if a breakup eventually occurs, this remains the strategy to which most of the players in the eurozone are committed. Only time will tell whether betting the house to save the garage was the right move.

#### 5. No Economic Collapse — Eurozone breakdown doesn’t spill over — rules are flexible and resilient.

Lachman 10 — Desmond Lachman, Ph.D. in Economics, Resident Fellow at the American Enterprise Institute, former Deputy Director in the International Monetary Fund’s Policy Development and Review Department and the chief emerging market economic strategist at Salomon Smith Barney, 2010 (“Can the Euro Survive?,” Legatum Institute, December, Available Online at <http://www.aei.org/wp-content/uploads/2011/10/Legatum%20Institute%20-%20Can%20the%20euro%20survive.pdf>, Accessed 08-13-2015)

At the Euro’s launch in 1999, European policymakers understandably did not negotiate a Plan B to deal with the contingency that the Euro might eventually unravel. The very idea of the Euro was to foster a permanent economic and political union, whose attainment would have been seriously undermined by any official suggestion that the bold monetary experiment on which Europe was embarked might eventually unravel. This now leaves the greatest of uncertainties as to what might happen to the Euro should any of the peripheral countries be forced to exit the Euro. In a recent legal paper, the most that the ECB has indicated on this topic is that individual countries may voluntarily choose to leave the Euro but that no individual country can be forced to leave the Euro by other member countries.27 Further the ECB has indicated that its interpretation of the Treaty of Lisbon is that should an individual country choose to leave the Euro, it will also be obliged to leave the European Union.

Over the past few years, a clear pattern has emerged as to how the Eurozone applies its rules at a time of stress. In the event of a real crisis, the rules have been bent consistently in an effort to find a political solution to defuse the crisis. As discussed above, this has certainly been the case with the Stability and Growth Pact, the “no bailout clause”, and the ECB’s adherence to pursuing strictly monetary policy objectives. On this basis, it would seem reasonable to expect that were an individual country to leave the Euro, the same pragmatism would be applied to finding a political solution that would limit the damage to the rest of the Euro area.

#### 6. No War Impact — economic decline doesn’t cause war — strong disincentives outweigh.

Jervis 11 — Robert Jervis, Adlai E. Stevenson Professor of International Politics in the Department of Political Science and School of International and Public Affairs at Columbia University, Fellow of the American Association for the Advancement of Science and the American Academy of Arts and Sciences, former President of the American Political Science Association, holds a Ph.D. from the University of California-Berkeley, 2011 (“Force in Our Times,” *International Relations*, Volume 25, Number 4, December, Available Online to Subscribing Institutions via Sage Journals, p. 414)

Even if war is still seen as evil, the security community could be dissolved if severe conflicts of interest were to arise. Could the more peaceful world generate new interests that would bring the members of the community into sharp disputes?45 A zero-sum sense of status would be one example, perhaps linked to a steep rise in nationalism. More likely would be a worsening of the current economic difficulties, which could itself produce greater nationalism, undermine democracy and bring back old-fashioned beggar-my-neighbor economic policies. While these dangers are real, it is hard to believe that the conflicts could be great enough to lead the members of the community to contemplate fighting each other. It is not so much that economic interdependence has proceeded to the point where it could not be reversed – states that were more internally interdependent than anything seen internationally have fought bloody civil wars. Rather it is that even if the more extreme versions of free trade and economic liberalism become discredited, it is hard to see how without building on a preexisting high level of political conflict leaders and mass opinion would come to believe that their countries could prosper by impoverishing or even attacking others. Is it possible that problems will not only become severe, but that people will entertain the thought that they have to be solved by war? While a pessimist could note that this argument does not appear as outlandish as it did before the financial crisis, an optimist could reply (correctly, in my view) that the very fact that we have seen such a sharp economic down-turn without anyone suggesting that force of arms is the solution shows that even if bad times bring about greater economic conflict, it will not make war thinkable.

## 1AR

### Extend: “European Economy Low”

#### Eurozone economy is weak — long-term limits on growth.

Wall Street Journal 7/27 — Wall Street Journal, Byline Paul Hannon, 2015 ("IMF Sees Troubles for Eurozone Beyond Greek Crisis," WSJ, July 27th, Available Online at http://www.wsj.com/articles/imf-sees-troubles-for-eurozone-beyond-greek-crisis-1438005605, Accessed 08-13-2015)

The eurozone’s economy will fall further behind that of the U.S. without a concerted effort to boost demand through increased government spending and lower taxes, make labor markets more flexible, and rid banks of bad loans, the International Monetary Fund said Monday.

In its annual review of the currency area, the Fund said that while the situation in Greece is “fluid” and “a key source of uncertainty,” the threat of contagion has eased since the early years of the currency area’s debt crisis.

However, the IMF warned that the eurozone faces longer-term speed limits to its economic growth that will see incomes fall further behind those in the U.S. over the coming five years unless governments take immediate action.

“Given the weak medium-term outlook, a stronger collective push is urgently needed to consolidate the recovery, raise potential growth, and strengthen the union’s resilience,” the IMF’s economists said.

The eurozone economy returned to growth in mid-2013, but has advanced only modestly since then. In the first quarter of this year, it expanded by 0.4%, and most indicators suggest that pace was maintained in the three months to June.

At that rate, the IMF said inflation will be below the European Central Bank’s target of just under 2% through 2020, while unemployment will stay high. The gap between output per person in the U.S. and the eurozone is already at its greatest since the currency was launched in 1999, and will widen further if nothing is done boost growth, the Fund predicted.

#### EU growth is low now — business and consumer confidence.

LA Times 14 — Los Angeles Times, byline Jum Pizzanghera, 2014 ("EU economic growth outlook dims on rising geopolitical risks," *Los Angeles Times*, November 4th, Available Online at http://www.latimes.com/business/la-fi-europe-economy-forecast-20141105-story.html, Accessed 08-13-2015)

The European Union cut its economic growth forecasts for the region, saying rising geopolitical risks in Ukraine and the Middle East and a broader global slowdown have eroded business and consumer confidence since the spring.

The downgraded outlook, released Tuesday, is bad news for the U.S. economy because Europe is a major market for American exports.

"It would be an added head wind," said Gary Schlossberg, senior economist at Wells Capital Management. "You'd still see economic growth here, but it would be weaker than it would be."

Europe's troubles come amid slower economic growth elsewhere in the world, which helped drive up the U.S. trade deficit in September.

The Commerce Department reported Tuesday that U.S. exports dropped by about $3 billion, or 1.5%, to $195.6 billion, from August.

The decrease caused the nation's trade deficit to rise by 7.6% to $43 billion, the largest gap since May.

Analysts expect that the widening trade deficit will lead federal statisticians to lower U.S. economic growth in the third quarter in an upcoming revision Nov. 25.

"The bottom line is that the third quarter was not as good as it looked on the surface," Patrick Newport and Michael Montgomery, U.S. economists at IHS Global Insight, said in a research note.

The new trade figures should knock about 0.5 percentage point from the Commerce Department's initial estimate of a 3.5% annual growth rate for the quarter, they said.

A government report Monday showing that construction spending unexpectedly fell in September for the second straight month also should cause a downward tick in the revised report, taking the quarterly growth down to a 2.9% annual rate, Newport and Montgomery said.

The latest forecast from the Federal Reserve sees the nation's economic output growing 2% to 2.2% this year and 2.6% to 3% next year.

Such rates would make Europeans envious.

The economy in the 18-nation Eurozone, the area that uses the euro currency, is forecast to expand just 0.8% this year and 1.1% next year, according to the latest estimate from the European Commission, the region's executive body.

Those figures are down from a spring forecast of 1.2% growth this year and 1.7% next year.

The outlook is better for the broader 28-nation European Union, which includes the United Kingdom, but still was downgraded from the spring.

The EU economy is expected to expand 1.3% this year and 1.5% next year. The spring forecast called for 1.6% growth this year and 2% next year.

"The economic and employment situation is not improving fast enough," said Jyrki Katainen, the commission's vice president for jobs, growth, investment and competitiveness.

Europe has had more difficulty than the U.S. in recovering from the Great Recession.

A number of EU nations fell back into recession from 2011 into early 2013, and the region's economy has struggled to regain strength since then.

### Extend: “Greece Prevents European Growth”

#### Eurozone growth will be low — Greece and lack of investment.

Financial Times 8/9 — Financial Times, Byline Jim Brunsden and Claire Jones, 2015 ("Drop in long-term investment hinders eurozone recovery," *Financial Times*, August 9th, Available Online at http://www.ft.com/intl/cms/s/0/f7c51020-3c44-11e5-bbd1-b37bc06f590c.html, Accessed 8-13-2015)

The European Central Bank’s attempt to kick-start the eurozone economy is facing a stubborn reluctance among companies to invest, with many preferring to hoard cash or buy back their own stock, according to research.

The ECB faces a paradox as its aggressive monetary easing has lowered companies’ return on investments, leaving them struggling for viable, long-term projects, according to Moody’s Analytics.

 “Although the ECB’s accommodative monetary policy aims to support lending, the policy, maybe unintentionally, reduced the return on future investment and undermined investment growth,’’ said Tomas Holinka, an economist at Moody’s Analytics. Until returns increase, the report concludes, “weak investment growth will remain a drag on long-term potential growth in the eurozone”.

Returns on financial assets from high-quality government debt to the riskiest corporate bonds have fallen as the world’s central banks, including the ECB, have flooded financial markets with trillions of dollars since the financial crisis.

Investment in the eurozone has plunged since then and has remained weak. In 2008, the year US investment bank Lehman Brothers collapsed, investment in equipment and infrastructure accounted for 23 per cent of collective gross domestic product. Last year it was 19.5 per cent, according to Eurostat, the EU’s statistical office.

Many businesses have used profits to repay debt, fund share repurchases or simply build up cash piles.

German companies have almost doubled retained profits since 2006, while other eurozone companies have also increased retained earnings since 2014, with Portuguese groups leading the gain, according to the report.

The volume of share buybacks remains under the peak of equity repurchases in 2007-08, but Dutch and especially French enterprises intensified them in 2014, while Spanish repurchases have remained at constant historical highs. Still, buybacks have been falling since 2012 in Germany.

The tepid investment climate adds to the challenges facing the ECB and other eurozone policymakers as they seek to unclog credit and spur an incipient economic recovery in the bloc.

The euro area economy grew by 0.4 per cent in the first quarter of 2015 compared with the previous quarter, according to Eurostat. The European Commission is predicting growth of 1.5 per cent in 2015.

But factors such as years of low investment, a dearth of structural reforms, a rise in longer-term unemployment and lingering fears of Greece quitting the eurozone are all weighing on the region’s economic growth capacity.

“There is a general risk aversion, because of risks about the eurozone, and memories of the [sovereign debt] crisis,” said Nicolas Véron, a senior fellow at Brussels-based think-tank Bruegel. “As long as Grexit is a risk, eurozone break-up is a risk as well, and that’s bad for investment in the whole eurozone.’’

#### Greece woes have lowered business confidence — they will put a drag on the economy as a whole.

The Telegraph 7/24 — The Telegraph, Byline Szu Ping Chan, 2015 ("Greek debt drama dents business optimism in the eurozone," *The Telegraph*, July 24th, Available Online at http://www.telegraph.co.uk/finance/economics/11760178/Greek-debt-drama-dents-business-optimism-in-the-eurozone.html, Accessed 08-13-2015)

Greece's ongoing debt drama dented business optimism in the eurozone's top economies in July, as the country's referendum and uncertainty surrounding a third bail-out cast a shadow over the bloc's recovery.

While Markit's flash survey of the manufacturing and services sector showed many companies across the single currency area reported "business as usual" during the referendum period, there were signs that protracted negotiations were likely to act as a drag on activity in the coming months, especially in France and Germany.

The data, which was collected the day after marathon talks in Brussels saw eurozone leaders agree on the country’s third rescue package in five years, showed business expectations among services sector companies dropped to the lowest seen so far this year.

Markit said on Friday this was "fuelled by weakened confidence in Germany and France, in a sign that the crisis appears to have dented business prospects".

Outside the two largest economies, Markit said the "rate of expansion accelerated", with the region as a whole still on course to grow by "at least 1.5pc this year".

### Extend: “Cloud Computing Not Key”

#### Europe’s tech sector is relatively small — it’s not key to the economy.

A.T. Kearney 14 — A.T. Kearney, a global management consulting firm, 2014 (“Rebooting Europe's High-Tech Industry,” Summary of a Research Report, Available Online at <https://www.atkearney.com/communications-media-technology/ideas-insights/future-of-europes-high-tech-industry>, Accessed 08-15-2015)

Yet, as our research over the past few years has demonstrated, Europe’s high-tech industry is declining. Even as the European Commission has officially recognized technology’s importance to Europe’s future growth, competitiveness, and mastery of upcoming social challenges, policy makers’ efforts have not done enough to foster a healthy high-tech sector.

No matter how you slice the global ICT industry, Europe’s representation is low, even as the continent accounts for one-quarter of the industry’s global sales. Only nine of the top 100 ICT companies worldwide have headquarters in Europe, a number that has dwindled in recent years in the wake of both M&A and faster growth by Asian and U.S. companies. Europe’s brightest spots are in business-to-business (B2B) and in some smaller sectors. Although these companies have carved out niches and fight hard to sustain them, they often lack the resources and scale to expand their scope and become top-100 high-tech firms. Summed up, Europe has few large-scale ICT companies big enough to act as consolidators in each industry segment’s endgame, leaving the others vulnerable to buyouts by larger rivals from other regions.

#### The EU tech sector is weak and dependent on non-European firms.

DW 14 — Deutsche Welle, a German broadcasting company, 2014 (“EU high-tech industry losing out to rest of world, study says,” February 21st, Available Online at <http://www.dw.com/en/eu-high-tech-industry-losing-out-to-rest-of-world-study-says/a-17449232>, Accessed 08-15-2015)

Consultants A.T. Kearney said Friday that little more than 10 per cent of the global revenues among the top 100 information and communications technology (ICT) companies were generated by European firms.

It added that only nine of the top 100 ICT companies worldwide had headquarters in Europe while companies across Asia and the US had gained in importance.

Of those nine enterprises from Europe, one would soon drop off that list when Microsoft officially acquired Nokia's devices and services division this spring, A.T Kearney warned.

As a result of this general development in the ICT sector, many European industries were dependent on non-European high-tech players both terms of production and research and innovation, the group said on its website.

The consultancy blamed what it called small-scale parochial thinking and dispondency. Europe lacked "strategic farsightedness and innovative strength," it said.

### Extend: “Turn — Delaying Eurozone Collapse Bad”

#### Eurozone breakup inevitable — most recent evidence concludes.

Karner 8/1 — Helmut F. Karner, Professor, Management Consultant and Portfolio Worker, Advisory Board Member at Challenge:Future, 2015 (“Nouriel Roubini predicts break-up of Eurozone unless Economic Growth is restored,” Föhrenbergkreis Finanzwirtschaft, August 1st, Available Online at <https://fbkfinanzwirtschaft.wordpress.com/2015/08/04/nouriel-roubini-predicts-break-up-of-eurozone-unless-economic-growth-is-restored/>, Accessed 08-14-2015)

American economist Nouriel Roubini said on Wednesday that the Eurozone will break up unless the member states restore economic growth.

The New York University professor was speaking at a conference organised by IG Metall, Germany’s biggest trade union, in Berlin.

He said that the Eurozone was not paying enough attention to job creation and GDP growth, because it was too focused on austerity.

“If I had to propose policies that change that historic road I would say we have to postpone the fiscal austerity in the periphery and do it more gradual, slower rather than faster. In countries like Germany where there is fiscal space instead of doing fiscal austerity now you have to postpone it and you have to do fiscal stimulus,” he said.

Roubini went onto say that the fiscal compact will lead to weaker economic growth and deepen recession in the Euro area in 2015.

“And unless we restore that economic growth eventually this crisis is going to get worse and we will have a break up of the Eurozone,” he said, “and unfortunately those who are resisting the most, those stimulative policies come in the core of the Eurozone and come in the government of Germany – this resisting policy that would try to restore job creation and job growth in the periphery of Eurozone. So unless we do that eventually the crisis could get worse rather than get better.”

#### Eurozone breakdown inevitable — better to have it happen sooner.

Roubini 11 — Nouriel Roubini, chair of Roubini Global Economics, professor of economics at the Stern School of Business NYU, 2011 ("The Eurozone Heads for Break Up," EconoMonitor, Originally Published in the Financial Times, June 13th, Available Online at http://www.economonitor.com/nouriel/2011/06/13/the-eurozone-heads-for-break-up/, Accessed 08-13-2015)

So given these three options are unlikely, there is really only one other way to restore competitiveness and growth on the periphery: leave the euro, go back to national currencies and achieve a massive nominal and real depreciation. After all, in all those emerging market financial crises that restored growth a move to flexible exchange rates was necessary and unavoidable on top of official liquidity, austerity and reform and, in some cases, debt restructuring and reduction.

Of course today the idea of leaving the euro is treated as inconceivable, even in Athens and Lisbon. Exit would impose big trade losses on the rest of the eurozone, via major real depreciation and capital losses on the creditor core, in much the same way as Argentina’s “pesification” of its dollar debt did during its last crisis.

Yet scenarios that are treated as inconceivable today may not be so far-fetched five years from now, especially if some of the periphery economies stagnate. The eurozone was glued together by the convergence of low real interest rates sustaining growth, the hope that reforms could maintain convergence; and the prospect of eventual fiscal and political union. But now convergence is gone, reform is stalled, while fiscal and political union is a distant dream.

Debt restructuring will happen. The question is when (sooner or later) and how (orderly or disorderly). But even debt reduction will not be sufficient to restore competitiveness and growth. Yet if this cannot be achieved, the option of exiting the monetary union will become dominant: the benefits of staying in will be lower than the benefits of exiting, however bumpy or disorderly that exit may end up being.

### Extend: “No Economic Collapse”

#### Economic collapse is empirically denied—doomsayers have been proven wrong.

Naím 10 — Moisés Naím, Editor-in-Chief of *Foreign Policy* magazine, Senior Associate in the International Economics program at the Carnegie Endowment for International Peace, holds a Ph.D. from the Massachusetts Institute of Technology, 2010 (“It Didn't Happen,” *Foreign Affairs*, January/February, Available Online at <http://www.foreignpolicy.com/articles/2010/01/04/it_didnt_happen?page=full>, Accessed 08-06-2012)

Just a few months ago, the consensus among influential thinkers was that the economic crisis would unleash a wave of geopolitical plagues. Xenophobic outbursts, civil wars, collapsing currencies, protectionism, international conflicts, and street riots were only some of the dire consequences expected by the experts.

It didn't happen. Although the crash did cause severe economic damage and widespread human suffering, and though the world did change in important ways for the worse -- the International Monetary Fund, for example, estimates that the global economy's new and permanent trajectory is a 10 percent lower rate of GDP growth than before the crisis -- the scary predictions for the most part failed to materialize.

Sadly, the same experts who failed to foresee the economic crisis were also blindsided by the speed of the recovery. More than a year into the crisis, we now know just how off they were. From telling us about the imminent collapse of the international financial system to prophecies of a 10-year recession, here are six of the most common predictions about the crisis that have been proven wrong:

*The international financial system will collapse*. It didn't. As Lehman Brothers, Bear Stearns, and Fannie Mae and Freddie Mac crashed, as Citigroup and many other pillars of the financial system teetered on the brink, and as stock markets everywhere entered into free fall, the wise men predicted a total system meltdown. The economy has "fallen off a cliff," warned investment guru Warren Buffett. Fellow financial wizard George Soros agreed, noting the world economy was on "life support," calling the turbulence more severe than during the Great Depression, and comparing the situation to the demise of the Soviet Union.

The natural corollary of such doomsday scenarios was the possibility that depositors would lose access to the funds in their bank accounts. From there to visions of martial law imposed to control street protests and the looting of bank offices was just an easy step for thousands of Internet-fueled conspiracy theorists. Even today, the financial system is still frail, banks are still failing, credit is scarce, and risks abound. But the financial system is working, and the perception that it is too unsafe to use or that it can suddenly crash out of existence has largely dissipated.

#### No complete collapse — they’ll just change the rules.

Lachman 10 — Desmond Lachman, Ph.D. in Economics, Resident Fellow at the American Enterprise Institute, former Deputy Director in the International Monetary Fund’s Policy Development and Review Department and the chief emerging market economic strategist at Salomon Smith Barney, 2010 (“Can the Euro Survive?,” Legatum Institute, December, Available Online at <http://www.aei.org/wp-content/uploads/2011/10/Legatum%20Institute%20-%20Can%20the%20euro%20survive.pdf>, Accessed 08-13-2015)

European policymakers understand full well that a default in any peripheral country is almost certain to trigger contagion to the rest of the periphery. They are also highly cognisant of the fact that a wave of defaults in the periphery would more than likely precipitate a full-blown banking crisis in West Europe. These considerations would make one think that European policymakers in the north will not lightly turn off the financing spigot that presently keeps the periphery, and thereby the European banking system, afloat. Rather, one must expect that European policymakers will continue to kick the can forward in the forlorn hope that something might turn up to rescue the periphery. They might also do so in the hope that time might allow the West European banks to strengthen their balance sheets in a manner that would allow them more easily to absorb the shock of a sovereign debt default in the periphery.

### Extend: “Economic Decline Doesn’t Cause War”

#### Prefer our evidence — recent data disproves their impact.

Drezner 12 — Daniel W. Drezner, Professor of International Politics at the Fletcher School of Law and Diplomacy at Tufts University, former International Economist in the Office of International Banking and Securities at the United States Department of the Treasury, holds a Ph.D. in Political Science from Stanford University, 2012 (“The Irony of Global Economic Governance: The System Worked,” Working Paper Published by the International Institutions and Global Governance Program of the Council on Foreign Relations, October, Available Online at http://i.cfr.org/content/publications/attachments/IIGG\_WorkingPaper9\_Drezner.pdf, Accessed 09-17-2013, p. 5)

Another salient outcome is mass public attitudes about the global economy. A general assumption in public opinion research is that during a downturn, demand for greater economic closure should spike, as individuals scapegoat foreigners for domestic woes. The global nature of the 2008 crisis, combined with anxiety about the shifting distribution of power, should have triggered a fall in support for an open global economy. Somewhat surprisingly, however, the reverse is true. Pew’s Global Attitudes Project has surveyed a wide spectrum of countries since 2002, asking people about their opinions on both international trade and the free market more generally.17 The results show resilient support for expanding trade and business ties with other countries. Twenty-four countries were surveyed both in 2007 and at least one year after 2008, including a majority of the G20 economies. Overall, eighteen of those twenty-four countries showed equal or greater support for trade in 2009 than two years earlier. By 2011, twenty of twenty-four countries showed greater or equal support for trade compared to 2007. Indeed, between 2007 and 2012, the unweighted average support for more trade in these countries increased from 78.5 percent to 83.6 percent. Contrary to expectation, there has been no mass public rejection of the open global economy. Indeed, public support for the open trading system has strengthened, despite softening public support for free-market economics more generally.18

The final outcome addresses a dog that hasn’t barked: the effect of the Great Recession on cross-border conflict and violence. During the initial stages of the crisis, multiple analysts asserted that the financial crisis would lead states to increase their use of force as a tool for staying in power.19 Whether through greater internal repression, diversionary wars, arms races, or a ratcheting up of great power conflict, there were genuine concerns that the global economic downturn would lead to an increase in conflict. Violence in the Middle East, border disputes in the South China Sea, and even the disruptions of the Occupy movement fuel impressions of surge in global public disorder.

The aggregate data suggests otherwise, however. A fundamental conclusion from a recent report by the Institute for Economics and Peace is that “the average level of peacefulness in 2012 is approximately the same as it was in 2007.”20 Interstate violence in particular has declined since the start of the financial crisis—as have military expenditures in most sampled countries. Other studies confirm that the Great Recession has not triggered any increase in violent conflict; the secular decline in violence that started with the end of the Cold War has not been reversed.21

#### Our evidence cites the most rigorous statistical study — it finds no significant relationship between growth and conflict.

Brandt and Ulfelder 11 — Patrick T. Brandt, Associate Professor of Political Science in the School of Economic, Political and Policy Sciences and Faculty Associate at the Center for Global Collective Action at the University of Texas-Dallas, holds a Ph.D. in Political Science from Indiana University, and Jay Ulfelder, Research Director of the Political Instability Task Force— a U.S. government-sponsored research project to build a database on major domestic political conflicts leading to state failures, 2011 (“Economic Growth and Political Instability,” Research Paper Funded By The Political Instability Task Force, April, Available Online at http://www.researchgate.net/publication/228276585\_Economic\_Growth\_and\_Political\_Instability/file/60b7d523bd9c33465b.pdf, Accessed 10-03-2013, p. 4-6)

These statements anticipating political fallout from the global economic crisis of 2008–2010 reflect a widely held view that economic growth has rapid and profound effects on countries’ political stability. When economies grow at a healthy clip, citizens are presumed to be too busy and too content to engage in protest or rebellion, and governments are thought to be flush with revenues they can use to enhance their own stability by producing public goods or rewarding cronies, depending on the type of regime they inhabit. When growth slows, however, citizens and cronies alike are presumed to grow frustrated with their governments, and the leaders at the receiving end of that frustration are thought to lack the financial resources to respond effectively. The expected result is an increase in the risks of social unrest, civil war, coup attempts, and regime breakdown. [end page 4]

Although it is pervasive, the assumption that countries’ economic growth rates strongly affect their political stability has not been subjected to a great deal of careful empirical analysis, and evidence from social science research to date does not unambiguously support it. Theoretical models of civil wars, coups d’etat, and transitions to and from democracy often specify slow economic growth as an important cause or catalyst of those events, but empirical studies on the effects of economic growth on these phenomena have produced mixed results. Meanwhile, the effects of economic growth on the occurrence or incidence of social unrest seem to have hardly been studied in recent years, as empirical analysis of contentious collective action has concentrated on political opportunity structures and dynamics of protest and repression.

This paper helps fill that gap by rigorously re-examining the effects of short-term variations in economic growth on the occurrence of several forms of political instability in countries worldwide over the past few decades. In this paper, we do not seek to develop and test new theories of political instability. Instead, we aim to subject a hypothesis common to many prior theories of political instability to more careful empirical scrutiny. The goal is to provide a detailed empirical characterization of the relationship between economic growth and political instability in a broad sense. In effect, we describe the conventional wisdom as seen in the data. We do so with statistical models that use smoothing splines and multiple lags to allow for nonlinear and dynamic effects from economic growth on political stability. We also do so with an instrumented measure of growth that explicitly accounts for endogeneity in the relationship between political instability and economic growth. To our knowledge, ours is the first statistical study of this relationship to simultaneously address the possibility of [end page 5] nonlinearity and problems of endogeneity. As such, we believe this paper offers what is probably the most rigorous general evaluation of this argument to date.

As the results show, some of our findings are surprising. Consistent with conventional assumptions, we find that social unrest and civil violence are more likely to occur and democratic regimes are more susceptible to coup attempts around periods of slow economic growth. At the same time, our analysis shows no significant relationship between variation in growth and the risk of civil-war onset, and results from our analysis of regime changes contradict the widely accepted claim that economic crises cause transitions from autocracy to democracy. While we would hardly pretend to have the last word on any of these relationships, our findings do suggest that the relationship between economic growth and political stability is neither as uniform nor as strong as the conventional wisdom(s) presume(s). We think these findings also help explain why the global recession of 2008–2010 has failed thus far to produce the wave of coups and regime failures that some observers had anticipated, in spite of the expected and apparent uptick in social unrest associated with the crisis.