# 1AC updates

#### **US TI Needs Upgrade**

#### A national infrastructure bank is necessary in the status quo to lay the foundation for a high tech economy, shipping, and national security

Likosky, Senior fellow at Institute for Public Knowledge, 11 (Michael, 7/12/11, NY Times http://www.nytimes.com/2011/07/13/opinion/13likosky.html?\_r=1, “Banking on the Future “, IS)

FOR decades, we have neglected the foundation of our economy while other countries have invested in state-of-the-art water, energy and transportation infrastructure. Our manufacturing base has migrated abroad; our innovation edge may soon follow. If we don’t find a way to build a sound foundation for growth, the American dream will survive only in our heads and history books. But how we will pay for it? Given the fights over the deficit and the debt, it is doubtful that a second, costly stimulus package could gain traction. President Franklin D. Roosevelt faced a similar predicament in the 1930s when the possibility of a double-dip Depression loomed. For this reason, the New Deal’s second wave aggressively pursued public-private partnerships and quasi-public authorities. Roosevelt described the best-known of these enterprises, the Tennessee Valley Authority, as a “corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.” A bipartisan bill introduced by senators including John Kerry, Democrat of Massachusetts, and Kay Bailey Hutchison, Republican of Texas, seeks a similar but modernized solution: it would create an American Infrastructure Financing Authority to move private capital, now sitting on the sidelines in pension, private equity, sovereign and other funds, into much-needed projects. Rather than sell debt to investors and then allocate funds through grants, formulas and earmarks, the authority would get a one-time infusion of federal money ($10 billion in the Senate bill) and then extend targeted loans and limited loan guarantees to projects that need a push to get going but can pay for themselves over time — like a road that collects tolls, an energy plant that collects user fees, or a port that imposes fees on goods entering or leaving the country. The idea of such a bank dates to the mid-1990s. Even then, our growth was hampered by the inadequacy of our infrastructure and a lack of appetite for selling public debt to cover construction costs. Today we find ourselves trapped in a vicious cycle that makes this proposal more urgent than ever. Our degraded infrastructure straitjackets growth. We resist borrowing, fearful of financing pork-barrel projects selected because of political calculations rather than need. While we have channeled capital into wars and debt, our competitors in Asia and Latin America have worked with infrastructure banks to lay a sound foundation for growth. As a result, we must compete not only with their lower labor costs but also with their advanced energy, transportation and information platforms, which are a magnet even for American businesses. A recent survey by the Rockefeller Foundation found that Americans overwhelmingly supported greater private investment in infrastructure. Even so, there is understandable skepticism about public-private partnerships; Wall Street has not re-earned the trust of citizens who saw hard-earned dollars vacuumed out of their retirement accounts and homes. An infrastructure bank would not endanger taxpayer money, because under the Federal Credit Reform Act of 1990, passed after the savings and loan scandal, it would have to meet accounting and reporting requirements and limit government liability. The proposed authority would not and could not become a Fannie Mae or Freddie Mac. It would be owned by and operated for America, not shareholders. The World Bank, the Inter-American Development Bank, the Asian Development Bank and similar institutions helped debt-burdened developing countries to grow through infrastructure investments and laid the foundations for the global high-tech economy. For instance, they literally laid the infrastructure of the Web through a fiber-optic link around the globe. Infrastructure banks retrofitted ports to receive and process shipping containers, which made it profitable to manufacture goods overseas. Similar investments anchored energy-intensive microchip fabrication. President Obama has proposed a $30 billion infrastructure bank that, unlike the Senate proposal, would not necessarily sustain itself over time. His proposal is tied to the reauthorization of federal highway transportation money and is not, in my view, as far-reaching or well designed as the Senate proposal. But he recognizes, as his predecessors did, the importance of infrastructure to national security. For Lincoln, it was the transcontinental railroad; for F.D.R., an industrial platform to support military manufacturing; for Eisenhower, an interstate highway system, originally conceived to ease the transport of munitions. America’s ability to project strength, to rebuild its battered economy and to advance its values is possible only if we possess modern infrastructure.

# 2ac Inherency

## A2 Squo Solves

##### A new entity needs to be made for the NIB, rather than changing an existing program

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Myth #7: We don't need a separate infrastructure bank, because we can simply expand existing programs like TIFIA or the Export-Import Bank. Reality: Both TIFIA and the Export-Import ("Ex-Im") Bank are well-run programs that are effective in achieving the specific missions they are charged with. There are structural similarities between AIFA and both TIFIA and Ex-Im that make the idea of transforming either program to act like an infrastructure bank very interesting on paper and perhaps worth exploring more. However, the organization and governance of the infrastructure bank would be materially different from TIFIA, and its mission and expertise would not necessarily be compatible with the Ex-Im Bank. TIFIA is already oversubscribed with only a handful of staff to process loan applications. Some people familial- with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany recent proposals to "super-size" its budget authority. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics allege of the DOE loan guarantee program. An independent and professionally staffed infrastructure bank is the best response to the increasing need for expansion and better management of federal credit programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before. With respect to the idea that we can create an infrastructure bank within the Ex-Im Bank, we should be cautious about assuming we can re-task a well established bureaucracy with an entirely new mission that requires different financing expertise and a different institutional culture. It is probably better to avoid big changes to a program that is currently functioning well, and instead to look to it as a model to be drawn upon and replicated instead of forcing a merger of two very different programs under the one roof.

##### There are current problems with infrastructure investment – The National Infrastructure Bank solves these problems

Schwartz, Board of Directors Member of the New America Foundation, 9 (Bernard L., 1/01/09, Congressional Digest, http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=2eb1405f-4951-4b1c-bc8f-4f11f7da846c%40sessionmgr12&vid=4&hid=14, “Should Congress Pass the National Infrastructure Bank Act?“, IS)

Over the past several decades, we have accumulated a sizeable public infrastructure deficit. As a result, a variety of infrastructure bottlenecks — traffic congested roads, clogged ports, and an antiquated air traffic system, to mention just a few — have begun to undercut our economy's efficiency and undermine our quality of life. One of the reasons for this infrastructure deficit is that our system for financing infrastructure has become increasingly inadequate with the passage of time and has not kept up with the practices of other advanced industrialized economies. That is why I am generally supportive of the various legislative proposals this committee is now studying — in particular, the National Infrastructure Bank Act of 2007 (S. 1926 and H.R. 1301), introduced by Senators Christopher Dodd and Chuck Hagel in the Senate and Representatives Keith Ellison and Barney Frank in the House, and the National Infrastructure Development Act of 2007 (H.R. 3896), introduced by Representative Rosa DeLauro [CT-D], which would establish a National Infrastructure Development Corporation [NIDC] and its subsidiary, the National Infrastructure Insurance Corporation, as wholly owned government entities. It is also why I favor the establishment of a Federal capital budget, as I explain later. The way we currently fund infrastructure in this country is flawed. At the Federal level, infrastructure is funded largely out of general revenues and the highway trust funds. Thus, it is not surprising that in recent years political concerns over the budget deficit, together with competing short-term spending needs, have crowded out public infrastructure projects. At the State and local levels, the great majority of infrastructure is funded through tbe municipal bond market as well as through State and local budgets. But over the past decade or two, increased Federal mandates for social spending, balanced-budget requirements, debt limitations, and increased competition among States to keep taxes low have restrained State and local borrowing as well as spending. The current economic slowdown and turmoil in the housing and credit markets threaten to further constrain State and local infrastructure spending. Because States and municipalities rely heavily on property and sales taxes, the housing correction and consumer slowdown are creating a budgetary crisis for many State and local governments. As of January of this year, 24 States were either facing a shortfall for Fiscal Year 2009 or were expecting budgetary problems in tbe next year or two. The expected shortfalls are likely to accelerate as home foreclosures increase, property values decline, and consumer spending falls. New capital projects will be one of the first victims of this budgetary crisis. Thus, our Nation's infrastructure deficit will actually get worse unless we change the way we finance infrastructure investment. The major impediment to closing the infrastructure deficit is not a lack of available capital or high interest rates. Notwithstanding recent credit problems and bank liquidity concerns, the world is still awash in capital, and long-term interest rates remain near historical low levels. In fact, there is no shortage of privately held funds to help pay for infrastructure reconstruction and development if it is undertaken in a market-sensitive manner. As Transportation Secretary Mark Peters recently noted, "There is upwards of $400 billion available in the private sector right now for infrastructure investment." Likewise, even with today's bank credit and liquidity problems, there are literally trillions of dollars available for high-quality debt investments through both domestic and international markets. The amount of funds held by central banks, sovereign funds, and global pension funds is estimated to be approaching $30 trillion — and growing fast. U.S. public pension funds alone have more than $3 trillion in assets; moreover, they have a long-term investment outlook that is consistent with the stable returns that infrastructure assets generate.

## A2 Later

##### **Now is the best time to invest in transportation infrastructure through an infrastructure bank, which doesn’t currently exist**

**Landers, Contributing Editor to Civil Engineering Magazine, 10** (Jay, 11/01/10, Civil Engineering, http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=09059f27-2291-48e6-9b20-cf2e0d38a0da%40sessionmgr10&vid=4&hid=14, White House Continues to Focus On Transportation Spending, Infrastructure Bank Proposal“, IS)

On a clear signal that the Obama administration is intent on maintaining its focus on transportation, the White House released a report on October 11 highlighting the need for increased federal funding for transportation infrastructure. Entitled An Economic Analysis of Infrastructure Investment, the report was prepared by the U.S. Department of the Treasury with the White House Council of Economic Advisers. Among its conclusions, the report states that “now is an optimal time to increase our investment in transportation infrastructure.” It also advocates the creation of a national bank to provide an alternative source of funding for infrastructure projects. The report was issued a little more than a month after President Obama, with great fanfare, announced his intention during a Labor Day speech to boost federal spending on transportation infrastructure (see “Obama Calls for $50 Billion in ‘Up-Front’ Spending on Transportation Infrastructure,” Civil Engineering, October 2010, pages 10–11). Although short on details, the president’s plan called for an initial outlay of $50 billion as part of a larger, long-term framework to be worked out with Congress during the reauthorization of the federal surface transportation program. Since expiring on September 30, 2009, the program has been extended temporarily by Congress several times, most recently through the end of this year. Among the reasons it cites for increasing federal spending on transportation infrastructure, the administration’s report maintains that the high unemployment rate among construction workers and the current low construction costs combine to make the present a “particularly opportune time to invest in infrastructure.” As of August, the unemployment rate for construction workers was 17 percent, nearly double the overall rate. The “excess supply of construction workers is one of many factors making current construction costs low,” the report states. Not only, the report argues, would infrastructure spending help to alleviate unemployment among construction workers; funding projects at the present time would also enable the federal government to take advantage of the current low construction costs to finance more projects than might be possible in a different economic climate. Citing the experience of the Department of the Treasury in disbursing federal “stimulus” funds allocated as part of the American Recovery and Reinvestment Act of 2009, the report notes that so many projects either received bids that were lower than expected or came in under budget that the department was able to fund an additional 2,000 projects. The report also highlights the potential benefits of a national infrastructure bank, another component of the plan proposed by Obama in his Labor Day speech. By attracting private capital, such a bank would “increase overall investment in infrastructure,” according to the report. What is more, an infrastructure bank would “improve the efficiency” of infrastructure investment by selecting projects on a competitive basis “using rigorous economic analysis or cost benefit comparisons.” Finally, such a bank would help to facilitate funding for multimodal and multijurisdictional projects, which frequently receive short shrift under existing funding mechanisms, according to the report. Although legislation to create an infrastructure bank was introduced during the current and the previous Congress, such bills have yet to go very far. However, congressional interest in the concept of an infrastructure bank remains, as evidenced by a September 21 hearing on the subject by the Senate Committee on Banking, Housing, and Urban Affairs. Testifying before the committee in favor of an infrastructure bank, Senator John Kerry (D-Massachusetts) described the bank concept as an “idea whose time has not just come but is long overdue.” Kerry pointed to the example of the European Investment Bank, which he maintained had financed $350 billion in infrastructure projects between 2005 and 2009. “Fundamentally, what we need is an American infrastructure bank that complements our public efforts and acts as a catalyst for significant private investment,” he said. However, the concept of an infrastructure bank was met with some skepticism by at least one member of the committee. Senator Richard Shelby (R-Alabama), the committee’s ranking minority member, expressed concern about creating a new entity with the potential to make taxpayers liable for losses incurred by the program. As an example of what he wants to avoid, Shelby cited the recent federal bailouts of two government-sponsored enterprises, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, which are commonly referred to as respectively Fannie Mae and Freddie Mac. “I fear that the bank will simply be a new [government-sponsored enterprise] or something like it, and we will face another Fannie and Freddie type entity that will cost the taxpayers money down the road,” Shelby said. In response, Roy Kienitz, who as undersecretary for policy for the U.S. Department of Transportation offered testimony before the committee, maintained that an infrastructure bank would not be operated on the model of a government-sponsored enterprise, that is, a profit-seeking entity with a guaranteed line of credit from the federal government. As envisioned by the Obama administration, Kienitz said, an infrastructure bank would operate much like the program established by the Transportation Infrastructure Finance and Innovation Act, which provides federal credit assistance to state transportation departments to be used for funding regionally or nationally Policy Br iefingsignificant projects. Under the program, Kienitz said, the federal government sets aside a certain amount of money to cover outstanding loans, thereby reducing the risk to the government in the event that a loan goes bad. “That system works pretty well,” Kienitz said. “It’s been pretty safe.” One approach under consideration, Kienitz said, is to “simply take that system and put a whole lot more money behind it and expand the scope.” However, the Obama administration’s proposal for an infrastructure bank remains under development and will probably not be released until early next year, according to a spokesperson for the Department of Transportation. For its part, asce expressed its support for the creation of an infrastructure bank in a September 21 statement submitted to the Senate Committee on Banking, Housing, and Urban Affairs. Such an entity “could provide a fiscally prudent means to begin repairing our nation’s deteriorating infrastructure,” according to the statement. However, an infrastructure bank “should adhere to certain key requirements,” the statement said, including the need to operate in a selfsustaining manner after an initial capitalization from general fund appropriations. Moreover, the bank “should not replace existing infrastructure funding and financing mechanisms, but act as a supplement to leverage federal, state, local, and private infrastructure financing,” asce said. Although Congress is scheduled to return for a lameduck session after the elections, infrastructure bank legislation is unlikely to receive much attention before the next session of Congress, says Brian Pallasch, the managing director of government relations and infrastructure initiatives for asce. “I would think it would be difficult to do something like that this year,” Pallasch says. Next year could be a different story, according to one ardent proponent of the infrastructure bank concept on Capitol Hill. In May 2009 Representative Rosa L. DeLauro (D-Connecticut) introduced the National Infrastructure Development Bank Act (H.R. 2521), which would establish an infrastructure bank as a wholly owned government corporation to finance a range of infrastructure projects. Although the bill failed to make its way out of the committee stage, DeLauro thinks that the current lackluster economic conditions will give a fillip to the bank. At a September 16 symposium on infrastructure held by the Brookings Institution, of Washington, D.C., DeLauro pointed to the infrastructure bank concept as a politically viable approach for helping to jump-start the economy. “I sincerely believe that an infrastructure bank can be the centerpiece of action on the economy next year,” DeLauro said, according to a transcript provided by the Brookings Institution. Because support exists for an infrastructure bank across the political spectrum, DeLauro said, “I think [such a bank] can be a real center of activity on the future economy come next year.”

## A2 Bank in Squo

##### **There is not a national infrastructure bank in the status quo, and Obama’s pleas for its creation have been ignored**

Nutting, MarketWatch’s international commentary editor, 12 (Rex, 6/1/12, MarketWatch, LexisNexis, <http://www.lexisnexis.com/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T14985586187&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T14985586195&cisb=22_T14985586193&treeMax=true&treeWidth=0&csi=256932&docNo=1> “Investments in the Future Have Dried Up“, IS)

Just $62 billion of the stimulus took the form of investments in infrastructure, an amount that didn't even make up for the severe cutbacks in infrastructure spending by state and local governments. Last September, Obama sought an additional $80 billion for road and school construction in his American Jobs Act proposal, as well as the creation of a national infrastructure bank to finance large projects. In the frenzy over the deficits, his ideas were ignored. In 2012, unemployment is still high. We still have 1.1 million unemployed construction workers. Our infrastructure has aged four more years. Our competitors in the global economy are building factories, ports, railroads, wireless networks and schools at a breakneck pace. In the 2012 campaign, the talk isn't of building America, but of fiscal retrenchment. The politicians say this election is all about the future, but what will our grandchildren think of the legacy we are leaving them?

# 2ac Econ

## A2 Bank not Solve – Generic

##### Government spending is good to maintaining stable economies

Skidelsky, Member of British House of Lords, 12 (Robert, Professor emeritus at Warwick University, 4/28/12, LexisNexis, <http://www.lexisnexis.com/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T14985586187&format=GNBFI&sort=BOOLEAN&startDocNo=26&resultsUrlKey=29_T14985586195&cisb=22_T14985586193&treeMax=true&treeWidth=0&csi=314239&docNo=42>, “Spending Can Lift US All“, IS)

From this distinction follows an important fiscal rule: governments' current spending should be balanced by taxation. To this extent, efforts nowadays to cut deficits on current spending are justified, but only if they are replaced by capital-spending programs. Brock's argument is that, given the state of its economy, the United States cannot return to full employment on the basis of current policy. The recovery is too feeble and the country needs to invest an additional $US1 trillion a year for 10 years on transport and education. It should have a National Infrastructure Bank to provide the finance by borrowing directly, attracting private-sector funds, or a mixture of the two. The distinction between capital and current spending - and thus between "good" and "bad" deficits - is old hat to any student of public finance. But it is worth restating it, particularly with deficit hawks in power in Britain and Europe, though not (yet) in the US. According to proposals agreed at an informal European Council meeting on January 30, all EU members are to amend their constitutions to introduce a balanced-budget rule that caps annual structural deficits at 0.5 per cent of GDP. This can be raised only in exceptional circumstances. Otherwise, violations would automatically trigger fines. Britain is one of two EU countries (alongside the Czech Republic) that refused to sign this "fiscal compact", acceptance of which is required to gain access to European bailout funds. But Britain's government has the identical aim of reducing its deficit of 10 per cent of GDP to near zero in five years. An argument backing such policies is that the "bond vigilantes" will demand nothing less. The finances of some European governments have been so parlous that this reaction makes sense. But that is not true of the US or Britain, which both have large fiscal deficits. Most countries were adhering to tight fiscal discipline before the 2008 crisis undermined their banks, cut tax revenue and forced up sovereign debt. We shouldn't attribute enthusiasm for fiscal retrenchment to such things. At its heart lies the belief that all government spending above a necessary minimum is wasteful. Europe has its own crackpots who loathe the welfare state and want it abolished or radically pared. Those who believe this are unfazed by the corruption and waste that characterises much private-sector spending. They prefer the total waste of letting millions of people sit idle to the possibly partial waste of programs that put them to work, nurture their skills, and equip the country with assets. One can criticise details of Brock's case: a deeper understanding of Keynes would have given him a more persuasive response to the objection that, if state-financed projects were worth doing, the private sector would be doing them. We will have to provide answers to these questions, because the pre-slump fiscal rules that the Europeans are vainly trying to strengthen were not up to the job. We are far from having worked out a post-recession theory of macroeconomic policy, but certain elements are clear. In the future, fiscal and monetary policy will have to work together: neither on its own can stabilise inherently unstable market economies. Monetary policy will have to do much more than it did before 2008 to restrain financial markets' "irrational exuberance". And we need a new, unambiguous system of fiscal accounting that distinguishes between tax-funded government spending and public spending that pays for itself. Above all, we need to recognise that the state's role goes beyond maintaining external security and domestic law and order. As Adam Smith wrote in The Wealth of Nations: "The third and last duty of the sovereign . . . is that of erecting and maintaining those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual, or small number of individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain." Another piece of forgotten knowledge that Smith mentions is the importance of education. He is right to do so, however much today's deficit hawks seem, by their behaviour, to prove the opposite.

##### Investment through the National Infrastructure Bank is the best way to do solve the economy

Schwartz, Board of Directors Member of the New America Foundation, 9 (Bernard L., 1/01/09, Congressional Digest, http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=2eb1405f-4951-4b1c-bc8f-4f11f7da846c%40sessionmgr12&vid=4&hid=14, “Should Congress Pass the National Infrastructure Bank Act?“, IS)

Establish a National Infrastructure Bank and Supporting Regulation My second recommendation relates to the proposed new programs for Federal support of non-Federal infrastructure investment. If properly designed, they would significantly improve our system for financing infrastructure investment. State and local governments account for the lion's share of our Nation's public infrastructure spending. For many years, the U.S. municipal bond markets have functioned well, allowing State and local governments to finance much of their infrastructure needs through the debt markets. But as noted earlier. State and local governments are experiencing new borrowing constraints as some States and localities bump up against debt ceilings or face increased borrowing costs because of deteriorating credit ratings and conditions. Moreover, our current financing structures do not allow States and localities to take advantage of the large institutional pools of capital, such as U.S. and European pension funds, that are available for infrastructure financing. For these reasons, the Federal Government will need to do more in the future to bear the cost of infrastructure investment and to assist State and local governments with the financing of their infrastructure needs. It can do so by offering Federal guarantees to help keep borrowing costs for State and local governments low and by creating new institutions to help State and local governments borrow more efficiendy and to tap large pools of capital. In these respects, the proposed NIB and NIDC move us in the right direction and would help modernize the way we finance infrastructure. First, the proposed NIB and N I DC would give us the capacity at the Federal level to issue long-term general purpose and specific-project infrastructure bonds, enabling us to tap more easily the private capital markets for financing public infrastructure. The bonds could be as long as 30 to 50 years in maturity, thereby providing an attractive financing vehicle for infrastructure improvements that have a useful life of several decades. Second, the proposed National Infrastructure Bank (NIB) and NIDC would lower the borrowing costs for State and local governments by offering Federal guarantees for State and local projects as well as by providing direct grants and start-up financing. A Federal guarantee for State and local projects would lower the interest rates State and local governments need to pay in the municipal bond market by 50 to 100 basis points, saving State and local taxpayers millions of dollars each year. Third, the NIB and NIDC would help remove politics from the funding equation, thus eliminating the standard political objections to public infrastructure projects as just "pork-barrel" politics. They would do so by providing a professional, nonpartisan justification for needed infrastructure spending. The NIB, for example, would have a five-member independent board that would be appointed by the President and confirmed by the Senate. It would also have a professional staff CO carry out a thorough review of projects based on return on investment and their contribution to the public good. In these ways, the proposals for the establishment of a NIB or a N I DC would considerably improve our system of financing public infrastructure. But in other ways, the proposals do not go far enough to enable State and local governments to tap the large pools of institutional capital 1 mentioned earlier. I have two recommendations. The Dodd-Hagel and Ellison-Frank bills would establish an initial $60 billion ceiling on the amount of the aggregate outstanding obligations the NIB can assume, which is low relative to both our infrastructure financing needs and the market's potential appetite for infrastructure investment. Moreover, the NIB, as currently envisioned, would not in fact operate like a bank but rather more like an agency with no capitalization, thus limiting its ability to create leverage the way infrastructure development banks in other countries do. The House proposal for a National Infrastructure Development Corporación would have the advantage of operating more like a bank in that it would be capitalized and would be able to use leverage to make loans and to issue and sell debt securities. But its initial capitalization of $3 billion in the first year (with a ceiling of $9 billion over three years) is too limited to address the scale of the Nation's infrastructure needs. My first recommendation, then, is to suggest that the Congress properly capitalize any national infrastructure financing entity it approves so that it can leverage its capital like most development banks do. Again, take the case of the proposed NIB. If it were properly capitalized and operated more like a bank, the NIB would be able to make loans and loan guarantees some five times its initial capitalization. Thus, it would be able to finance $300 billion in new infrastructure projects as opposed to merely $60 billion, greatly expanding the amount of financing available for infrastructure investment. Even the very conservative European Investment Bank allows for leverage of two and a half times it capital.

##### **A National Infrastructure Bank would help revitalize the economy in metropolitan regions, and rural areas**

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Today, a rare thing happened in the United States Senate. A major bill was unveiled aiming to invest in America's infrastructure. It has bipartisan sponsors -- Senator John Kerry (D-MA) and Senator Kay Bailey Hutchison (R-TX). Tom Donohue (President and CEO of the US Chamber of Commerce) and Richard Trumka (President of the AFL-CIO) stood up at the press conference to endorse it. The bill would create an American Infrastructure Bank. This American Infrastructure Financing Authority would invest in projects of regional and national significance across a number of sectors from transportation to water to energy. Importantly, it's not just an infrastructure bank for big cities. Although the metropolitan regions throughout the country will clearly benefit. It will invest instead on America's strength as a nation -- the same way our competitors in China and Germany do. The investments from the American Bank will be felt in rural communities which are fast becoming not only our clean energy heartland but also an exporting force in their own right as food prices rise throughout the world. Similarly, our farmlands and once abandoned manufacturing centers will benefit from infrastructure investments from the Kerry Bank as they resurge as innovative regional clusters from upstate New York to the Rust Belt. Another reason why the Kerry Bank enjoys broad based support is that it will meet our investment needs by leveraging private capital to fuel projects that American workers build. Here, rather than outlaying the enormous sums needed to rebuild this country, the American Bank will use its money like honey to attract private investment, what are called public-private-partnerships. Moreover, Senator Kerry's Bank is modeled off the US Export-Import Bank, which invests in public-private-partnerships abroad. The Export-Import Bank has helped lay fiber optic cables around the world and driven the East Asian Miracle. It's time to do this for ourselves again. What's more, the Export-Import Bank has been around for over 75 years -- it's a solid model with a long track-record. We will hopefully see President Obama endorse the American Infrastructure Bank. In important ways, it resembles the Infrastructure Bank that he forcefully proposed in Janesville, Wisconsin on the campaign trail which I recently described in my book: Obama's Bank: Financing a Durable New Deal. It certainly is based upon the same public-private-partnership approach to our economy that has become the cornerstone of his Presidency. However, Senator Kerry's Bank also innovates on Obama's approach and makes clear how such an Infrastructure Bank can work in practice.

##### A National Infrastructure Bank would help recover the economy – 10 warrants

Robertson,……, 11 (Joseph, 7/18/11, Independents of Principle, http://independentsofprinciple.wordpress.com/2011/07/18/why-we-should-have-a-national-infrastructure-innovation-reinvestment-bank/, “Why We Should Have A National Infrastructure Bank “, IS)

There are competing theories about what makes for good economic stimulus, and there are practices that work well and which don’t work very well. We know that tax cuts are not very stimulative, because they take a long time to show up in people’s bank accounts, and they are comprised of money that was already there to begin with. New money, extra money, is more stimulative. So food stamps, for instance, can return 70% to 100% gain in stimulus, above and beyond cost. But we aren’t looking to fix the long recovery by using food stamps for stimulus. And we can’t really do any tax cuts that would help to expand GDP. If we want to spur a more vibrant recovery, we have to find a way to put new money, extra money, in people’s pockets, and it has to be more than they need to meet the ever-rising costs of living. It makes sense, then, that intelligent investment in high-growth activities would be the best way to make that happen. There is a mythology circulating around statehouses and governor’s mansions across the country, which holds that developing new ways to harvest carbon-based fuels is the best way to do this, because it is a high-growth activity with lots of job-creation potential. The fact is, it is more often a way to steer massive profits, aided by massive taxpayer assistance, to already wealthy interests, that create relatively few new local jobs and which manage this by helping local governments pay for infrastructure improvements. None of that is healthy for a local or regional economy, over the long term, and the profits tend not to stay local or lead to long-term permanent new jobs. We do, however, have a problem with long-neglected infrastructure, on which the general health and vibrancy of our economy depend, and we have budget shortfalls at the state and local level. We know that if we can rebuild, invest in, benefit from and then reinvest in, world-leading high-quality infrastructure, we can secure long-term stable job creation, and a more generalized prosperity that strengthens the middle class and lubricates engines of investment. We know this, but the confluence of harsh symptoms of long-running problems in our economy, this near “perfect storm” of degradations, makes it difficult to figure out how we can fund this and not lose ground on other fronts. A National Infrastructure Innovation and Reinvestment Bank would have a number of virtues that would allow us to accomplish this. To name a few of the most important ones: 1. It would combine incentives from government and diverse private investments to optimize the flow of ready investment to a long-term strategy for sustainable economic growth. 2. It would allow for large-scale direction of public funds to high-yield infrastructure projects, without imposing massive new costs on the federal budget. 3. It would allow public and private investments at the national level to take pressure off state and local governments, so they could better fund needed services, like police and schools. 4. It would restore some balance to the balance of public-sector spending vs. costs to taxpayers, taking pressure off state and local property tax burdens, which some blame for slowing the housing recovery. 5. It would pay significant dividends in terms of laying the groundwork—literally—for a robust, world-leading, smart-grid-enabled clean energy economy. 6. It would take the cost associated with using and maintaining a crumbling and outdated national infrastructure base off our list of long-term, highly costly economic challenges. 7. It would stimulate massive new investment in technological innovation, possibly the strongest point in the 21st century US economy. 8. It would allow for democratizing and decentralizing both the economic landscape of infrastructure investment and for transport and energy, helping to rebuild the middle class. 9. It would encourage more constructive, more affordable, more spontaneous mobility, increasing economic opportunity for people across the nation. 10. It would, given several of the above, help to restore American leadership in social mobility—as our infrastructure and our middle class have been eroded, the US has slipped to 10th in the world in social mobility, otherwise known as the American dream. But maybe the best part of a National Infrastructure Innovation and Reinvestment Bank, in terms of revolutionary public policy that can help to build a vibrant, free and prosperous 21st century for the American people, is that there is nothing to exclude it from either major party’s ideological vision. It is not a partisan approach, not an ideological approach, does not give bureaucracy control of our economy, and does not privilege the already privileged over hard working people with the best new ideas.

##### Public infrastructure investment is a perfect way to stimulate the economy through investment and job creation

Schwartz, Board of Directors Member of the New America Foundation, 9 (Bernard L., 1/01/09, Congressional Digest, http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=2eb1405f-4951-4b1c-bc8f-4f11f7da846c%40sessionmgr12&vid=4&hid=14, “Should Congress Pass the National Infrastructure Bank Act?“, IS)

I would like to offer three recommendations for how we can take advantage of these large pools of capital — in the short term by more imaginatively using our existing capacity to borrow and over the slightly longer term by improving our system for financing infrastructure investment by pursuing the legislation proposed by Senators Dodd and Hagel and Congressmen Ellison and Frank and by Congresswoman Rosa DcLauro. Make a Large Down Payment on our Infrastructure Deficit My first recommendation is for the Federal Government to tnakc a significant down payment on the public infrastructure deficit as part of a new economic recovery program. The stimulus package passed by Congress earlier this year was too focused on providing a short-term boost to consumption, and will be too small and too transitory to create a sustainable recovery given the size of the housing and credit bubble, and the role that housing played in sustaining consumption levels over the past decade. A second stimulus program will be needed that is longer in duration and that is more focused on investment and creating new jobs. By making public infrastructure spending the centerpiece of a new economic recovery program, we would be able to accomplish several urgent public policy goals simultaneously. We would close the public infrastructure investment gap at a time of low borrowing costs; we wotild provide the economy with a significant boost in investment and job creation that it is needed to put the economy on a new growth path that is less dependent on housing and debt-financed consumption; and we would make the economy more productive and efficient over the longer term by eliminating costly bottlenecks and by crowding in new private investment. Public spending on infrastructure is the most effective way to counter an economic slowdown caused by the unwinding of a major asset bubble. And funding public infrastructure by issuing long-term Treasury bills is still the lowest-cost way to finance muchneeded public infrastructure improvements. For these reasons, we should use the necessity of a second stimulus package to close the public infrastructure deficit by dramatically increasing public infrastructure spending over the next two years. And we can do so without an equivalent increase in the budget deficit, since the deficit would widen in any case as tax revenues decline because of falling incomes for businesses and individuals and since public infrastructure spending would create new ¡obs and economic activity and thus increase tax revenues. In comparison with other stimulus measures, such as cutting taxes, public infrastructure investment would have the advantage of directly creating more jobs, particularly more good jobs, and thus would help counter the negative employment effects of a collapsing housing bubble. For example, the U.S. Department of Transportation estimates that for every $1 billion in Federal highway investment, 47,500 jobs would be created. Similarly, a recent California analysis concludes that each $1 billion of transit system improvements, including roadways, would produce 18,000 direct new jobs and nearly the same level of induced indirect investment. Public infrastructure investment not only creates jobs but generates a healthy multiplier effect throughout the economy by creating demand for materials and services. The U.S. Department of Transportation estimates that for every $1 billion in Federal highway investment, more than $6.2 billion in economic activity would be generated. By comparison, tax cuts and tax rebates are estimated to produce only 67 cents in demand for every dollar of lower taxes. In short, public spending on infrastructure is the best way to provide long-term stimulus to the economy at the lowest cost and at the same time make it more productive and efficient. Contrary to conventional wisdom, a public infrastructure program can be implemented in a sufficiently timely way to help counter an economic slowdown, in addition to providing long-term benefits for the economy. There are a number of ways to accelerate projects already planned and to provide Federal guarantees and financing for State and local governments to speed up spending on long-delayed public infrastructure improvements.

## A2 Government Spending Bad

##### Government spending is good to maintaining stable economies

Skidelsky, Member of British House of Lords, 12 (Robert, Professor emeritus at Warwick University, 4/28/12, LexisNexis, <http://www.lexisnexis.com/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T14985586187&format=GNBFI&sort=BOOLEAN&startDocNo=26&resultsUrlKey=29_T14985586195&cisb=22_T14985586193&treeMax=true&treeWidth=0&csi=314239&docNo=42>, “Spending Can Lift US All“, IS)

From this distinction follows an important fiscal rule: governments' current spending should be balanced by taxation. To this extent, efforts nowadays to cut deficits on current spending are justified, but only if they are replaced by capital-spending programs. Brock's argument is that, given the state of its economy, the United States cannot return to full employment on the basis of current policy. The recovery is too feeble and the country needs to invest an additional $US1 trillion a year for 10 years on transport and education. It should have a National Infrastructure Bank to provide the finance by borrowing directly, attracting private-sector funds, or a mixture of the two. The distinction between capital and current spending - and thus between "good" and "bad" deficits - is old hat to any student of public finance. But it is worth restating it, particularly with deficit hawks in power in Britain and Europe, though not (yet) in the US. According to proposals agreed at an informal European Council meeting on January 30, all EU members are to amend their constitutions to introduce a balanced-budget rule that caps annual structural deficits at 0.5 per cent of GDP. This can be raised only in exceptional circumstances. Otherwise, violations would automatically trigger fines. Britain is one of two EU countries (alongside the Czech Republic) that refused to sign this "fiscal compact", acceptance of which is required to gain access to European bailout funds. But Britain's government has the identical aim of reducing its deficit of 10 per cent of GDP to near zero in five years. An argument backing such policies is that the "bond vigilantes" will demand nothing less. The finances of some European governments have been so parlous that this reaction makes sense. But that is not true of the US or Britain, which both have large fiscal deficits. Most countries were adhering to tight fiscal discipline before the 2008 crisis undermined their banks, cut tax revenue and forced up sovereign debt. We shouldn't attribute enthusiasm for fiscal retrenchment to such things. At its heart lies the belief that all government spending above a necessary minimum is wasteful. Europe has its own crackpots who loathe the welfare state and want it abolished or radically pared. Those who believe this are unfazed by the corruption and waste that characterises much private-sector spending. They prefer the total waste of letting millions of people sit idle to the possibly partial waste of programs that put them to work, nurture their skills, and equip the country with assets. One can criticise details of Brock's case: a deeper understanding of Keynes would have given him a more persuasive response to the objection that, if state-financed projects were worth doing, the private sector would be doing them. We will have to provide answers to these questions, because the pre-slump fiscal rules that the Europeans are vainly trying to strengthen were not up to the job. We are far from having worked out a post-recession theory of macroeconomic policy, but certain elements are clear. In the future, fiscal and monetary policy will have to work together: neither on its own can stabilise inherently unstable market economies. Monetary policy will have to do much more than it did before 2008 to restrain financial markets' "irrational exuberance". And we need a new, unambiguous system of fiscal accounting that distinguishes between tax-funded government spending and public spending that pays for itself. Above all, we need to recognise that the state's role goes beyond maintaining external security and domestic law and order. As Adam Smith wrote in The Wealth of Nations: "The third and last duty of the sovereign . . . is that of erecting and maintaining those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual, or small number of individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain." Another piece of forgotten knowledge that Smith mentions is the importance of education. He is right to do so, however much today's deficit hawks seem, by their behaviour, to prove the opposite.

##### NIB investment is not the same as deficit spending, and is amazing for the economy

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

AIFA would be funded with a one-time discretionary appropriation of $10 billion. While the initial start-up funding could be paid for using funding from the surface transportation bill or other legislation reported from this Committee, there has thus far been no proposal to do so. A key feature of AIFA is that it is designed to be self-sustaining. The bipartisan Senate proposal is carefully structured to ensure it adheres to the requirement to operate without ongoing appropriations from Congress. Putting All Options on the Table Any proposal to devote taxpayer money to create a new federal program should always be subject to close scrutiny by Congress, especially at a time when fiscal responsibility is an especially high priority for members of Congress charged with making these decisions. But we are also facing monumental economic problems and urgent investment needs to keep our country globally competitive. With so little common ground to be found in Washington today for solutions to these problems, a bipartisan idea that has such broad support from business, labor, and investors should not be dismissed without serious consideration. The infrastructure bank is a concept that has evolved over time and taken many forms, but it has proven to be an effective tool in other countries and an attractive approach for state governments. Most of the concerns raised about the bank can be addressed by debating and amending any of the current proposals, if there is a bipartisan will to do so. The Senate is already proving this kind of cooperation and fresh thinking about an infrastructure bank is possible, and the members of this Committee should not foreclose their chance to do the same here by rushing to judgment on the new bank proposals. Top Ten Myths about the National Infrastructure Bank Myth #1: We can't afford a national infrastructure bank, because the federal government is already "out of money." Reality: The claim that the government is "broke" because we are running deficits is not unique to infrastructure, and it could apply to any spending proposal currently before Congress. But it does argue for focusing on our most urgent spending priorities, and for making the most efficient use of taxpayer dollars. Maintaining healthy infrastructure has always been supported by both parties as a top priority that is essential to economic prosperity and a high quality of life for all Americans. There is no avoiding the generational need to rebuild our aging infrastructure, and we must remember that there is nothing fiscally responsible about deferring maintenance costs, because those costs only become more expensive the longer we put them off. One of the best arguments for the bank approach is that produces much more "bang for the buck" from taxpayer dollars than the direct funding and grants that dominate our existing federal programs. This Committee has recognized that providing credit assistance to long-lived infrastructure projects is not the same as deficit spending--it is investing, not "spending." By focusing on loans and loan guarantees that cover only a portion of the total cost of new projects, the bank would ensure that private capital or state funding sources bear a significant share of our investment burdens. Creative partnerships with states, local governments and agencies, and private investors will allow for flexible solutions that make the most efficient use of all our country's financing resources.

## A2 No Jobs

##### Public infrastructure investment is a perfect way to stimulate the economy through investment and job creation

Schwartz, Board of Directors Member of the New America Foundation, 9 (Bernard L., 1/01/09, Congressional Digest, http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=2eb1405f-4951-4b1c-bc8f-4f11f7da846c%40sessionmgr12&vid=4&hid=14, “Should Congress Pass the National Infrastructure Bank Act?“, IS)

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##### **A National Infrastructure Bank would help out middle class along with our national competitiveness**

Glazier, Master’s Degree in Journalism, 12 (Kyle, 3/26/12, Breaking News, LexisNexis, http://www.lexisnexis.com/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21\_T14985586187&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29\_T14985586195&cisb=22\_T14985586193&treeMax=true&treeWidth=0&csi=303185&docNo=21 “Treasury: Bring Back BABs, Invest in Infrastructure “, IS)

Now is the time for the federal government to invest heavily in infrastructure, including a reauthorization of the Build America Bond program, according to a report issued Friday by the Treasury Department. The report, entitled "A New Economic Analysis of Infrastructure Investment," touts plans within the Obama administration's fiscal 2013 budget as an important investment in transportation infrastructure. The report argues that a large-scale investment in infrastructure has tremendous economic benefits in both the near and long term, and the availability of labor in the aftermath of the recession makes now the right time to make that investment. "Because of the availability of underutilized resources (especially labor), the opportunity cost of infrastructure investment is currently well below its normal level," the report finds. The report is very supportive of one of the major aspects of the Obama proposal, a reauthorization of the highly-successful BAB program. BABs were created as part of the federal economic stimulus program. Issuers of the taxable bonds received an interest subsidy from the federal government. "BABs had a very strong reception from both issuers and investors," the report reads. "From the inception of the program in April 2009 to when it expired on December 31, 2010, there were 2,275 separate BABs issues, which supported more than $181 billion of financing for new public capital infrastructure projects. State and local governments saved an estimated $20 billion in borrowing costs, on a net present-value basis, from issuing BABs. On average, a Build America Bonds issuer saved 84 basis points on interest costs for 30-year bonds and also received significant savings on shorter maturities, as compared to traditional tax-exempt bonds." The report concludes that infrastructure investments included among Obama's budget proposals - including BABs and the creation of a national infrastructure bank - would help state and local governments leverage funding more effectively and result in wide-ranging benefits to many Americans. "This report highlights the need for critical investments in transportation to help ease the burden on middle-class families trying to make ends meet, create jobs where workers would especially benefit, and also strengthen our competitiveness and support business infrastructure over the long term," said Treasury assistant secretary for economic policy Jan Eberly. Critics of the BAB program said it encouraged excess borrowing. Despite widespread support from state and local governments and industry stakeholders, a BABs reauthorization has failed to gain footing in Congress since the program expired. Lawmakers have tried other approaches, including proposals for historically less warmly-received tax-credit bonds.

##### NIB is key to economic growth through jobs

**US Senate Documents, 11** (The Honorable Polly Trottenberg, Assistant Secretary for Transportation Policy, U.S. Department of Transportation (DOT) Mr. Steve Bruno, Vice President, Brotherhood of Locomotive Engineers and Trainmen Mr. Robert Dove, Managing Director, Carlyle Infrastructure Partners, The Carlyle Group Mr. J. Perry Offutt, Managing Director, Head of Infrastructure, Investment Banking for the Americas, Morgan Stanley Mr. Pete Ruane, President & CEO, American Road & Transportation Builders' Association, 6/20/11, Congressional Documents and Publicantions, ProQuest http://search.proquest.com/pqrl/docview/878549923/1378EDDFC1642E82806/12?accountid=11091, “KEY QUOTES FROM TODAY'S HEARING ON BUILDING AMERICAN TRANSPORTATION INFRASTRUCTURE THROUGH INNOVATIVE FUNDING“, IS)

WASHINGTON, D.C.-- The Senate Commerce Committee today held a full committee hearing Key Quotations from Today's Hearing: "Across the nation, we are driving on more than 90,000 miles of crumbling highways and more than 70,000 structurally-deficient bridges. Traffic and congestion keep getting worse. It is clear--we must rebuild and invest in the infrastructure that so many Americans depend on. This is why I introduced legislation to create a transportation infrastructure investment fund that would leverage federal dollars and encourage private investment into our transportation network. It's an investment that can create much-needed construction jobs, manufacturing jobs, and engineering and design jobs for out-of-work Americans and, at the same time, support our nation's competitiveness." Chairman John D. (Jay) Rockefeller IV "The infrastructure bank, which would provide grants, loans, loan guarantees or a combination thereof to the full range of passenger and freight transportation projects in urban, suburban and rural areas, marks an important departure from the Federal Government's traditional way of spending on infrastructure through mode-specific grants and loans. By using a competitive, merit-based selection process, and coordinating or consolidating many of DOT's existing infrastructure finance programs, the infrastructure bank would have the ability to spur economic growth and job creation for years to come." The Honorable Polly Trottenberg, Assistant Secretary for Transportation Policy, U.S. Department of Transportation "Everyone acknowledges that our nation's infrastructure is in dire need of repair and expansion. The safety of the traveling public and the jobs created by funding the expansion and maintenance of our infrastructure, and from the resulting revenue created by increasing employment and productivity are a win-win for every entity affected or involved and for the nation as a whole." Mr. Steve Bruno, Vice President, Brotherhood of Locomotive Engineers and Trainmen "The need for investment in our nation's infrastructure is significantly larger than any one revenue source, and there is a need to design policies to access different revenue sources while being good stewards of the nation's infrastructure and meeting the challenges its current condition presents. A national infrastructure bank is one method by which private investment can serve as one of those revenue sources. Coupled with genuine reform, the bank could provide needed funding for our national infrastructure." Mr. Robert Dove, Managing Director, Carlyle Infrastructure Partners, The Carlyle Group "While states and local governments are pursuing initiatives to address the U.S. infrastructure crisis such as implementing P3 legislation, the Federal government should develop a long-term plan for development and maintenance of the country's infrastructure as has been done successfully by other countries. A national infrastructure bank would be a key part of such a plan." Mr. J. Perry Offutt, Managing Director, Head of Infrastructure, Investment Banking for the Americas, Morgan Stanley "One of the most attractive benefits of major public investments in transportation infrastructure is they create tangible capital assets that are long'lived. In addition to creating jobs and generating tax revenues throughout the economy during the construction cycle, these investments provide infrastructure improvements that foster and facilitate continuing economic growth over many years beyond the initial investment." Mr. Pete Ruane, President & CEO, American Road & Transportation Builders' Association

## A2 no competitiveness

##### Infrastructure investment through the NIB is key to the economy and competitiveness

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Building and maintaining world-class infrastructure is essential for America to compete in the global economy and to attract capital investment needed for-long-term growth and job creation. As other countries pour money and resources into modernizing their own infrastructure, the U.S. is lagging behind and surrendering one of our greatest competitive advantages: a strong system of infrastructure that was once the envy of the rest of the world. To regain our competitive edge, we need a national infrastructure strategy that takes advantage of modern financing and policy innovations that other countries are already using to out-invest and out-compete the U.S. The national infrastructure bank is an approach that has been adopted by developed countries around the world to facilitate investment in new transportation projects and other types of infrastructure, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year. There is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. Although leaders throughout the U.S. and around the world support infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar- to many here in Washington. There remains a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act. This testimony addresses many of the misconceptions in Washington about the bank proposals before Congress, and it specifically responds to frequently expressed concerns about the bank. Now more than ever, Congress needs to consider the full range of options we have to increase U.S. infrastructure investment. The time has come for a clear-eyed look at how a national bank might be one piece of a multi-pronged approach to making the investments we need. Doing that means putting aside polarizing rhetoric from both sides and talking frankly about what a national infrastructure bank is, and what it is not.

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Glazier, Master’s Degree in Journalism, 12 (Kyle, 3/26/12, Breaking News, LexisNexis, http://www.lexisnexis.com/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21\_T14985586187&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29\_T14985586195&cisb=22\_T14985586193&treeMax=true&treeWidth=0&csi=303185&docNo=21 “Treasury: Bring Back BABs, Invest in Infrastructure “, IS)

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## A2 no Private Investment

## A2 no rural

##### **A National Infrastructure Bank would help revitalize the economy in metropolitan regions, and rural areas**

Likosky, Senior fellow at Institute for Public Knowledge, 11 (Michael, 3/15/11, Huffington Post, <http://www.huffingtonpost.com/michael-likosky/kerry-infrastructure-bank_b_836203.html>, “Kerry’s American Infrastructure Bank “, IS)

Today, a rare thing happened in the United States Senate. A major bill was unveiled aiming to invest in America's infrastructure. It has bipartisan sponsors -- Senator John Kerry (D-MA) and Senator Kay Bailey Hutchison (R-TX). Tom Donohue (President and CEO of the US Chamber of Commerce) and Richard Trumka (President of the AFL-CIO) stood up at the press conference to endorse it. The bill would create an American Infrastructure Bank. This American Infrastructure Financing Authority would invest in projects of regional and national significance across a number of sectors from transportation to water to energy. Importantly, it's not just an infrastructure bank for big cities. Although the metropolitan regions throughout the country will clearly benefit. It will invest instead on America's strength as a nation -- the same way our competitors in China and Germany do. The investments from the American Bank will be felt in rural communities which are fast becoming not only our clean energy heartland but also an exporting force in their own right as food prices rise throughout the world. Similarly, our farmlands and once abandoned manufacturing centers will benefit from infrastructure investments from the Kerry Bank as they resurge as innovative regional clusters from upstate New York to the Rust Belt. Another reason why the Kerry Bank enjoys broad based support is that it will meet our investment needs by leveraging private capital to fuel projects that American workers build. Here, rather than outlaying the enormous sums needed to rebuild this country, the American Bank will use its money like honey to attract private investment, what are called public-private-partnerships. Moreover, Senator Kerry's Bank is modeled off the US Export-Import Bank, which invests in public-private-partnerships abroad. The Export-Import Bank has helped lay fiber optic cables around the world and driven the East Asian Miracle. It's time to do this for ourselves again. What's more, the Export-Import Bank has been around for over 75 years -- it's a solid model with a long track-record. We will hopefully see President Obama endorse the American Infrastructure Bank. In important ways, it resembles the Infrastructure Bank that he forcefully proposed in Janesville, Wisconsin on the campaign trail which I recently described in my book: Obama's Bank: Financing a Durable New Deal. It certainly is based upon the same public-private-partnership approach to our economy that has become the cornerstone of his Presidency. However, Senator Kerry's Bank also innovates on Obama's approach and makes clear how such an Infrastructure Bank can work in practice.

##### **The Bank would help rural areas**

**Landers, Contributing Editor to Civil Engineering Magazine, 11** (Jay, 5/01/11, Civil Engineering, <http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=b2f98db8-9f30-47c0-ae80-04b898975896%40sessionmgr14&vid=3&hid=14>, “Senate Bill Calls for

National Infrastructure Bank

With Rural Component”“, IS)

 In particular, previous bills generated concerns about whether rural areas would be overlooked by a national infrastructure bank focused on large projects. By including multiple provisions designed to ensure that the AIFA maintains a focus on rural projects, Kerry has helped to address these concerns, Pallasch notes. Among those with misgivings about previous versions of infrastructure bank legislation was Senator Max Baucus (D-Montana), the chairman of the committee on Finance, the body to which S. 652 has been referred. However, members of Kerry’s and Baucus’s staffs have been working together closely on the legislation, and Baucus is supporting the bill, according to a spokesperson for Kerry. Meanwhile, the Senate committee on Finance is reviewing Kerry’s proposal and hopes to hold a hearing soon on options for financing infrastructure, according to a committee spokesperson. As for moving the BUILD Act through the Senate, Kerry will probably attempt to attach his bill to legislation aimed at reauthorizing the federal surface transportation program, according to the Kerry spokesperson. As for the House, Representative Rosa L. DeLauro (D-connecticut) introduced the national Infrastructure Development Bank Act of 2011 (H.R. 402) in January. Like Kerry’s BUILD Act, DeLauro’s bill would establish an independent entity to evaluate and finance infrastructure projects. However, H.R. 402 would include telecommunications among the infrastructure sectors eligible for assistance. For purposes of capitalization, the bank would receive appropriations of $5 billion annually for five years. At press time, in mid-April, H.R. 402 had been referred to three House committees, none of which had yet acted on the legislation.

# 2ac China – us

# 2ac Solvency

## A2 Rural Areas

##### **The Bank would help rural areas**

**Landers, Contributing Editor to Civil Engineering Magazine, 11** (Jay, 5/01/11, Civil Engineering, <http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=b2f98db8-9f30-47c0-ae80-04b898975896%40sessionmgr14&vid=3&hid=14>, “Senate Bill Calls for

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## A2 Bureaucracy

##### NIB would be transparent

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Myth #10: The national infrastructure bank is another example of the federal government trying to "pick winners" that will result in taxpayers picking up the tab for failed companies like Solyndra. Reality: The national infrastructure bank would invest in pouring concrete, not propping up companies. The idea that choosing between different infrastructure project applications is the same practice of "picking winners" that some use to describe the Section 1705 loan guarantee program at the Department of Energy is a completely wrong analogy. A properly structured infrastructure bank would be limited to financing lower-risk infrastructure projects than those of the DOE program, which included non-infrastructure business ventures such as manufacturers. And unlike the DOE approach of pursuing projects for federal policy goals, the bank would rely on the same bottom-up approach of state and local project sponsorship used by TIFIA. The scope and mission of the!705 program was not limited to financing energy infrastructure projects. A good example of this is Solyndra itself, which is a manufacturer of solar panels, not a power producer or a project directly investing in the energy grid. The 1705 program was intended from the beginning to be more aggressive in its risk profile and financing decisions than any infrastructure bank would ever be. The 1705 loan guarantee program subsidized borrowing costs through direct appropriations and let the federal government underwrite a large share of a project's total costs, shifting the risks from private investors to the federal government. The bipartisan AIFA proposal has neither of these features. However, the questions raised about how the Solyndra application was managed do demonstrate the need for more transparency in approving projects and for a professional, unbiased staff that is not subject to political pressures and inter-agency management problems. An independent infrastructure bank is designed to be built around an institutional culture of transparency and

##### A NIB would help decrease government bureaucracy

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Myth #2: Supporters of the national infrastructure bank believe it is a substitute for passing transportation reauthorization bills. Reality: Many in the transportation community worry that bank proposals distract from the need for Congress to pass broader reauthorization legislation. Supporters of the infrastructure bank acknowledge that it is not a silver bullet for meeting our investment needs or a substitute for comprehensive aviation and surface transportation bills. The bank is not even a stopgap measure for transportation spending--its funding would be very small compared to the funding levels in the aviation and surface bills. No one has suggested that passing a bill to create an infrastructure bank would be enough for anyone to declare our investment problems solved, or to reduce the urgency of reaching agreement on long-term funding bills that allow planned projects to move forward and create jobs immediately. The bank is one part of a multi-pronged approach to meeting our infrastructure investment challenges. It is intended as a durable institution that would complement existing programs and those contemplated by the reauthorization bills. And the debate about the bank is not just about transportation--it is also intended to complement and improve existing programs for other types of infrastructure, such as energy and water projects. Myth #3: A national infrastructure bank would create a massive and inefficient federal bureaucracy. Reality: Creating a national infrastructure bank would certainly require a new staff of professionals to cany out its mission. But the size of that staff may be comparable to the additional staff needed for the massive increases to the TIFIA program this Committee has recently proposed. TIFIA is already oversubscribed and understaffed, with only a handful of current staff to process loan applications. Some people familiar with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany a new "super-sized" budget authority. The need for such a dramatic increase in staff was demonstrated by the rapid expansion of the Department of Energy's loan guarantee program, which hired roughly 200 additional staff and contractors to review applications. And while that bureaucratic growth came into the program after the now-infamous approval of the Solyndra loan guarantee (and likely avoided bad loan decisions going forward), the questions raised about Solyndra also show the need for a professional, unbiased staff that is not subject to political pressures and interagency management problems. A modest but expert staff in an independent national infrastructure bank could also reduce the need for redundant bureaucracy and staff in existing federal credit programs, including TIFIA, RRIF, and possibly even the DOE loan guarantee program. By empowering existing programs to call upon the bank's staff and resources for diligence and evaluation functions like borrower creditworthiness reviews, those programs could reduce the size of their own bureaucracy and avoid political interference within the executive branch departments. In this sense, a bank-type entity could serve as a platform for infrastructure project finance expertise that could make all federal credit programs more efficient. This is particularly true for the AIFA model, which uses the same financing mechanism under the Federal Credit Reform Act ("FCRA") as these other federal programs. ' The resources and staff of the national infrastructure bank could similarly be made available to state banks for consultation and technical assistance, upon request by state officials

## A2 Not Transportation Infrastructure

##### **The Bank would cost $25 Million and be used for NEW projects**

**Landers, Contributing Editor to Civil Engineering Magazine, 11** (Jay, 5/01/11, Civil Engineering, <http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=b2f98db8-9f30-47c0-ae80-04b898975896%40sessionmgr14&vid=3&hid=14>, “Senate Bill Calls for

National Infrastructure Bank

With Rural Component”“, IS)

Recent years have seen the introduction of several bills in congress seeking to establish a national infrastructure bank for the purpose of jump-starting investment in various public works projects around the country. For its part, the Obama administration has called for a similar entity that would focus on transportation projects. However, these various proposals have not received enough support in congress to become law. Backers of the national infrastructure bank concept are hoping that legislation recently introduced in the Senate can succeed where previous efforts have failed. Introduced by Senator John Kerry (D-Massachusetts) on March 17, the Building and Upgrading Infrastructure for Long-term Development (BUILD) Act (S. 652) would establish a government-owned entity known as the American Infrastructure Financing Authority (AIFA). An independent organization, the AIFA would operate outside of the scope of a federal agency. Led by a board of directors comprising seven voting members and a chief executive officer, the AIFA would make direct loans and loan guarantees to public projects that are “economically viable and of regional or national significance,” according to the legislation. In general, the AIFA would finance projects that would be expected to cost at least $100 million. However, rural projects expected to cost at least $25 million could also qualify. Because an individual project could not receive funding from the AIFA in excess of 50 percent of its total cost, the infrastructure bank is intended to facilitate investments from other sources. to be eligible, a project would have to be in one of three general infrastructure sectors: transportation, water, or energy. In particular, transportation projects would include highways and roads, bridges, mass transit, inland waterways, commercial ports, airports, air traffic control systems, passenger rail, and freight rail systems. Water projects would encompass water and wastewater treatment, storm-water management systems, dams, solid waste disposal facilities, and levees. energy projects eligible for financing would include those for transmission, distribution, or storage; enhancements designed to help buildings use energy more efficiently; and systems for generating energy in ways that decrease pollution. Funding from the AIFA, however, could not be used to refinance existing infrastructure projects. the chief executive officer and other professionals on the staff of the AIFA would be responsible for reviewing and preparing project applications, although the board members would decide which projects would receive funding. In determining which projects to fund, the members would be required to consider a variety of factors, including how a proposed project would be financed and the “extent to which the provision of assistance by [the] AIFA maximizes the level of private investment in the infrastructure project or supports a public-private partnership, while providing a significant public benefit,” according to S. 652. Financing from the AIFA could go to individuals, corporations, partnerships, joint ventures, trusts, states, and other governmental bodies. In its first year, the AIFA would receive $10 billion in initial funding, which would be used to offset the costs of the loans to the federal government and cover administrative costs. After that the authority would be expected to begin operating on a self-sustaining basis by charging fees for loans and loan guarantees. During its first two years in operation, the AIFA could not issue loans or loan guarantees in excess of $10 billion annually. this amount would be increased to $20 billion annually during the authority’s third through ninth years of operation. thereafter, the AIFA would be limited to making loans and loan guarantees of $50 billion annually. Meanwhile, 5 percent of the initial funding would be devoted to rural infrastructure projects, and a body that would be called the Office of Rural Assistance would be established within the authority to provide technical assistance to rural projects seeking financing. Announcing the legislation at a March 15 press conference, Kerry said, “this is a bipartisan moment to make a once bipartisan issue bipartisan again,” according to a news release issued the same day. “Democrats and Republicans, business and labor, are now united to create an American infrastructure bank to leverage private investment, make America the world’s builder once again, and close the deficit in our infrastructure investments,” he said. In a sign that the BUILD Act enjoys a measure of bipartisan support in the Senate, its initial cosponsors were Senator Mark R. Warner (D-Virginia) and two Republicans, Senator Lindsey Graham (South carolina) and Senator Kay Bailey Hutchison (texas). At the same time, the bill has received the blessing of two powerful groups whose interests often diverge: the U.S. chamber of commerce and the American Federation of Labor and congress of Industrial Organizations (AFL-cIO), both of Washington, D.c. “With a modest initial investment of ten billion dollars, a national infrastructure bank could leverage up to six hundred billion dollars in private investments to repair, modernize, and expand our ailing infrastructure system,” said thomas J. Donohue, the president and chief executive officer of the U.S. chamber of commerce, at Kerry’s March 15 press conference. For its part, ASce has announced its support for the BUILD Act. On March 10 Kathy J. caldwell, P.e., F.ASce, the Society’s president, sent a letter to Kerry applauding his sponsorship of the legislation. S. 652 is a “major step forward in providing meaningful financial assistance to the nation’s failing infrastructure,” caldwell wrote. “Given the Senate Bill Calls for National Infrastructure Bank With Rural Componentcurrent economic climate and the desire to ‘do more with less,’ the ability to leverage private capital with public funds will provide opportunities to overcome the nation’s infrastructure deficit,” she said. Although it firmly supports the Kerry bill, ASce views the infrastructure bank concept as one approach among many for helping to finance the nation’s infrastructure needs, says Brian Pallasch, the managing director of government relations and infrastructure initiatives for the Society. “this simply is another tool in the toolbox,” Pallasch says. As a financing mechanism, the proposed infrastructure bank “will work tremendously well” for projects that generate revenue streams or have dedicated tax funding,” he says. However, an infrastructure bank alone “will not solve the entire problem” of finding sufficient funding for the nation’s infrastructure needs, he notes. Although similar bills seeking to establish a national infrastructure bank have been introduced in previous congresses, the BUILD Act “has a better chance of becoming law” than did its predecessors, Pallasch says.

##### **This is an explanation of how it works**

**Infrastructure Investor, 12** (2/13/12, Infrastructure Inverstor, LexisNexis <http://www.lexisnexis.com/lnacui2api/auth/checkbrowser.do?rand=0.23568765686139748&cookieState=0&ipcounter=1&bhcp=1>, “Obama budged raises infa hopes“, IS)

In fact, Michael Likosky, director of New York University's Centre on Law and Public Finance and an expert on public-private partnerships (PPPs), said on a conference call recently hosted by RBC Capital Markets that the infrastructure bank could see the light of day this year. "I expect that we will have the infrastructure bank move to passage after the transportation bill is settled. It is clear now how the National Infrastructure Bank will catalyse a broader market for PPPs across key sectors," Likosky told Infrastructure Investor. A National Infrastructure Bank would begin with a funding level of $10 billion, allocated by the federal government. It would take a broad-brush approach and would be designed to allocate capital through loans and loan guarantees across various infrastructure subsectors, including water, energy and transportation. Likosky pointed out that this wide approach differs from the nation's Transportation Infrastructure Finance and Innovation Act (TIFIA), which is biased towards highway projects. TIFIA also targets large marquee projects, while the infrastructure bank would promote deal volume. For instance, estimates suggest an infra bank could ignite some $500 billion in sector transactions. "The proposed bank will be an important source of capital for US infrastructure projects. The idea has been floating around for several years, but I think it has a better chance of passing in its current form than it had in its previous incarnations," RBC Capital Markets' head of US Municipals Strategy, Chris Mauro, told Infrastructure Investor. Likosky would like to see the bank leverage more capital than most estimates predict. In addition, he agrees with President Obama that an infrastructure bank would help unite the different localities involved in PPPs and streamline the political process so that large, ambitious projects can be completed. He appears confident that the infrastructure bank will emerge, and says it may follow one of three legislative paths: the infrastructure bank could be delivered on a US transportation bill, the status of which, Mauro points out, remains muddled given that there are currently two competing pieces of legislation in the House and Senate; the bank could also come through as a component of a jobs bill this calendar year; or, and perhaps most uniquely, may become enacted by way of an executive order. Likosky expects the infrastructure bank will find its way into the middle option and as a component of a US jobs bill. "We are likely to see the infrastructure bank coupled with a modernisation of our extractives sector, and I view it as advisable to incorporate that sector into the infrastructure bank itself, as is standard with every infrastructure bank in the world," Likosky commented.

##### A National Infrastructure Bank would be key to roads, transit, bridges and dams

**Bernstein, Director of Transportation Nation, 11** (09/08/11, Infrastructure Investor, <http://transportationnation.org/2011/09/08/president-proposes-10-billion-infrastructure-bank/>, “President Proposes $10 Billion Infrastructure Bank “, IS)

With one foot on the terra firma of national pride and another in his old familiar haunt of progressivism, President Barack Obama Thursday proposed a $10 billion infrastructure bank with $50 billion in expedited infrastructure spending to help stimulate the economy. “Everyone here knows that we have badly decaying roads and bridges all over this country. Our highways are clogged with traffic. Our skies are the most congested in the world,” said the President while a sour-faced Speaker John Boehner sat to his right. “This is inexcusable. Building a world-class transportation system is part of what made us an economic superpower. And now we’re going to sit back and watch China build newer airports and faster railroads? At a time when millions of unemployed construction workers could build them right here in America?” In a speech that sounded at times feisty and at times impatient, the President repeatedly urged congress to pass a bill the administration put at $450 billion, which he said would be paid for by other cuts. But still the speech sounded more like old-style Obama than the man who last month, back to the wall, agreed to $2.4 trillion in spending cuts, with no tax increases. Thursday the President once again called on the rich to pay “their fair share,” an idea that the public has embraced but that Congress has rejected. “There are private construction companies all across America just waiting to get to work. There’s a bridge that needs repair between Ohio and Kentucky that’s on one of the busiest trucking routes in North America. A public transit project in Houston that will help clear up one of the worst areas of traffic in the country,” the President said, pointedly picking a Texas city to highlight. Texas is home to the Republican Presidential front-runner, Governor Rick Perry. The President made his strongest pitch yet in favor of an infrastructure bank, a federally-backed bank that would leverage government funds to draw private capital for large projects like roads, transit, bridges, and dams. The President said it would issue loans “based on two criteria: how badly a construction project is needed and how much good it would do for the economy.” “This idea came from a bill written by a Texas Republican and a Massachusetts Democrat. The idea for a big boost in construction is supported by America’s largest business organization and America’s largest labor organization. It’s the kind of proposal that’s been supported in the past by Democrats and Republicans alike. You should pass it right away.” In a fact sheet released by the White House, the administration said the National Infrastructure Bank would be capitalized with $10 billion “in order to leverage private and public capital and to invest in a broad range of infrastructure projects of national and regional significance, without earmarks or traditional political influence. The bank would be based on the model Senators Kerry and Hutchison have championed while building on legislation by Senators Rockefeller and Lautenberg and the work of long-time infrastructure bank champions like Rosa DeLauro and the input of the President’s Jobs Council.”

##### Obama’s NIB plan is only for transportation infrastructure, and would back projects with economic and environmental benefits

**Cohn, Senior Editor of the New Republic, 11** (08/11/11, The New Republic, http://www.tnr.com/blog/jonathan-cohn/93496/infrastructure-bank-roads-airports-funding-obama-kerry-hutchison, “Selling Public Works to the Tea Party“, IS)

You have probably heard about this proposal already: It’s called the National Infrastructure Bank. And the concept is pretty simple. The federal government would create a quasi-independent bank – which, in turn, would finance infrastructure projects by offering grants, loans, and subsidies to worthy projects. The federal government would provide the bank with start-up funds, through a large initial appropriation. But the idea is to have the bank finance itself over the long run, issuing bonds or borrowing money through the Treasury Department as necessary. The primary rationale for the bank – and the reason it should, in theory, appeal to skeptics of government – is to insulate decision-making from the usual political influences. And that doesn’t simply mean staying away from legislators’ pet projects. It also means moving away from funding formulas that have distributed infrastructure funds with little regard for actual need, particularly when it comes to transportation. As Ethan Pollack, of the Economic Policy Institute, explains: The problem goes beyond the earmarking process – in in fact, the program formulas are often written to reapportion funding to certain states at the expense of others for the sake of parochial interests, with little regard for overall efficiency of allocation. … In order to garner sufficient political support (especially in the Senate), the funds are spread evenly across the country. This was not a problem in the past, as funds were needed across the country during the construction of the interstate highway system. But as the system neared completion, this investment strategy began exhibiting steep diminishing returns. The bank, by contrast, would make its decisions based on cost-benefit analysis, without all the congressional meddling. It might sound like a pipe dream, but the Recovery Act launched a working model for that sort of program in 2009. It’s called the Transportation Investment Generating Economic Recovery program, or TIGER. And it counts among its fans journalist Michael Grunwald, who knows a thing or two about government waste. (Yes, that's twice today I'm quoting him.) As Grunwald writes: The so-called TIGER program doesn't just hand out cash to every project with the proper paperwork; it rewards the applicants with the most impressive economic and environmental benefits, and it's attracted $40 worth of applications for every dollar in grants. The winners have included several freight-rail projects that will take thousands of trucks off the road, a green-themed revitalization of a Kansas City neighborhood, and a multi-modal transportation center at the intersection of three interstates, a major rail corridor and a popular 26-mile bicycle and pedestrian pathway in Normal, Ill. Whether the bank could replicate TIGER's success – and, more fundamentally, whether it could significantly bolster the country’s decaying infrastructure – will obviously depend on the specifics, as Pollack's paper points out. How independent should the bank be? (Obama’s proposal would put it inside the Transportation Department; others, like a bill from Senators John Kerry and Kay Bailey Hutchison, would make it a stand-alone entity.) How much start-up money should the federal government give it? (Kerry’s bill calls for just $10 billion while Obama’s calls for $30 billion. An earlier proposal, from Senators Chris Dodd and Chuck Hagel, would have allocated $75 billion.) How wide a range of proposals would it consider? (Obama's bank would limits itself to transportation. Under a proposal from Rep. Rosa DeLauro, the bank would take on energy and telecommunications projects, as well.) Perhaps more immediately, it’s an open question just how quickly the bank could move money into the economy. Then again, an infrastructure bank bill could include additional, short-term funding for more immediate projects. And the way things look now, the economy will need stimulus well past 2012 anyway. The main obstacle to creating the bank, really, is political. On the one hand, the infrastructure has a strong bipartisan and cross-ideological pedigree: In March, when Kerry (a Democrat) and Hutchison (a Republican) held a press conference to unveil their proposal, Richard Trumpka (of the AFL-CIO) and Tom Donohue (of the U.S. Chamber of Commerce) appeared with them to offer their endorsement. On the other hand, the infrastructure bank is part of Obama's agenda. And, as we've all seen, sometimes that's all it takes to generate fatal Republican opposition. Purely on the merits, conservatives ought to embrace the infrastructure bank. Alas, that doesn’t mean they will.

## A2 Bailout

##### NIB is not something that will require a huge government bailout

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Myth #9: The national infrastructure bank is the next huge federal bailout waiting to happen, just like Fannie Mae and Freddie Mac. Reality: Troubled government-sponsored enterprises ("GSEs") like Fannie Mae and Freddie Mac are not valid comparisons for current proposals for a national infrastructure bank. All of the bank proposals would be government corporations that are fully owned by the federal government. Fannie and Freddie are government-chartered but owned by private shareholders, which means they act in their shareholders' interest to maximize profits. That structural incentive to chase higher shareholder returns led to the leveraging and risky portfolios that resulted in insolvency and federal takeovers of these GSEs. As a government-owned and controlled entity, a properly structured national infrastructure bank would not suffer from this conflict of interest between the public interest and private shareholder returns. It would also avoid the "moral hazard" problem created by allowing private shareholders to pursue risk-free profits by making risky loans with implicitly backing of the full faith and credit of the U.S. Treasury. This distinction is particularly applicable to the AIFA proposals in the BUILD Act and American Jobs Act, which would be explicitly backed by the Treasury, but would also be subject to the same FCRA rules governing its loans as existing credit programs with track records of responsible risk management, such as TIFIA and the Export-Import Bank. A very important difference between the AIFA approach and the GSEs is that AIFA would not borrow a dime of money under its own name, but would rely instead on debt issued by the Treasury Department, the process for which is strictly controlled under FCRA. This restriction stands in stark contrast to the GSEs, which are able to issue their own debt securities and did so with great abandon to leverage their financing: as of June, 2008, Fannie Mae's debt was 18 times the size of its equity capital, and Freddie Mac's debt stood at over 60 times its equity.

## A2 Unpopular

##### A NIB is popular

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

A properly structured national infrastructure bank is an innovative and sound investment tool that represents the next step in the evolution of federal financing programs for transportation, energy, and other infrastructure projects. The bank deserves to be at the center of the current debate about the many challenges to investing in long-term economic growth and job creation. As Chamber President Tom Donohue has said, it's an invaluable part of the solution to how we pay for maintenance and improvements that we can't afford to ignore, but it can only work if added to a strong foundation of spending in the transportation reauthorization bills. I thank the Committee, especially Committee Chairman Mica and Subcommittee Chairman Duncan, for holding this hearing today. I hope the Committee members find today's discussion helpful to fully understanding this important proposal to enhance our national strategy for infrastructure spending and investment. Widespread Support and Adoption of Infrastructure Banks The idea of establishing a national infrastructure bank to facilitate private capital investment in new transportation projects, energy resources, and other types of infrastructure is one that has been adopted by developed countries around the world, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year, most recently in Virginia, where Governor Bob McDonnell signed a new bank into law earlier this year. The proliferation of infrastructure banks shows that they are a widely accepted and proven approach to lowering financing costs and attracting private capital investment for badly needed new projects. Here in the U.S., there is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. These are the people making decisions every day that drive our country's economic prosperity, and they recognize the huge potential for a bank to help address our investment needs by mobilizing private capital to leverage public funding. At a Capitol Hill forum held last week by the Progressive Policy Institute, urgent calls for swift action and smarter financing policies came from top executives from Nucor, the nation's largest steel producer; Siemens, a multinational corporation making huge investments in manufacturing, energy, and infrastructure here in the U.S.; Ullico, an insurance company owned and funded by large union pensions; UBS Investment Bank, which advises U.S. and foreign investors on infrastructure financing; and Meridiam Infrastructure, a private-capital fund focused on investing directly in U.S. transportation, water, and energy projects. Both the U.S. Chamber of Commerce and the AFL-CIO have prominently endorsed the bipartisan Senate proposal for a bank that has more recently been adopted in the American Jobs Act. Although governments, investors, and industry leaders throughout the U.S. and around the world have seen the wisdom and benefits of infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar to many here in Washington.

# A2 states

#### This would help State and local governments

Schwartz, Board of Directors Member of the New America Foundation, 9 (Bernard L., 1/01/09, Congressional Digest, http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=2eb1405f-4951-4b1c-bc8f-4f11f7da846c%40sessionmgr12&vid=4&hid=14, “Should Congress Pass the National Infrastructure Bank Act?“, IS)

Second, the NIB and NIDC, as now conceived, would do little to help State and local governments attract larger institutional financing, because they do not explicitly allow for the pooling of privately created i nfras true ture-backed loans. The problem that State and local governments now face is that any one bond issuance is in most cases just too small to attract institutional interest. Large institutional funds and central bank managers prefer to focus on bond issues in the range of $500 million and above, with many preferring bond issues above $1 billion. In addition, large institutional investors are not attracted to municipal bonds because they do not generally benefit from their tax-exempt status. For these reasons, they do not participate in the municipal bond market in any active way. The issuance size and lack of liquidity of the municipal bond market therefore limit the range of investors and drive up the cost of issuing bonds. To overcome this problem, an infrastructure bank should have the authority to bundle various State and local bonds, and to offer the larger bundled instruments to large institutional investors much like Fannie Mae and Freddie Mac do. My second recommendation, therefore, is that any new government agency or bank not only be properly capitalized but that it have the explicit authority to pool, package, and sell existing and future public infrastructure securities in the capital markets. Such an entity should also have the in-house capability to originate infrastructure loans and thus the ability to fund itself through the international capital markets. With this authority and this capability, a NIB or NIDC would be able to channel private finance into public infrastructure almost immediately. As importantly, they would be able to tap financing from large institutional investors — from large U.S. and European pension funds, insurance companies, central banks, sovereign wealth funds, and other institutional investors. Thus, they would allow us to raise more capital for public infrastructure investment more efîfîciently and at a lower cost than we can do through the municipal bond market as it now exists.

#### The NIB must be on the federal level, state infrastructure banks are not effective

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

There continues to be a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act. A properly structured national infrastructure bank is an innovative but sound investment tool that deserves to be a part of the current debate about the many challenges of investing in long-term economic growth and job creation. As Chamber President Tom Donohue has said, it's an invaluable part of the solution to how we pay for projects we can't afford to ignore, but it can only work if added to a strong foundation of spending in the transportation reauthorization bills. The Next Step in the Evolution of a National Investment Strategy Both the federal government and state authorities have already taken important steps toward achieving some of the goals of a national infrastructure bank. Innovative financing programs like TMA, the Railroad Rehabilitation and Investment Financing Program ("RRIF"), and the Department of Energy's 1703 and 1705 loan guarantee programs have brought powerful changes to the way we approach infrastructure projects, by shifting a portion of the government's role from spending (grants and direct funding) to investment (credit assistance, loans, and loan guarantees). And thanks to incentives created by Congress in past transportation legislation, states have created their own infrastructure banks to take advantage of new approaches to project finance and planning. As this Committee has recognized, these existing approaches are helpful responses to the enormous investment challenges we face, and they have moved us in the right direction to bring us closer to the modern financing practices used around the world for infrastructure projects. But even when looked at together, these programs have been unable to achieve the full potential we have to mobilize public and private investment in this country. The TIFIA program is oversubscribed with more project applications than it can process and finance, and it is limited by a small staff structure that would likely prove inadequate to handle the large program expansion recently proposed by this Committee. RRIF has failed to deploy most of the loan authority it already has. The DOE loan guarantee program has faced many challenges, most recently highlighted by the Solyndra bankruptcy. And state infrastructure banks have had a mixed track record, due in part to insufficient capitalizations and leveraging power. Given the interest the Committee has expressed in dramatically expanding the TIFIA program and opportunities for state infrastructure banks, it is timely to ask whether these programs can be improved by simply throwing more money at them, or whether an additional credit platform is needed to boost their effectiveness. This question is underscored by the recent news surrounding the Department of Energy's loan guarantee to Solyndra, which suggests we should be wary of believing an existing program can deliver on the promises of a massive expansion in loan approvals before the necessary staff and expertise are in place.

#### The NIB would be key to help states

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

 Misconceptions About the National Infrastructure Bank As the unavoidable costs of repairing and maintaining our nation's infrastructure climb into the trillions of dollars, the time has come for a clear-eyed look at how a national bank might be one piece of a multi-pronged approach to making the investments we need. Doing that means we need to put aside polarizing rhetoric from both sides and talk frankly about what a national infrastructure bank is, and what it is not. The driving motivation behind the national infrastructure bank is twofold. First, the financing offered by the bank would provide an additional tool for reducing the costs of new projects and attracting private capital to share in the risks and expenses of these investments. The bank would be an optional tool available to states and local governments and for federally-sponsored projects like NextGen Air Traffic Control. Second, the bank's evaluation and financing of projects would be a transparent and predictable process, staffed by professional finance experts and guided by clearly defined, merit-based criteria. This would ensure that at least some portion of our public investment decisions would focus on projects that will generate economic benefits and enhance competitiveness at a national or regional level. Many of the arguments for a national infrastructure bank are the same as those made in favor of state banks, and even for existing credit programs like TIFIA, both of which have been supported by members of this Committee on both sides. The objection to creating a national bank as somehow inferior to supporting state infrastructure banks seems to rest on the claim that a national bank would impose new burdens on states and shift decision making from state officials to Washington bureaucrats. Neither of these objections is accurate. In spite of the suggestion built into the title of today's hearing, my hope is that the members of the Subcommittee will be open to considering the ways in which a national infrastructure bank could actually reduce red tape for states, and possibly even shrink the regulatory footprint of federal bureaucracy in the landscape of project finance activity nationwide. If properly implemented, an independent bank could actually reduce regulatory burdens imposed by existing federal programs, by establishing a project selection and financing process that is focused on the economic merits of investments, rather than the myriad regulatory and policy'goals pursued by different bureaucratic silos in executive branch departments. Whether every existing federal mandate and regulation should be attached to infrastructure bank financing is a policy choice to be debated for any bank legislation, but it is also a collateral issue that need not disqualify the bank as a financing option.

#### State Infrastructure banks are NOT sufficient but are still compatible with a NIB proving the perm solves

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Myth #6: We don't need a national infrastructure bank, because we can strengthen state infrastructure banks instead. Reality: State banks are an excellent tool and an important step in the right direction for project finance in the U.S. But state banks are woefully inadequate for meeting many of our financing needs, and they should not be thought of as substitutes for a national infrastructure bank, or even as incompatible with creating a national bank. A well designed national bank offers a number of features and advantages not available from state banks. A national bank could finance large, expensive projects that are beyond the scale of state banks. A national bank would be better able to evaluate and finance projects of regional and national significance--those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury yields at historically low levels, as they are now. A national bank could easily be structured to complement and empower state banks by passing through lower federal borrowing costs for state-sponsored projects. Giving states the option to partner with the national bank would be an additional and purely voluntary tool, so the argument that the bank would somehow limit the decision-making power of state banks is entirely misplaced.

#### The NIB would empower states, and aid them in tasks that they cannot accomplish

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

 Myth #4: A national infrastructure bank would shift more decision making to Washington and out of the hands of states. Reality: A properly structured national infrastructure bank would not be a monolithic central-planning authority that would tie states' hands and impose its judgment on state funding priorities. To the contrary, a well designed bank would empower states by giving them a new option to pursue low-cost financing of projects of their own choosing, and it would provide them the opportunity to benefit from large-scale projects that cross state borders or that may be too expensive or unwieldy for states to execute alone. In this way, a national bank could complement state infrastructure banks and Highway Trust Fund allocations, and it could also avoid the kind of frustration states have now over the failure of Congress to pass long-term reauthorization bills. Myth #5: Financing offered by a national infrastructure bank would just mean more red tape and increased costs for state and local projects. One of the goals of the infrastructure bank is to professionalize the government's approach to project finance and selection decisions, by creating an alternative to existing bureaucratic and political decision making. Most of the bank proposals, particularly the bipartisan BUILD Act, are designed specifically to replace red tape with black-and-white economic decisions. By making the bank independent of executive branch political agendas, we may also reduce the regulatory strings that are so often tied to federal infrastructure funding. Whether specific federal mandates and regulations are attached to infrastructure bank financing is a policy choice to be debated for any bank legislation, but it is a collateral issue that should not disqualify the bank as an option for Congress to consider.

#### A National Infrastructure Bank is better at solving than state banks, and would benefit the entire US

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics have argued against. And expanding TIFIA's resources is likely to create more bureaucracy and red tape than a properly structured infrastructure bank. An independent and professionally staffed infrastructure bank is the best response to the increasing need for expanded federal credit programs and for ensuring prudent financial management of those programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger; big-ticket projects that are beyond the scale of anything existing programs have taken on before. But unlike the DOE approach that has'been characterized as "picking winners," a national bank would rely on the same bottom-up approach of state and local project sponsorship currently used by TIFIA. Because that approach is purely voluntary and would not mandate specific project finance structures, the bank would empower states, rather than tying their hands with red tape. There are also advantages a national bank could offer to state infrastructure banks to expand their investment options and lower their borrowing costs. A national bank could assist states in financing large, expensive projects that are beyond the scale of state bank capitalization or lending power. A national bank would also be better able to evaluate and finance projects of regional and national significance--those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify beaiing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury rates at historically low levels, as they are now. Those savings could be passed through to states by partnering with state banks to finance projects selected and preapproved by the states themselves. By improving the economics of such projects, the national bank would also make them more attractive to investors, making more private capital available to states to leverage scarce taxpayer dollars. In short, the approaches used so far to expand public investment tools and mobilize private capital for infrastructure financing have been positive steps for the country. But even with more money, they can not address all of our national investment needs, and they should not be thought of as substitutes for a national infrastructure bank, but rather as complementary partners to the bank.

# A2 Tradeoff DA

## NIB funding would not trade off with Highway Trust Fund programs

**Thomasson, Director of Public Policy at Progressive Policy Institute, 11** (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, IS)

Myth #8: Funding for a national infrastructure bank would rob from proposed funding for Highway Trust Fund programs, including TIFIA and state infrastructure banks. Reality: The infrastructure bank proposal is not a zero-sum competitor for Highway Trust Fund resources with TIFIA, SIBs, or any other existing programs in the surface transportation bill. Most of the bank proposals are drafted to be funded by appropriations outside the Highway Trust Fund, or in some cases by allowing the bank to issuing its own bonds. They are also designed to supplement existing programs and allocations, not substitute for them. Not only would the initial funding not need to rob Trust Fund resources, the activities of the bank could relieve some of the pressures on these oversubscribed and underfunded programs by providing an alternative financing path for certain projects that now rely on Trust Fund programs. This would free up money for projects that are most appropriate for these funding programs.

# Add ons

### **China**

#### Infrastructure is a perfect case for China – US cooperation which helps the economies of both

Jiechi, Ministry of Foreign Affairs in China, 12 (03/18/12, Promoting China-US Partnership through Mutual Respect and Win-win Cooperation, http://english.qstheory.cn/resources/speeches/201204/t20120407\_149880.htm, “Promoting China-US Partnership through Mutual Respect and Win-win Cooperation“, IS)

Third, continue to expand and deepen China-US mutually beneficial cooperation. China-US cooperation is mutually beneficial in nature. The two sides should expand and deepen exchanges and cooperation on business, energy, environment, agriculture, law enforcement and culture in a more pragmatic and effective manner. China and the US should strengthen cooperation on energy and infrastructure construction, forge new cooperation highlights, open new cooperation areas, inject fresh vigor into the bilateral relations and bring more benefits to the two peoples. At present, both china and the US are faced with the tasks of adjusting economic structure and boosting growth and the bilateral business cooperation embraces major opportunities of further growth. Problems emerging in the process of business cooperation should be properly handled by the two sides through equal consultations and in the spirit of mutual understanding and mutual benefit.

#### The National Infrastructure Bank is Key to US- China cooperation

US Treasury,12 (5/04/12, State News Service, <http://www.treasury.gov/press-center/press-releases/Pages/tg1567.aspx>, “ Joint U.S.-China Economic Track Fact Sheet- Fourth Meeting of the U.S. China Strategic and Economic Dialogue (S&ED) “, IS)

The United States supports improving its infrastructure sector, enhancing market mechanisms for infrastructure investment, incorporating best practices and lessons learned from all applicable global infrastructure systems, and working to enhance Public-Private-Partnership (PPP) investment opportunities where appropriate, including from foreign investors. In recognition of this goal, President Obama’s FY 2013 Budget proposes a plan to renew and expand America’s infrastructure systems and calls for the creation of a National Infrastructure Bank to enhance investment opportunities for all public and private capital to invest in transportation, water, and energy infrastructure sectors. The United States and China recognize the potential for their firms to play a positive role in infrastructure financing in each country, and commit to explore opportunities for deepening cooperation in this field.

#### China-US cooperation is key to Northeast Asian stability

Peng, Director, Institute of American Studies, China Institute of Contemporary International Relations, 11 (June 2011, Global Asia, http://www.globalasia.org/V6N2\_Summer\_2011/Yuan\_Peng.html, Awaiting the Handshake: China-US Relations Are the Key to Stability In Northeast Asia“, IS)

The other obvious issue requiring China-US collaboration is the denuclearization of the Korean Peninsula and the rest of Northeast Asia. In this regard, the Six-Party talks have proven to be the most successful and effective mechanism for dialogue. Premised on Pyongyang’s readiness to return to the negotiating table, China and the US should reinvigorate the talks by moving beyond the Cheonan incident and temporarily setting aside the issue of abductions of Japanese hostages by North Korea. Gaining control of the North Korean nuclear issue is the first step toward encouraging Pyongyang to abandon nuclear weapons altogether. At the same time, China and the US should try to prevent Japan and South Korea from pursuing their threats to “go nuclear” in response to North Korea’s nuclear program. Indeed, only denuclearization can genuinely safeguard peace, stability and development in the region. While the original source of the faltering progress toward a regional security mechanism is Pyongyang’s unwillingness to abandon its nuclear ambitions, the situation has since become far more complicated. The regional security landscape has expanded beyond the North Korean nuclear issue to include strategic disputes among nearly all states in the region. The complex setting of Northeast Asia requires that China and the US abandon the legacies of the Cold War and embrace an innovative mechanism for security co-operation that considers the security concerns and interests of all the parties in the region. This would usher in a future-oriented political atmosphere of enduring peace and prosperity. In light of this, it is perhaps worth concluding with an ancient Chinese verse that captures both the current challenges and opportunities for Northeast Asia: “The hills and mountains have no end, there seems to be no road beyond; but dim with willows, bright with flowers, another village appears: one has a sudden glimpse of hope in the midst of bewilderment.”

#### China-US cooperation solves proliferation

Kissinger, Former Secretary of State, 11 (1/14/11, Washington Post, http://www.washingtonpost.com/wp-dyn/content/article/2011/01/13/AR2011011304832.html, “Avoiding a U.S.-China cold war“, IS)

The upcoming summit between the American and Chinese presidents is to take place while progress is being made in resolving many of the issues before them, and a positive communique is probable. Yet both leaders also face an opinion among elites in their countries emphasizing conflict rather than cooperation. Care must be taken lest both sides analyze themselves into self-fulfilling prophecies. The nature of globalization and the reach of modern technology oblige the United States and China to interact around the world. A Cold War between them would bring about an international choosing of sides, spreading disputes into internal politics of every region at a time when issues such as nuclear proliferation, the environment, energy and climate require a comprehensive global solution. Conflict is not inherent in a nation's rise. The United States in the 20th century is an example of a state achieving eminence without conflict with the then-dominant countries. Nor was the often-cited German-British conflict inevitable. Thoughtless and provocative policies played a role in transforming European diplomacy into a zero-sum game. Sino-U.S. relations need not take such a turn. On most contemporary issues, the two countries cooperate adequately; what the two countries lack is an overarching concept for their interaction. During the Cold War, a common adversary supplied the bond. Common concepts have not yet emerged from the multiplicity of new tasks facing a globalized world undergoing political, economic and technological upheaval. That is not a simple matter. For it implies subordinating national aspirations to a vision of a global order. Neither the United States nor China has experience in such a task. Each assumes its national values to be both unique and of a kind to which other peoples naturally aspire.

Proliferation causes nuclear war –it uniquely increases the risk and magnitude of conflicts.

Sokolski, 2009 (Henry, Executive Director of the Nonproliferation Policy Education Center and serves on the US congressional Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism, “Avoiding a nuclear crowd,” Policy Review, June/July)

AT A MINIMUM, such developments will be a departure from whatever stability existed during the Cold War. After World War II, there was a clear subordination of nations to one or another of the two superpowers' strong alliance systems —the U.S.-led free world and the Russian-Chinese led Communist Bloc. The net effect was relative peace with only small, nonindustrial wars. This alliance tension and system, however, no longer exist. Instead, we now have one superpower, the United States, that is capable of overthrowing small nations unilaterally with conventional arms alone, associated with a relatively weak alliance system (NATO) that includes two European nuclear powers (France and the UK). NATO is increasingly integrating its nuclear targeting policies. The U.S. also has retained its security allies in Asia (Japan, Australia, and South Korea) but has seen the emergence of an increasing number of nuclear or nuclearweapon- armed or -ready states. So far, the U.S. has tried to cope with independent nuclear powers by making them "strategic partners" (e.g., India and Russia), NATO nuclear allies (France and the UK), "non-NATO allies" (e.g., Israel and Pakistan), and strategic stakeholders (China); or by fudging if a nation actually has attained full nuclear status (e.g., Iran or North Korea, which, we insist, will either not get nuclear weapons or will give them up). In this world, every nuclear power center (our European nuclear NATO allies), the U.S., Russia, China, Israel, India, and Pakistan could have significant diplomatic security relations or ties with one another but none of these ties is viewed by Washington (and, one hopes, by no one else) as being as important as the ties between Washington and each of these nuclear-armed entities (see Figure 3). There are limits, however, to what this approach can accomplish. Such a weak alliance system, with its expanding set of loose affiliations, risks becoming analogous to the international system that failed to contain offensive actions prior to World War I. Unlike 1914, there is no power today that can rival the projection of U.S. conventional forces anywhere on the globe. But in a world with an increasing number of nuclear-armed or nuclear-ready states, this may not matter as much as we think. In such a world, the actions of just one or two states or groups that might threaten to disrupt or overthrow a nuclear weapons state could check U.S. influence or ignite a war Washington could have difficulty containing. No amount of military science or tactics could assure that the U.S. could disarm or neutralize such threatening or unstable nuclear states.^^ Nor could diplomats or our intelligence services be relied upon to keep up to date on what each of these governments would be likely to do in such a crisis (see graphic below): Combine these proliferation trends with the others noted above and one could easily create the perfect nuclear storm: Small differences between nuclear competitors that would put all actors on edge; an overhang of nuclear materials that could be called upon to break out or significantly ramp up existing nuclear deployments; and a variety of potential new nuclear actors developing weapons options in the wings. In such a setting, the military and nuclear rivalries between states could easily be much more intense than before. Certainly each nuclear state's military would place an even higher premium than before on being able to weaponize its military and civilian surpluses quickly, to deploy forces that are survivable, and to have forces that can get to their targets and destroy them with high levels of probability. The advanced military states will also be even more inclined to develop and deploy enhanced air and missile defenses and long-range, precision guidance munitions, and to develop a variety of preventative and preemptive war options. Certainly, in such a world, relations between states could become far less stable. Relatively small developments —e.g., Russian support for sympathetic near-abroad provinces; Pakistani-inspired terrorist strikes in India, such as those experienced recently in Mumbai; new Indian flanking activities in Iran near Pakistan; Chinese weapons developments or moves regarding Taiwan; state-sponsored assassination attempts of key figures in the Middle East or South West Asia, etc. —could easily prompt nuclear weapons deployments with "strategic" consequences (arms races, strategic miscues, and even nuclear war). As Herman Kahn once noted, in such a world "every quarrel or difference of opinion may lead to violence of a kind quite different from what is possible today."^^ In short, we may soon see a future that neither the proponents of nuclear abolition, nor their critics, would ever want.

## State BUDGETS

#### A National Infrastructure Bank is better at solving than state banks, and would benefit the entire US

Thomasson, Director of Public Policy at Progressive Policy Institute, 11 (Scott, 10/12/11, Congressional Documents and Publications, ProQuest http://search.proquest.com/pqrl/docview/898274287/1378A5BB5D410FA3EA7/3?accountid=11091, “The National Infrastructure Bank: Separating Myths from Realities“, TS)

Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics have argued against. And expanding TIFIA's resources is likely to create more bureaucracy and red tape than a properly structured infrastructure bank. An independent and professionally staffed infrastructure bank is the best response to the increasing need for expanded federal credit programs and for ensuring prudent financial management of those programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger; big-ticket projects that are beyond the scale of anything existing programs have taken on before. But unlike the DOE approach that has'been characterized as "picking winners," a national bank would rely on the same bottom-up approach of state and local project sponsorship currently used by TIFIA. Because that approach is purely voluntary and would not mandate specific project finance structures, the bank would empower states, rather than tying their hands with red tape. There are also advantages a national bank could offer to state infrastructure banks to expand their investment options and lower their borrowing costs. A national bank could assist states in financing large, expensive projects that are beyond the scale of state bank capitalization or lending power. A national bank would also be better able to evaluate and finance projects of regional and national significance--those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify beaiing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury rates at historically low levels, as they are now. Those savings could be passed through to states by partnering with state banks to finance projects selected and preapproved by the states themselves. By improving the economics of such projects, the national bank would also make them more attractive to investors, making more private capital available to states to leverage scarce taxpayer dollars. In short, the approaches used so far to expand public investment tools and mobilize private capital for infrastructure financing have been positive steps for the country. But even with more money, they can not address all of our national investment needs, and they should not be thought of as substitutes for a national infrastructure bank, but rather as complementary partners to the bank.

#### States are cutting funding for education which is key to long term economic competiveness and education, and it’s the states fault means CP can’t solve

Oliff and Leachman, Policy Analysis and director of State Fiscal Research, 11 [Michael Leachman is Director of State Fiscal Research with the State Fiscal Policy division of the Center, which analyzes state tax and budget policy decisions and promotes sustainable policies that take into account the needs of families of all income levels. Since joining the Center in 2009, Leachman has researched a range of state fiscal policy issues including the impact of federal aid, the debt states owe in their Unemployment Insurance trust funds, and the wisdom of state spending limits. Prior to joining the Center, he was a policy analyst for nine years at the Oregon Center for Public Policy (OCPP), a member of the State Fiscal Analysis Initiative. His work at OCPP included research on corporate income taxes, reserve funds, spending limits, the Earned Income Tax Credit, food stamps, and TANF. Earlier in his career, Leachman worked as a community organizer in Chicago and, during graduate school, conducted a range of research projects in collaboration with community organizations. Leachman holds a Ph.D. in sociology from Loyola University Chicago. Oliff joined the Center in September 2007 as a Policy Analyst with the State Fiscal Project. His work includes tracking state revenue collections and property tax issues, among other areas. Prior to joining the Center, Oliff was a Hugh L. Carey Fellow in Governmental Finance with New York State’s Division of Budget. His work at the Division of Budget focused on education finance issues and helped develop property tax relief options. He also has taught English in Osaka, Japan, and taught middle school social studies in Boston. Oliff holds a B.A. from Wesleyan University’s College of Social Studies and a Masters degree in Public Policy from Harvard University’s John F. Kennedy School of Government. <http://www.cbpp.org/cms/?fa=view&id=3569>, New School Year brings more Cuts to Education, October 2]

Elementary and high schools are receiving less state funding than last year in at least 37 states, and in at least 30 states school funding now stands below 2008 levels – often far below. These cuts are attributable, in part, to the failure of the federal government to extend emergency fiscal aid to states and school districts and the failure of most states to enact needed revenue increases and instead to balance their budgets solely through spending cuts. The cuts have significant consequences, both now and in the future: They are causing immediate public- and private-sector job loss, and in the long term are likely to reduce student achievement and economic growth. Our review of budget documents finds that, of 46 states that publish education budget data in a way that allows historic comparisons: 37 states are providing less funding per student to local school districts in the new school year than they provided last year. 30 states are providing less than they did four years ago.. 17 states have cut per-student funding by more than 10 percent from pre-recession levels. Four states— South Carolina, Arizona, California, and Hawaii — each have reduced per student funding to K-12 schools by more than 20 percent. (These figures, like all the comparisons in this paper, are in inflation-adjusted dollars and focus on the primary form of state aid to local schools.) State-level K-12 spending cuts of this magnitude have serious consequences for the nation. State-level K-12 cuts have large consequences for local school districts. Some 47 percent of total education expenditures in the U.S. come from state funds (the share varies by state). Cuts at the state level mean that local school districts have to either scale back the educational services they provide, raise more revenue to cover the gap, or both. In particular, cuts in state aid may particularly affect school districts with high concentrations of children in poverty. States typically distribute general education aid through formulas that target additional funds to school districts with large shares of low-income and other high-need children and/or with lower levels of taxable wealth. As a result, reductions in "formula" funding may result in particularly deep cuts in general state aid for less-wealthy, higher-need districts unless a state goes out of its way to protect them. The cuts have extended the recession and slowed the recovery. Federal employment data show that school districts began reducing the overall number of teachers and other employees in September 2008, when the first round of budget cuts began taking effect. The job losses have accelerated in the last year as the cuts have deepened; by September 2011, local school districts had cut 278,000 jobs nationally compared with 2008. These job losses have reduced the purchasing power of workers’ families, in turn reducing overall consumption in the economy and thus extending the recession and slowing the pace of recovery. A further negative economic consequence of the cuts is that they counteract and sometimes undermine education reform and more generally hinder the ability of school districts to deliver high-quality education, with long-term negative consequences for the nation's economic competitiveness. Many states and school districts have undertaken important school reform initiatives to prepare children better for the future, but deep funding cuts hamper their ability to implement many of these reforms, particularly in areas like teacher training and early childhood education. At a time when the nation is trying to produce workers with the skills to master new technologies and adapt to the complexities of a global economy, large cuts in funding for basic education threaten to undermine a crucial building block for future prosperity. Local school districts typically have little ability to replace lost state aid on their own. Given the sorry state of many of the nation's real estate markets, it is difficult for many school districts to raise more money from the property tax without raising rates, and rate increases are often politically very difficult. As a result, property tax and other local revenues were actually lower in the 12- month period ending in June 2011 than they were the previous year. However, at least some localities are considering and in some cases enacting property tax increases — a sign of the challenges that schools face.

#### Education key to the Aerospace industry

Johnson et al 03 [Randall, Embry-Riddle Aeronautical University; Joseph Pelton, George Washington University; Henry Hertzfeld, GW; Don Flournoy, Ohio University; and Hussein J. Hussein, Universities Space Research Association, NATIONAL WORKSHOP ON SPACE EDUCATION: WHITE PAPER REPORT, May 3, 2003)

“Clearly, there is a major workforce crisis in the aerospace industry,” reports the Commission.13 Not only has the industry seen the exodus of 600,000 “scientific and technical aerospace jobs in the past 13 years,” approximately 27 percent of the current aerospace workforce will be eligible to retire by 2008. Replacing researchers, engineers, technicians and support personnel is difficult because the cyclical nature of the industry inhibits new entrants who look for long-term stability and professional growth. “A consequence of this environment has been an overall aging of the aerospace workforce, which risks the loss of intellectual capital.”14 Many of those joining the ranks of the aerospace industry may not be adequately prepared. The Commission expressed alarm at declines in the quality of math, science and technology education in grades K-12 (Fig 4) and worried that our “system is doing an abysmal job of educating our children.”15 Clearly, any nation wishing to exercise leadership in space, no less to participate as a technologically based society, must invest in education stressing mathematics, science and technology. In the mid-1980s, the U.S. aerospace industry could boast that it dominated the aerospace market. This is no longer the case. Europe, Russia, Canada, Japan, China and Brazil are successfully challenging that position. These nations understand the importance of a workforce educated in engineering and technology. “Our policymakers,” the Commission warns, “need to acknowledge that the nation’s apathy toward developing a scientifically and technologically trained workforce is the equivalent of intellectual and industrial disarmament, and is a direct threat to our nation’s capability to continue as a world leader.”17 Wall Street Journal staff writers in a February 2003 article on the plight of NASA speculated that, “Many young people today with a technical bent are more entranced with the Internet or biotechnology than space exploration. Space travel, after all, was a fascination of their parents’ generation.” The reporters noted that NASA administrator Sean O’Keefe in testimony to the U.S. Congress in the Summer 2002 acknowledged the agency faced a critical skills shortage in space-shuttle and international space-station programs despite “active recruitment.”19 The current plight of the aerospace industry is in no way unique among U.S. high technology enterprises. Enrollments in science and engineering courses in U.S. colleges and universities peaked at nearly 450,000 in 1982 and have declined to around 350,000 as of the academic year 2002/2003. During the last decade and a half, the number of scientific and engineering jobs in the United States has increased by some 15 percent and the demand for technical personnel with at least some specialized skill has increased even more rapidly. The net result has been a shortage of people to fill skilled scientific, engineering and technical positions. A pattern has emerged of recruiting overseas by U.S. aerospace, engineering, scientific and high technology industries. The National Science Board of the National Science Foundation in its Science and Engineering Indicators 2002 Report noted a broad spectrum of problems and adverse trends in science and technology education that have been on-going for years. The urgency of these problems is heightened by the fact that organizations such as NASA, NIST and the Defense Department and many high technology industries are facing a situation where a sizeable percentage of their critical skills personnel will retire in the next five years. Further, women and minorities are underrepresented among college enrollments and college graduates in science and technology. Meanwhile the cost of college education continues to rise and new educational methods and on-line systems are being employed with varying results. For these reasons the National Space Education Workshop was held in March 2003. The goal of the Workshop sponsors and participants, which represented a very broad spectrum of professional organizations and institutes, universities, government agencies and industry groups, was to identify new directions, new solutions and new initiatives that could address the need for improved space education programs for coming decades.

#### Aerospace industry key to hegemony and economic leadership

Albaugh, board member at the National Defense Industrial Association, 11 [Jim Albaugh, April 26, 2011, Speech to Congress, “Keeping America’s Lead in Aerospace”]

Aerospace at a Crossroads I believe we’re at a crossroads. No one is ahead of America in aerospace, at least not yet. The U.S. is the undisputed leader. We build the most efficient and capable commercial airplanes in the world. The weapons systems we produce are unmatched, Our commercial and military satellites are phenomenal in what they can do, And our orbital manned space program – a program the United States will walk away from this year – is second to none. But our leadership is being threatened by other countries intent on replacing the U.S. as the world’s leader in aerospace. Today, we’re not trying to reclaim our lead. We’re trying to keep it. The question is: Will we take the steps required to maintain our leadership? Or will we allow aerospace and aviation to join the list of industries that America used to lead? Aerospace Makes America Strong To understand why that’s so important, we have to look at what aerospace has done for our country. I was fortunate enough to join this industry in the final quarter of a remarkable century. To me, American aerospace defined the 20th Century. It helped win World War II. It brought the world closer together with commercial air travel. It changed the way we communicate with commercial satellites. And, of course, it changed forever how we look at the world around us when man first walked on the Moon. I am also convinced that aerospace will define the 21st century. The question is, will it be U.S. aerospace that does it? That’s a critical question because what we do helps keep America strong. No industry has a bigger impact on exports. It tips the balance of trade in our favor by about $53 billion. President Obama has set the goal of doubling U.S. exports in five years. Aerospace will be essential to help us reach that goal. When you look at direct and secondary impacts, it's been estimated that U.S. civil aviation alone is responsible for 12 million jobs and contributes to more than 5 1/2 percent of the US GDP. The State of Aerospace So what does our commercial marketplace look like today? It’s vibrant, growing, challenging and rapidly changing. A Recovering Market The commercial aviation market has been roaring back the last 15 months, despite the impact of the worst recession since the Great Depression. At Boeing, we have a 7-year, $263 billion commercial airplane backlog. With air traffic increasing at a rate 1.5 times world GDP, the future looks good. Looking forward, we expect world GDP to grow at about 4 percent between 2011 and 2015. While not discounting events in Northern Africa, and the potential impact on the price of oil, the future looks good from a macro standpoint. Over the next 20 years, we see a need for 31,000 new airplanes. That’s a $3.6 trillion dollar market. It’s a market many countries and companies covet. That outlook is being shaped by many factors. I’d like to talk about a few of them: globalization, competition, and shifting demographics. Globalization Let’s talk first about globalization. The world is more interconnected, yet more complicated because of that interconnection. What happens in other areas of the world matters everywhere. We saw that with the earthquake in Japan. Despite the fact that our factories in Washington state are more than 4,000 miles from the epicenter, we felt the impact of that disaster. Tom Friedman was right; the world is flat. Globalization means our partners and customers are not just in the U.S.; they are around the world. And of course, globalization drives air traffic. In 1990, 72 percent of passenger traffic was in Europe and the Americas. By 2030, that number will be only 45 percent. Soon, over half of the world’s GDP will be coming from emerging countries. Increased Competition We’re also seeing increased competition. The traditional duopoly between Boeing and Airbus is over. Other countries and companies are attracted by the $3.6 trillion market I mentioned earlier… countries like China with Comac, Russia with Sukhoi, Canada with Bombardier and Brazil with Embraer. Not all the new entrants will be successful, but some of them will. We’ve got to assume our competitors will do what they say they’re going to do. They have the financial and intellectual resources necessary. Let me give you an example. The Chinese have made commercial aviation a national priority. They spent $5 billion on a regional jet. It didn’t meet market expectations. They are now developing the C-919, a narrow-body airplane to compete with the 737. It will be competitive in China. Eventually, Chinese airplanes will compete around the world. China is investing $30 billion in this industry. They’re one of only three countries to put a man into space and once they make something a national priority, they make it happen. At the same time, China is the largest market outside the United States for many companies – including Boeing. And the desire for market access has convinced many American executives to share technologies that may one day help Chinese companies compete around the world for the same business. We have to be very mindful in balancing those risks and potential rewards, not only in China, but around the globe. It’s interesting that China has moved from customer/supplier to customer/competitor in four short decades representing both opportunity and challenge. This should not scare us. It should focus us. Changing Military Threats Meanwhile, military threats have also evolved. During the Cold War, we knew who our enemies were, and we trusted them not to use weapons of mass destruction. Today we often don't know who they are, but we know that if given the chance to use deadly weapons they will. As a result of this shifting dynamic, the needs of our military have evolved. Our armed forces must prepare for nontraditional threats, and that’s changing the mix of platforms and priorities the DoD is seeking.

#### Aerospace industry key to hegemony

Walker et al, 02 - Chair of the Commission on the Future of the US Aerospace Industry Commissioners (Robert, Final Report of the Commission on the Futureof the United States Aerospace Industry Commissioners, November, <http://www.trade.gov/td/aerospace/aerospacecommission/AeroCommissionFinalReport.pdf>)

Defending our nation against its enemies is the first and fundamental commitment of the federal govern-ment.2 This translates into two broad missions—Defend America and Project Power—when and where needed.

In order to defend America and project power, the nation needs the ability to move manpower, materiel, intelligence information and precision weaponry swiftly to any point around the globe, when needed. This has been, and will continue to be, a mainstay of our national security strategy. The events of September 11, 2001 dramatically demonstrated the extent of our national reliance on aerospace capabilities and related military contribu-tions to homeland security. Combat air patrols swept the skies; satellites supported real-time communica-tions for emergency responders, imagery for recov- ery, and intelligence on terrorist activities; and the security and protection of key government officials was enabled by timely air transport. As recent events in Afghanistan and Kosovo show, the power generated by our nation’s aerospace capa-bilities is an—and perhaps the—essential ingredient in force projection and expeditionary operations. In both places, at the outset of the crisis, satellites and reconnaissance aircraft, some unmanned, provided critical strategic and tactical intelligence to our national leadership. Space-borne intelligence, com-mand, control and communications assets permitted the rapid targeting of key enemy positions and facil-ities. Airlifters and tankers brought personnel, materiel, and aircraft to critical locations. And aerial bombardment, with precision weapons and cruise missiles, often aided by the Global Positioning System (GPS) and the Predator unmanned vehicle, destroyed enemy forces. Aircraft carriers and their aircraft also played key roles in both conflicts. Today’s military aerospace capabilities are indeed robust, but at significant risk. They rely on platforms and an industrial base—measured in both human capital and physical facilities—that are aging and increasingly inadequate. Consider just a few of the issues: • Much of our capability to defend America and project power depends on satellites. Assured reli-able access to space is a critical enabler of this capa-bility. As recently as 1998, the key to near- and mid-term space access was the Evolved Expendable Launch Vehicle (EELV), a development project of Boeing, Lockheed Martin and the U. S. Air Force. EELV drew primarily on commercial demand to close the business case for two new launchers, with the U.S. government essentially buying launches at the margin. In this model, each company partner made significant investments of corporate funds in vehicle development and infrastructure, reducing the overall need for government investment. Today, however, worldwide demand for commer-cial satellite launch has dropped essentially to nothing—and is not expected to rise for a decade or more—while the number of available launch platforms worldwide has proliferated. Today, therefore, the business case for EELV simply does not close, and reliance on the economics of a com-mercially-driven market is unsustainable. A new strategy for assured access to space must be found. • The U.S. needs unrestricted access to space for civil, commercial, and military applications. Our satellite systems will become increasingly impor- tant to military operations as today’s information revolution, the so-called “revolution in military affairs,” continues, while at the same time satellites will become increasingly vulnerable to attack as the century proceeds. To preserve critical satellite net-works, the nation will almost certainly need the capability to launch replacement satellites quickly after an attack. One of the key enablers for “launch on demand” is reusable space launch, and yet within the last year all work has been stopped on the X-33 and X-34 reusable launch programs • The challenge for the defense industrial base is to have the capability to build the base force struc-ture, support contingency-related surges, provide production capacity that can increase faster than any new emerging global threat can build up its capacity, and provide an “appropriate” return to shareholders. But the motivation of government and industry are different. This is a prime detrac-tion for wanting to form government-industry partnerships. Industry prioritizes investments toward near-term, high-return, and high-dollar programs that make for a sound business case for them. Government, on the other hand, wants to prioritize investment to ensure a continuing capa-bility to meet any new threat to the nation. This need is cyclical and difficult for businesses to sus-tain during periods of government inactiv-ity. Based on the cyclic nature of demand, the increasing cost/complexity of new systems, and the slow pace of defense modernization, aerospace companies are losing market advantages and the sector is contracting. Twenty-two years ago, today’s “Big 5” in aerospace were 75 separate companies, as depicted by the historical chart of industry con-solidation shown in Chapter 7. • Tactical combat aircraft have been a key compo-nent of America’s air forces. Today, three tactical aircraft programs continue: the F/A-18E/F (in production), the F/A-22 (in a late stage of test and evaluation), and the F-35 Joint Strike Fighter (just moving into system design and development). Because of the recentness of these programs, there are robust design teams in existence. But all of the initial design work on all three programs will be completed by 2008. If the nation were to con- clude, as it very well may, that a new manned tac- tical aircraft needs to be fielded in the middle of this century, where will we find the experienced design teams required to design and build it, if the design process is in fact gapped for 20 years or more? • More than half of the aerospace workforce is over the age of 404, and the average age of aerospace defense workers is over 50.5Inside the Department of Defense (DoD), a large percent of all scientists and engineers will be retirement eligible by 2005. Given these demographics, there will be an exodus of “corporate knowledge” in the next decade that will be difficult and costly to rebuild once it is lost. There will be a critical need for new engineers, but little new work to mature their practical skill over the next several decades. Further, enrollment in aerospace engineering programs has dropped by 47 percent in the past nine years6, and the interest and national skills in mathematics and science are down. Defense spending on cutting-edge work is at best stable, and commercial aircraft programs are struggling and laying workers off. As the DoD’s recent Space Research and Development (R&D) Industrial Base Study7 concluded, “[s]ustaining a talented workforce of sufficient size and experience remains a long-term issue and is likely to get worse.” In short, the nation needs a plan to attract, train and maintain a skilled, world-class aerospace workforce, but none currently exists. • The current U.S. research, development, test and evaluation (RDT&E) infrastructure has a legacy dating back to either World War II or the expan- sion during the Space Age in the 1960s. It is now suffering significantly from a lack of resources required for modernization. In some cases, our nation’s capabilities have atrophied and we have lost the lead, as with our outdated wind tunnels, where European facilities are now more modern and efficient. In the current climate, there is inad- equate funding to modernize aging government infrastructure or build facilities that would support the development of new transformational capabil- ities, such as wind tunnels needed to design and test new hypersonic vehicles. The aerospace indus-try must have access to appropriate, modern facil- ities to develop, test and evaluate new systems. Throughout this dynamic and challenging environ-ment, one message remains clear: a healthy U.S. aerospace industry is more than a hedge against an uncertain future. It is one of the primary national instruments through which DoD will develop and obtain the superior technologies and capabilities essential to the on-going transformation of the armed forces, thus maintaining our position as the world’s preeminent military power.

#### <INSERT HEG IMPACT>

## Bank Helps States xtensions

#### States are cutting programs in the squo, federal action key

MCNICHOL ET AL ’12 – Elizabeth McNichol- M.A. in Political Science University of Chicago. Senior Fellow specializing in state fiscal issues including methods of examining state budget processes and long-term structural reform of state budget and tax systems, served as Assistant Research Director of the Service Employees International Union in Washington, D.C. was a staff member of the Joint Finance Committee for the State of Wisconsin Legislature specializing in property taxes and state aid to local governments, AND\*\*\* Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development; AND\*\*\* Phil Oliff - Policy Analyst with the State Fiscal Project; Masters degree in Public Policy from Harvard University’s John F. Kennedy School of Government (Elizabeth, Nicholas Johnson, Phil Oliff, “ States Continue to Feel Recession’s Impact “, March 21, http://www.cbpp.org/cms/index.cfm?fa=view&id=711)

In states facing budget gaps, the consequences are severe in many cases — for residents as well as the economy. To date, budget difficulties have led at least 46 states to reduce services for their residents, including some of their most vulnerable families and individuals. [4] More than 30 states have raised taxes to at least some degree, in some cases quite significantly. If revenue remains depressed, as is expected in many states, additional spending and service cuts are likely. Indeed a number of states that budget on a two-year basis have already made substantial cuts to balance their budgets for fiscal year 2013. Budget cuts often are more severe later in a state fiscal crisis, after largely depleted reserves are no longer an option for closing deficits. Spending cuts are problematic during an economic downturn because they reduce overall demand and can make the downturn deeper. When states cut spending, they lay off employees, cancel contracts with vendors, eliminate or lower payments to businesses and nonprofit organizations that provide direct services, and cut benefit payments to individuals. In all of these circumstances, the companies and organizations that would have received government payments have less money to spend on salaries and supplies, and individuals who would have received salaries or benefits have less money for consumption. This directly removes demand from the economy. Tax increases also remove demand from the economy by reducing the amount of money people have to spend. However to the extent these increases are on upper-income residents, that effect is minimized. This is because these residents tend to save a larger share of their income, and thus much of the money generated by a tax increase on upper income residents comes from savings and so does not diminish economic activity. At the state level, a balanced approach to closing deficits — raising taxes along with enacting budget cuts — is needed to close state budget gaps in order to maintain important services while minimizing harmful effects on the economy. Ultimately, the actions needed to address state budget shortfalls place a considerable number of jobs at risk. The roughly $49 billion shortfall that states are facing for fiscal year 2013 equals about 0.32 percent of GDP. Assuming that economic activity declines by one dollar for every dollar that states cut spending or raise taxes, and based on a rule of thumb that a one percentage point loss of GDP costs the economy 1 million jobs, the state shortfalls projected to date could prevent the creation of 320,000 public- and private-sector jobs next year. The Role of the Federal Government Federal assistance lessened the extent to which states needed to take actions that further harmed the economy. The American Recovery and Reinvestment Act (ARRA), enacted in February 2009, included substantial assistance for states. The amount in ARRA to help states maintain current activities was about $135 billion to $140 billion over a roughly 2½-year period — or between 30 percent and 40 percent of projected state shortfalls for fiscal years 2009, 2010, and 2011. Most of this money was in the form of increased Medicaid funding and a "State Fiscal Stabilization Fund." (There were also other streams of funding in the Recovery Act flowing through states to local governments or individuals, but these will not address state budget shortfalls.) This money reduced the extent of state spending cuts and state tax and fee increases. In addition, H.R. 1586 — the August 2010 jobs bill — extended enhanced Medicaid funding for six months, through June 2011, and added $10 billion to the State Fiscal Stabilization Fund. Even with this extension, federal assistance largely ended before state budget gaps had fully abated. The Medicaid funds expired in June 2011, the end of the 2011 fiscal year in most states,[5] and states had drawn down most of their State Fiscal Stabilization Fund allocations by then as well. So even though significant budget gaps remained in 2012, there was little federal money available to close them. Partially as a result, states' final 2012 budgets contain some of the deepest spending cuts since the start of the recession. One way to avert these kinds of cuts, as well as additional tax increases, would have been for the federal government to reduce state budget gaps by extending the Medicaid funds for as long as state fiscal conditions are expected to be problematic. But far from extending this aid, federal policymakers are moving ahead with plans to cut ongoing federal funding for states and localities, thereby making state fiscal conditions even worse. The federal government has already cut non-defense discretionary spending by nine percent in real terms since 2010. Discretionary spending caps established in the federal debt limit deal this past summer will result in an additional six percent cut by the end of the next decade. The additional cut by the end of the next decade would grow to 11 percent if sequestration — the automatic, across the board cuts also established in the debt limit deal — is allowed to take effect. Fully *one-third* of non-defense discretionary spending flows through state and local governments in the form of funding for education, health care, human services, law enforcement, infrastructure, and other services that states and localities administer. Large cuts in federal funding to states and localities would worsen state budget problems, deepen the size of cuts in spending, increase state taxes and fees, and thus slow economic recovery even further than is already likely to occur.

## Education I/L extensions

#### States are cutting programs, especially education

Leachman, director of State Fiscal Research, 11 [July 28, Michael Leachman is Director of State Fiscal Research with the State Fiscal Policy division of the Center, which analyzes state tax and budget policy decisions and promotes sustainable policies that take into account the needs of families of all income levels. Since joining the Center in 2009, Leachman has researched a range of state fiscal policy issues including the impact of federal aid, the debt states owe in their Unemployment Insurance trust funds, and the wisdom of state spending limits. Prior to joining the Center, he was a policy analyst for nine years at the Oregon Center for Public Policy (OCPP), a member of the State Fiscal Analysis Initiative. His work at OCPP included research on corporate income taxes, reserve funds, spending limits, the Earned Income Tax Credit, food stamps, and TANF. Earlier in his career, Leachman worked as a community organizer in Chicago and, during graduate school, conducted a range of research projects in collaboration with community organizations. Leachman holds a Ph.D. in sociology from Loyola University Chicago. Oliff joined the Center in September 2007 as a Policy Analyst with the State Fiscal Project. His work includes tracking state revenue collections and property tax issues, among other areas. <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CFUQFjAB&url=http%3A%2F%2Fwww.cbpp.org%2Ffiles%2F7-26-11sfp.pdf&ei=2u7sT4iMH4rE0AHLrszoDQ&usg=AFQjCNFfIedQUF2iYtUxMl5h6mCu-MnGTg&sig2=4A4zBBZJFBU-BP4nveDFuA>, Center on Budget and Policy Priorities]

The cumulative effect of four consecutive years of lagging revenues has led to budget-cutting of historic proportions. An analysis of newly enacted state budgets shows that budget cuts will hit education, health care, and other state-funded services harder in the 2012 fiscal year – which started July 1, 2011 – than in any year since the recession began. Of the 47 states with newly enacted budgets, 38 or more states are making deep, identifiable cuts in K-12 education, higher education, health care, or other key areas in their budgets for fiscal year 2012. Even as states face rising numbers of children enrolled in public schools, students enrolled in universities, and seniors eligible for services, the vast majority of states (37 of 44 states for which data are available) plan to spend less on services in 2012 than they spent in 2008 – in some cases, much less. These cuts will slow the nation’s economic recovery and undermine efforts to create jobs over the next year.

## NANOTECH AWESOME IMPACT ADD ON THAT IS TOTALLY AWESOME

#### Aerospace industry spurs nanotechnology growth

Agee, PHD nanotech researcher at Rice University, ‘8 [ "Nanotechnology for aerospace: potential transitions from university research". http://dx.doi.org/10.1117/12.776736]

Nanotechnology is expected to provide the fundamental basis of the next two generations of products and processes. Impacts for applications are already being felt in many fields, and there is interest especially in the aerospace industry, where performance is a major driver of decisions for applications. Four areas are receiving special emphasis in a program aimed at the Air Force's strategic focus on materials. The emphasis includes adaptive coatings and surface engineering, nanoenergetics, electromagnetic sensors, and power generation and storage. Seven universities in Texas have initiated the CONTACT program of focused research including nine projects in the first year, with plans for expansion in subsequent years. This paper discusses the focus, progress, and plans for the second year and opportunities for industry input to the scope and content of the research. A new model for the creation and guidance of research programs for industry is presented. The new approach includes interaction with the aerospace industry and the Air Force that provides a focus for the research. Results to date for the new method and for the research are presented. A discussion of nanoengineering technology transition into the aerospace industry highlights the mechanisms for enhancing the process and for dealing with intellectual property.

#### Nanotechnology deters Chinese attack

Jacobson, technology expert for Manufacturing and Technology News, ‘5 (Ken Jacobson, “Lack Of Manufacturing Base Imperils U.S. Lead In Nanotechnology”, 12:3, 7-8, http://www.manufacturingnews.com/news/05/0708/art1.html)

Nanotechnology, often touted as a key to maintaining the United States' global lead in industrial productivity, is far from a sure thing for the U.S., according to the warnings of experts who last week offered lawmakers varying assessments of the likelihood that the country will be able to capture nano's economic benefits and varying prescriptions for doing so. "The manufacturing train has already left the station" in some fields of nanomaterials, Matthew Nordan of New York-based Lux Research Inc. told the House Science Subcommittee on Research at a June 29 hearing titled "Nanotechnology: Where Does the U.S. Stand?" Any revitalization of the U.S. manufacturing base through nanotechnology could end up limited to "pilot-scale manufacturing and manufacturing where specific skills are required," he testified, characterizing these activities as "generally low volume." When it comes to the production of more basic nanoproducts, he stated, "the U.S.'s economic opportunity is in coming up with the ideas that may be implemented in manufacturing plants on other shores." Nordan's fellow witnesses -- venture capitalist Floyd Kvamme, who co-chairs the President's Council of Advisors on Science and Technology (PCAST), and Sean Murdock, executive director of the nanotechnology policy and commercialization advocacy group NanoBusiness Alliance -- appeared less "prepared to cede the manufacturing of nanotechnology-enabled products here in the United States," as Murdock put it. But the three did agree in their fundamental assessment of the present: All view the United States as the world leader in nanotechnology up to now, and all regard its lead as imperiled. Kvamme, citing an estimate contained in the review of the National Nanotechnology Initiative (NNI) published by PCAST in May, testified that the $1 billion in federal funding for nano R&D in Fiscal Year 2005 "is roughly one-quarter of the current global investment by all nations." He placed the U.S.'s overall annual nano R&D effort at $3 billion, "one-third of the approximately $9 billion in total worldwide spending by the public and private sectors." Additionally, the U.S. "leads in the number of start-up companies based on nanotechnology and in research output as measured by patents and publications." Still, Kvamme said, the U.S. is coming under "increased competitive pressure," as "other countries are aggressively chasing [its] leadership position," both by beefing up coordinated national programs and by focusing investments on "areas of existing national economic strength." The U.S. lead in patents and publications, he added, "appears to be slipping." According to Nordan, whose company's figures were cited repeatedly by PCAST it its report, even the U.S.'s current R&D spending lead is open to question. On the basis of purchasing-power parity, 2004 government spending on nano R&D in the U.S., at $5.42 per capita, came in below South Korea's $5.62, Japan's $6.30, and Taiwan's $9.40. "The $130 million in estimated government spending on nanotech last year in China equaled $611 million at purchasing-power parity, or 38 percent of U.S. expenditure," Nordan noted. That nations like China are free to direct "initial capital investments toward the instrumentation needed for nanotechnology research, without having to maintain technology infrastructures and skill sets that were cutting-edge 20 years ago" could add to the comparative bang they're getting for their bucks. A figure cited in Murdock's testimony seems to corroborate this assumption. In the period January to August 2004, China led the world in research papers on nanotechnology, presenting 14 percent more than the U.S. And while the U.S., according to the NanoBusiness Alliance's database, accounted for 613 of 1,175 companies worldwide that are "involved with nanotechnology," Murdock said that "if one is to believe the announcements made at the ChinaNano2005 trade expo," China now has almost 800 such companies. Keeping the edge in R&D is critical to Nordan because he believes that, for the U.S., the economic advantage to be derived from nanotechnology begins and ends with intellectual property (IP). He pointed to Japan's Frontier Carbon, whose 40-ton-per-year capacity for the manufacture of fullerenes, based on a process licensed from an MIT spinoff company, surpasses last year's total world demand by more than 25 times. "It's unlikely," he told the subcommittee, "that you're going to find U.S.-based companies investing that far ahead of demand in order to attain manufacturing dominance" in basic nanomaterials. The U.S. cannot maintain an edge, he argued, by offering "low labor costs or tax advantages for capital investment in manufacturing facilities" in an attempt to "go toe-to-toe against...countries that have more runway to go down in terms of economic development based on nanotechnology." Nor, he said, can it prevent the transfer overseas of research, whether "through a patent process [or] to a country that perhaps does not have the respect for intellectual property rights that Western European and U.S. nations hold." Instead, the U.S. should seek "to have an unremitting, relentless flow of novel ideas that take time and keep us continually two, three, five years ahead of what other countries can attain," Nordan maintained. "The achievement that we can drive toward is to always be ahead and always be first to market with those novel ideas, and through that I think we'll attain economic rewards."

## AT T Investment – Includes PPP

#### 1. We meet – the plan would include grants and expenditures

### 2. Counter interpretation - Federal investment includes public-private partnerships --- narrower interpretations distort the topic

Heller 9 (Peter S., Former Deputy Director of the Fiscal Affairs Department – International Monetary Fund and Currently Senior Adjunct Professor of International Economics – Paul H. Nitze School of Advanced International Studies at The Johns Hopkins University, “Public Investment: Vital for Growth and Renewal, But Should it be a Countercyclical Weapon?”,<http://www.unctad.org/en/Docs/webdiae20091_en.pdf>)

While any capital outlay of a government would be defined as “public investment” in normal budgetary classification terms, this approachsidesteps a number of important conceptual issues. First, from a normative public finance perspective, the reason that governments spend on public assets is because some form of market failure is present that either leads to inefficient provision by the private sector or entails excess rents to a private producer. Specifically, the asset gives off externalities, positive or negative, or the asset is a “public good,” whose services are subject to “nonrivalness” in consumption or where it is difficult to exclude potential consumers. Or, there are economies of scale involved, such that a natural monopoly situation would be entailed, justifying either public provision or regulation of a private monopoly. Many kinds of infrastructural networks are subject to such natural monopoly conditions.

Moreover, the public sector’s role in public investment is not limited to its own budgetary spending. A simple focus on government outlays may yield too narrow a picture of the level of public investments and more importantly, a too restricted perspective on the potential role played by governments with regard to the provision of public infrastructure. Most obviously, when the government collaborates in a public-private partnership (PPP), most outlays will normally be made by private sector entities. Yet the purpose of these outlays would be to provide goods or services for which there is justified public involvement. And the government’s role in relation to the PPP arrangement—in terms of monitoring, regulation, risk bearing, and ultimately purchaser of the asset (long in the future perhaps but part of the PPP contractual terms)—will still remain prominent.

Similarly, in cases where the private sector invests in the production of goods characterized by natural monopoly conditions, government regulatory involvement is called for. In other spheres of private investment, a government regulatory or planning role may also be fundamental in order to take account of public policy objectives (in the case of externalities), though such investments would still be recognized as private.

The challenge of classifying public investment is rendered even more complex in the context of privatization efforts, where the sale of a government asset is classified, in budgetary terms, as a “negative investment,” though in fact the transaction simply represents a reclassification of ownership.  The complexities of measuring public investment and the changes in the definitions that have occurred over time has led the OECD, in its recent effort to analyze the linkage between public investment and growth, to rely on indicators of physical stock rather than measures of the financial value of public investment or the net value of its capital stock. Rather than being misled by a narrow budgetary classification, what is important to recognize are the ways in which governments have a responsibility in the creation of capital goods and their need to intervene, particularly when market failure leads to underspending on goods vital for the realization of public policy objectives.

3. Prefer

a. Their interpretation is about a Net Investment – the word net is not in the resolution – the only reason they have a more limiting interpretation is because they shift the focus of the topic to be about net investments rather than investments

b. Core of the topic – only we access topic specific education – there are multiple infrastructure bills being debated now – one that is solely targeted for transportation – their interpretation is the worst aspect of race to the bottom

c. ground – only our interpretation guarantees adequate ground for both sides without limiting aff flexibility – no offense for them

d. limits – neg loses no core arguments. Don’t let them say we overlimit

e. default to reasonability – competing interpretations results in a race to the bottom – don’t vote on potential abuse