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## Contention one: Inherency

##### **No national infrastructure bank exists in the status quo – Obama’s pleas 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?

## Contention two: The Economy

### Scenario one: Competitiveness

#### **Current transportation infrastructure ensures loss of competitiveness – now is the key time to invest**

McConaghy & Kessler, 11 (Ryan McConaghy and Jim Kessler, Director of the Third Way Economic Program, and Vice President for Policy at Third Way, January 2011, “Hearing on Infrastructure Banks,”http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf, ESW)

America’s infrastructure gap poses a serious threat to our prosperity. In 2009, the amount of waste due to congestion equaled 4.8 billion hours (equivalent to 10 weeks worth of relaxation time for the average American) and 3.9 billion gallons of gasoline, costing $115 billion in lost fuel and productivity. 13 Highway bottlenecks January 2011 A National Infrastructure Bank - 3 The Economic Program www.ThirdWay.org are estimated to cost freight trucks about $8 billion in economic costs per year, 14 and in 2006, total logistics costs for American businesses increased to 10% of GDP. 15 Flight delays cost Americans $9 billion in lost productivity each year, 16 and power disruptions caused by an overloaded electrical grid cost between $25 billion and $180 billion annually. 17 These losses sap wealth from our economy and drain resources that could otherwise fuel recovery and growth. The infrastructure gap also hinders America’s global competitiveness. Logistics costs for American business are on the rise, but similar costs in countries like Germany, Spain, and France are set to decrease. 18 And while America’s infrastructure spending struggles to keep pace, 19 several main global competitors are poised to make significant infrastructure enhancements. China leads the world with a projected $9 trillion in infrastructure investments slated for the next ten years, followed by India, Russia, and Brazil. 20 In a recent survey, 90% of business executives around the world indicated that the quality and availability of infrastructure plays a key role in determining where they do business. 21 If America is going to remain on strong economic footing compared to its competitors, it must address its infrastructure challenges.

#### **Only the plan solves – innovative funding solutions are key**

Lonardo, Congressional Press Secretary, 2011 (Sara Lonardo, 1/24/11, “DeLauro, Colleagues Introduce Job-Creating National Infrastructure Development Bank Act,” http://delauro.house.gov/release.cfm?id=3023, ESW)

With today's budget constraints, innovative financing solutions are needed to invest in critical infrastructure projects, a key component to a national growth strategy that creates good middle class jobs at a time of unacceptably high unemployment and spurs economic growth to allow us to compete with other economic power centers around the globe. A National Infrastructure Bank would enable us to expand and enhance our existing infrastructure, and make the critical investments in the modern infrastructure systems needed to compete at the highest levels of the global economy,” said Congresswoman Rosa DeLauro. “Now is the time to invest in our nation, building better infrastructure systems and a stronger economy. I look forward to working with my colleagues and the President to make this bank a reality.” "Priority number one for this Congress must be creating jobs and lowering unemployment," said Congressman Keith Ellison (Minneapolis). "A National Infrastructure Development Bank is designed to simultaneously rehabilitate our crumbling roads and bridges and put America back to work," Ellison concluded. “At a time when our nation's infrastructure is badly in need of repair, the creation of this bank will help us turn potholes into jobs and private ingenuity into public benefit,” said Congressman Anthony Weiner. “This bill would bring Congress off the sidelines to help solve this problem without increasing the deficit.” "We are in a fierce global competition with China, and right now they are pulling ahead, in part because of their investments in infrastructure. They're not winning the space race, they're winning the ground game. They have invested more than $200 billion into high speed rail. They're building 97 new airports. I refuse to accept second place to China. A National Infrastructure Development Bank will provide a sustainable source of revenue from unique public private partnerships and rebuild America. I'm proud to again join Congresswoman DeLauro, Congressman Ellison and Congressman Weiner in sponsoring this job-creating legislation," said Congressman Steve Israel.

#### Global competitiveness is on the brink – the plan ensures a long term solution

Rep. DeLauro, Congresswoman, 2011 (Rosa DeLauro, 6/21/11, “DeLauro: Now Is the Time for a National Infrastructure Bank to Build Roads,” http://www.rollcall.com/features/Transportation-2011\_Policy-Briefing/policy\_briefings/Rosa-DeLauro-National-Infrastructure-Bank-207558-1.html, ESW)

As the debt ceiling talks reach a crescendo, President Barack Obama is rightly pointing out that we need to pursue policies that put Americans back to work. He rightly continues to call on Congress to pass legislation creating a national infrastructure bank that could build roads, [and] ports, schools, broadband lines and smart-energy grids. I have long championed legislation to create a national infrastructure bank and strongly agree that now is the time to establish such an entity as part of a national growth strategy. Every day we fail to do so is another day we lose our edge to global competitors in China, India, Brazil, Europe and elsewhere who are investing far more heavily in 21st-century infrastructure. My proposal recognizes that current financing options are not enough to meet what the American Society of Civil Engineers identifies as a $2.2 trillion infrastructure investment deficit. It represents a new way to fund our nation’s critical projects at a time when fiscal constraints at all levels of government are making financing projects by conventional means difficult. The bank I propose would leverage private investment toward public infrastructure by issuing federal bonds to institutional investors, such as pension funds looking for low-risk and long-term investments, and then using the proceeds to provide loans and loan guarantees to fund projects. In addition, the bank would encourage public-private partnerships in which the private sector could partner with regional, state or local governments to borrow from the bank, while adding its own private equity to a given project. The bank would also depoliticize our investment decisions, providing financing to transportation, water, energy and telecommunications projects of regional and national significance with clear economic, environmental and social benefits. It would finance projects with identifiable and reliable revenue streams, allowing it to become a self-sustaining entity that does not have to rely on federal funding. The concept has broad support from the business, finance and labor communities, as well as mayors and governors from across the country. A bipartisan counterpart to my bill has laudably been introduced by Sens. John Kerry (D-Mass.) and Kay Bailey Hutchison (R-Texas). Yet, the House majority has not made infrastructure investment a priority. While China plans to invest $1 trillion in high-speed rail, highways and other infrastructure in five years, the chairman of the House Transportation and Infrastructure Committee recently unveiled an outline for an approximately $230 billion, six-year surface transportation bill that the U.S. Chamber of Commerce called “unacceptable,” as it would destroy jobs and drag down the gross domestic product. This has left those who are serious about infrastructure investment to think outside the box for ways to capitalize a bank. One idea that has gained traction of late is to pursue a “repatriation” tax holiday, which would allow U.S. multinational corporations to bring overseas profits home at a lower tax rate, rather than at the usual 35 percent rate, and to use the incoming revenue to capitalize a bank. Unfortunately, the downsides to this idea appear to outweigh the benefits. Repatriation was tried in 2004, and it did nothing then to create jobs or promote economic growth. In fact, companies benefiting from the holiday used the repatriated funds to line the pockets of shareholders while some actually laid off workers. Moreover, the nonpartisan Joint Committee on Taxation estimates that repatriation would add billions to the deficit because, in part, it would further incentivize corporations to keep more of their profits overseas in wait of another holiday. Moving jobs offshore to finance a bank that would create jobs at home is counterproductive. Yet, for the 14 million people unemployed in this country, we must find a way, through the tax code or otherwise, to capitalize a national infrastructure bank. Doing so is critical for creating jobs, fostering economic growth that allows us to compete globally and helping to rebuild America. Now is the time to make this vital investment in our nation’s future.

#### Competitiveness and economic growth is vital to prevent the collapse of U.S. hegemony – the impact is great power war

Khalilzad 11 — Zalmay Khalilzad, Counselor at the Center for Strategic and International Studies, served as the United States ambassador to Afghanistan, Iraq, and the United Nations during the presidency of George W. Bush, served as the director of policy planning at the Defense Department during the Presidency of George H.W. Bush, holds a Ph.D. from the University of Chicago, 2011 (“The Economy and National Security,” *National Review*, February 8th, Available Online at http://www.nationalreview.com/articles/print/259024, Accessed 02-08-2011)

Today, economic and fiscal trends pose the most severe long-term threat to the United States’ position as global leader. While the United States suffers from fiscal imbalances and low economic growth, the economies of rival powers are developing rapidly. The continuation of these two trends could lead to a shift from American primacy toward a multi-polar global system, leading in turn to increased geopolitical rivalry and even war among the great powers.

The current recession is the result of a deep financial crisis, not a mere fluctuation in the business cycle. Recovery is likely to be protracted. The crisis was preceded by the buildup over two decades of enormous amounts of debt throughout the U.S. economy — ultimately totaling almost 350 percent of GDP — and the development of credit-fueled asset bubbles, particularly in the housing sector. When the bubbles burst, huge amounts of wealth were destroyed, and unemployment rose to over 10 percent. The decline of tax revenues and massive countercyclical spending put the U.S. government on an unsustainable fiscal path. Publicly held national debt rose from 38 to over 60 percent of GDP in three years.

Without faster economic growth and actions to reduce deficits, publicly held national debt is projected to reach dangerous proportions. If interest rates were to rise significantly, annual interest payments — which already are larger than the defense budget — would crowd out other spending or require substantial tax increases that would undercut economic growth. Even worse, if unanticipated events trigger what economists call a “sudden stop” in credit markets for U.S. debt, the United States would be unable to roll over its outstanding obligations, precipitating a sovereign-debt crisis that would almost certainly compel a radical retrenchment of the United States internationally.

Such scenarios would reshape the international order. It was the economic devastation of Britain and France during World War II, as well as the rise of other powers, that led both countries to relinquish their empires. In the late 1960s, British leaders concluded that they lacked the economic capacity to maintain a presence “east of Suez.” Soviet economic weakness, which crystallized under Gorbachev, contributed to their decisions to withdraw from Afghanistan, abandon Communist regimes in Eastern Europe, and allow the Soviet Union to fragment. If the U.S. debt problem goes critical, the United States would be compelled to retrench, reducing its military spending and shedding international commitments.

We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The closing of the gap between the United States and its rivals could intensify geopolitical competition among major powers, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation.

The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. leadership. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars.

American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions.

As rival powers rise, Asia in particular is likely to emerge as a zone of great-power competition. Beijing’s economic rise has enabled a dramatic military buildup focused on acquisitions of naval, cruise, and ballistic missiles, long-range stealth aircraft, and anti-satellite capabilities. China’s strategic modernization is aimed, ultimately, at denying the United States access to the seas around China. Even as cooperative economic ties in the region have grown, China’s expansive territorial claims — and provocative statements and actions following crises in Korea and incidents at sea — have roiled its relations with South Korea, Japan, India, and Southeast Asian states. Still, the United States is the most significant barrier facing Chinese hegemony and aggression.

Given the risks, the United States must focus on restoring its economic and fiscal condition while checking and managing the rise of potential adversarial regional powers such as China. While we face significant challenges, the U.S. economy still accounts for over 20 percent of the world’s GDP. American institutions — particularly those providing enforceable rule of law — set it apart from all the rising powers. Social cohesion underwrites political stability. U.S. demographic trends are healthier than those of any other developed country. A culture of innovation, excellent institutions of higher education, and a vital sector of small and medium-sized enterprises propel the U.S. economy in ways difficult to quantify. Historically, Americans have responded pragmatically, and sometimes through trial and error, to work our way through the kind of crisis that we face today.

The policy question is how to enhance economic growth and employment while cutting discretionary spending in the near term and curbing the growth of entitlement spending in the out years. Republican members of Congress have outlined a plan. Several think tanks and commissions, including President Obama’s debt commission, have done so as well. Some consensus exists on measures to pare back the recent increases in domestic spending, restrain future growth in defense spending, and reform the tax code (by reducing tax expenditures while lowering individual and corporate rates). These are promising options.

The key remaining question is whether the president and leaders of both parties on Capitol Hill have the will to act and the skill to fashion bipartisan solutions. Whether we take the needed actions is a choice, however difficult it might be. It is clearly within our capacity to put our economy on a better trajectory. In garnering political support for cutbacks, the president and members of Congress should point not only to the domestic consequences of inaction — but also to the geopolitical implications.

As the United States gets its economic and fiscal house in order, it should take steps to prevent a flare-up in Asia. The United States can do so by signaling that its domestic challenges will not impede its intentions to check Chinese expansionism. This can be done in cost-efficient ways.

While China’s economic rise enables its military modernization and international assertiveness, it also frightens rival powers. The Obama administration has wisely moved to strengthen relations with allies and potential partners in the region but more can be done.

Some Chinese policies encourage other parties to join with the United States, and the U.S. should not let these opportunities pass. China’s military assertiveness should enable security cooperation with countries on China’s periphery — particularly Japan, India, and Vietnam — in ways that complicate Beijing’s strategic calculus. China’s mercantilist policies and currency manipulation — which harm developing states both in East Asia and elsewhere — should be used to fashion a coalition in favor of a more balanced trade system. Since Beijing’s over-the-top reaction to the awarding of the Nobel Peace Prize to a Chinese democracy activist alienated European leaders, highlighting human-rights questions would not only draw supporters from nearby countries but also embolden reformers within China.

Since the end of the Cold War, a stable economic and financial condition at home has enabled America to have an expansive role in the world. Today we can no longer take this for granted. Unless we get our economic house in order, there is a risk that domestic stagnation in combination with the rise of rival powers will undermine our ability to deal with growing international problems. Regional hegemons in Asia could seize the moment, leading the world toward a new, dangerous era of multi-polarity.

#### **NIB Is Key to US Competitiveness and solves current economic trends – guarantees safe investment opportunities**

Congressional Digest, Time-honored Impartial source for Information, 2009 (“Should Congress Pass the National Infrastructure Bank Act?” web.ebscohost.com, ESW)

The issue of investing in public infrastructure and the state of our ailing public infrastructure is a very real issue that demands our immediate attention. That is why I am so happy to appear before the committee today to discuss the National Infrastructure Bank proposal (H.R. 3401) that I have introduced along with Representative Barney Frank [D] of Massachusetts. This legislation would create an independent national bank with an initial outlay of up to $60 billion in tax credit bonds. The bank would also be able to receive private capital and, hence, would be able potentially to leverage millions of private dollars. The bank is modeled after the European Investment Bank, whose financing of public projects has created one of the most modern and efficient transportation infrastructure systems the world has ever seen. The Infrastructure Bank would not displace existing formula grants or earmarks for infrastructure. It would target specifically large capacity-building projects that are not adequately served by the current financing mechanisms. Eligible infrastructure projects under the banks jurisdiction would be limited to: "There will be some critics who say that we cannot afford to meet our infrastructure needs. The reality is that we cannot afford not to do this." Ellison, • Publicly owned mass transit systems • Roads • Bridges • Drinking water and wastewater systems • Public housing properties To ensure we focus public investment on projects with broad regional or national impact, only projects that require a minimum Federal investment of S75 million would be eligible for bank financing — and these projects must demonstrate substantial regional or national significance. Like other modern investment banks, once the bank identifies an investment opportunity, it will develop a financing package. This package could include direct subsidies, direct loan guarantees, and long-term tax-credit general purpose bonds. Most importantly, these bonds would be backed by municipal and State revenue, which makes them some of the safest and most attractive investments. I believe this infrastructure bank could play a crucial role in tackling the major infrastructure deficit that currently exists in America. According to the American Society of Civil Engineers in its 2005 Report Card for America's Infrastructure, it would take an estimated investment of $1.6 trillion by 2010 to just bring the Nation's existing infrastructure to working order. Additionally, the research is clear that investing in public infrastructure can help stimulate economic growth. According to the Department of Transportation, each lbiN lion of infrastructure investment creates 47,500 jobs. Many of these will be high-paying, high-skilled jobs that can't be "outsourced." We also need to consider the costs to our economy of our failure to not invest in our public infrastructure. According to the Brookings Institution, our economy lost $78 billion in productivity due to the ailing public infrastructure, from congested roads to antiquated rail systems. There will be some critics who say that we cannot afford to meet our infi-astructure needs. The reality is that we cannot afford not to do this. I believe the tragic Interstate 35-W Bridge collapse that occurred in Minneapolis serves as a national call to action for this Congress and our Narion to focus on improving our domestic infrastructure. In addition to our health and safety, to maintain our competitive edge in the world economy, America needs to dramatically increase our investments in public infrastructure. One study has noted that America's infrastructure spending has averaged less than 2 percent since 1980, while India and China have devoted between 5 and 9 percent of GDP [gross domestic product] to infrastructure, which has facilitated dramatic economic growth in those countries. To remain competitive, we cannot presume we will have an infrastructure advantage without significant new investment. Americans deserve and need a public infrastructure in the twenty-first century that meets the demands of our lives and economy in the twenty-first century. I look forward to working with this committee and other Members of Congress to make a new national commitment to the public infrastructure of this country

### Scenario two: Jobs

#### The economy is on the brink of recession – Action now is key

Morici, Economist and Professor, 6/4 (Peter Morici, 6/4/2012, “Depressed by a US jobs stalemate”, <http://www.businessspectator.com.au/bs.nsf/Article/US-jobs-US-economic-recovery-US-unemployment-pd20120604-UWRHY?opendocument&src=rss>, ESW)

The US economy added only 69,000 jobs in May – only about half of what is needed to keep up with natural population growth. The unemployment rate rose to 8.2 per cent. In the weakest recovery since the Great Depression, nearly the entire reduction in unemployment since October 2009 has been accomplished through a significant drop in the percentage of adults working or looking for work. Some of these folks returned to the labour market in May; consequently, unemployment ticked up a tenth of a percentage point. Growth slowed to 1.9 per cent in the first quarter from 3 per cent the previous period, and was largely sustained by consumers taking on more car and student loans, business investments in equipment and software, and some inventory build. The housing market is improving and that should lift second quarter residential construction a bit but overall, the economy and jobs growth should remain too slow to genuinely dent unemployment. The May jobs report indicates growth could be even slower in the second quarter, and the economy is dangerously close to stalling and falling into recession. Manufacturing added 13,000 jobs. Other big gainers were health care, wholesale trade, and transportation and warehousing. Construction lost about 28,000 jobs, and other big losers were leisure and hospitality and state and local governments. In other sectors, jobs gains were weak or small numbers of jobs were lost. Gains in manufacturing production have not instigated stronger improvements in employment largely, because so much of the growth is focused in high-value activity. Assembly work, outside the auto patch, remains handicapped by the exchange rate situation with the Chinese yuan. Recent moves by China to further weaken its currency and to close its markets to stimulate its own flagging demand indicate matters will get worse without a substantive response from Washington. Also, concerns about health insurance costs, once Obama Care is fully implemented, are discouraging employers. The economic crisis in Europe and mounting problems in China’s housing and banking sectors continue to instigate worries among US businesses about a second major recession, and these discourage new hiring. The US economy continues to expand albeit moderately but is quite vulnerable to shock waves from crises in European and Asia. Factoring in those discouraged adults and others working part time for lack of full time opportunities, the unemployment rate is about 14.8 per cent. Adding college graduates in low skill positions, like counterwork at Starbucks, and the unemployment rate is likely closer to 18 percent Prospects for lowering those dreadful statistics remain slim. The economy must add 13 million jobs over the next three years – 362,000 each month – to bring unemployment down to 6 per cent. Growth in the range of 4 to 5 per cent is needed to get unemployment down to 6 per cent over the next several years. In 2011, the economy grew only 1.7 per cent, and is expected to expand less than 2.5 per cent in 2012.

#### Current unemployment rates are the lynchpin of slow growth

Rugaber, reporter for the Associated Press, 6/22 (Christopher S, “Weak Job Market Impairs Recovery,” 6/22/12, <http://www.montgomeryadvertiser.com/article/20120622/BUSINESS/306220015/Weak-job-market-impairs-recovery>)

The sluggish job market is weighing on the U.S. economy three years after the Great Recession ended. And the signs suggest hiring may not strengthen any time soon. A measure of the number of people applying for unemployment benefits over the past month has reached a six-month high, the government said Thursday. The increase suggests that layoffs are rising and June will be another tepid month for hiring. Sales of previously occupied homes fell in May. And manufacturing activity in the Philadelphia region contracted for the second straight month in June. The gloomy economic data echoed a more pessimistic outlook from the Federal Reserve issued Wednesday. The reports also contributed to a sharp decline in stock prices. The Dow Jones industrial average fell 180 points in afternoon trading. Broader indexes also tumbled. “It appears the slow-growth expansion will be slower,” said John Silvia, chief economist at Wells Fargo Securities, in a note to clients.

#### **NIB is vital to rebuilding infrastructure and spurring job market growth**

O’Connell, Expert Business Commentator, ‘11 (Brian O’Connell, Expert commentator on business, Newsweek and the Wall Street Journal writer, Author of Investing in Separate Accounts, worked in Philadelphia Stock Exchange, 9/06/11 “Obama Paving Way For Infrastructure Bank,” http://www.thestreet.com/story/11239717/1/obama-paving-way-for-infrastructure-bank.html, ESW)

After the Labor Department announced last week that trims in government jobs meant the economy produced zero -- count 'em zero -- jobs in August, Wall Street and Main Street are looking for some reassurance from Washington things will get better. President Barack Obama's big jobs speech Thursday will be the first significant response from the federal government. The White House plan is expected to include a hiring tax credit for small businesses, funding for roads and repair projects and an amped-up job training program for the unemployed. The word from Washington is that the president will add a mortgage relief component to the mix, likely in the form of a broad-based mortgage refinancing program for millions of Americans struggling to make their payments. We can add one more wrinkle to the mix -- a national infrastructure bank. Obama's upcoming jobs speech is to expected to push for a national infrastructure bank providing construction jobs and improving the nation's roads and bridges. The White House is playing possum about the idea, but The Associated Press reported late this week that the infrastructure bank, reportedly long a favorite of Obama (he included a version in his 2010 budget), will get its day in the sun. Whether it survives will be up to Congress, but at least we can start examining the idea and evaluate what a national infrastructure bank (White House insiders call it the "I-Bank") would look like, how it would operate and what benefits it would bring to businesses, consumers and the economy. Basically, a government bank/lending institution would roll out in three ways: The bank would funnel cash, via loans and grants, to infrastructure projects around the U.S. The money would be earmarked mainly for road and rail projects -- a big national need, according to the White House. The bank would augment government spending on "Big Dig"-type projects with loans and financing from the private sector. The White House hasn't made it clear how that would work, and what mixture of carrot or stick will define the incentives and rewards of the project, but historically private companies contribute only 6% of overall infrastructure spending. The national infrastructure bank would not only repair bridges and roads, it could put thousands of Americans back to work, proponents say. "We've got the potential to create an infrastructure bank that could put construction workers to work right now, rebuilding our roads and our bridges and our vital infrastructure all across the country,'' Obama said at a July press conference. Critics say the bank would take too long to generate the momentum needed to get projects up and running. They also note that the government might be inclined to play favorites, choosing funding for certain sectors while bypassing others. Treasury Secretary Timothy Geithner said in February that a national infrastructure bank would focus on three specific industries. "We will support projects that produce significant returns on our investment, allow Americans more choices in their modes of transportation and improve the interconnectedness of our existing transportation networks to maximize the value of our current infrastructure," Geithner said. "Eighty percent of jobs created by investing in infrastructure will likely be created in three occupations -- construction, manufacturing and retail trade -- which are among the hardest hit from the recession. Nine out of 10 jobs created in these three sectors pay middle-class wages." There's no word yet on the price tag for opening the I-Bank, but estimates vary from about $5 billion to $30 billion; once the president formalizes his jobs bill, Congress will know what the bank will cost. It's an interesting concept that has pluses and minuses across the board. But if an I-Bank can get Americans working again, Congress will be hard pressed to close it down.

##### Lowering unemployment should be the number one priority – NIB solves

Lonardo, Congressional Press Secretary, 2011 (Sara Lonardo, 1/24/11, “DeLauro, Colleagues Introduce Job-Creating National Infrastructure Development Bank Act,” http://delauro.house.gov/release.cfm?id=3023, ESW)

Washington, DC— Representatives Rosa L. DeLauro (CT-3), Keith Ellison (MN-5), Anthony Weiner (NY-9), and Steve Israel (NY-2) introduced the National Infrastructure Development Bank Act of 2011 today, a bill that will create and fund a bank that would direct public and private dollars toward infrastructure projects of national or regional significance. The National Infrastructure Bank, similar to the European Investment Bank, would leverage private sector funds to invest in transportation, environmental, energy and telecommunications infrastructure projects. The Bank would consider each project’s economic, environmental, social benefits and costs objectively and select projects of significance. It would supplement other federal infrastructure programs, and provide investment opportunities to create jobs, spur economic growth, and help build an infrastructure for the future. DeLauro has been advocating a similar proposal to the National Infrastructure Development Bank Act since 1994. A bipartisan group of mayors and governors support the concept, as do the business, investment, and labor communities. “With today's budget constraints, innovative financing solutions are needed to invest in critical infrastructure projects, a key component to a national growth strategy that creates good middle class jobs at a time of unacceptably high unemployment and spurs economic growth to allow us to compete with other economic power centers around the globe. A National Infrastructure Bank would enable us to expand and enhance our existing infrastructure, and make the critical investments in the modern infrastructure systems needed to compete at the highest levels of the global economy,” said Congresswoman Rosa DeLauro. “Now is the time to invest in our nation, building better infrastructure systems and a stronger economy. I look forward to working with my colleagues and the President to make this bank a reality.” "Priority number one for this Congress must be creating jobs and lowering unemployment," said Congressman Keith Ellison (Minneapolis). "A National Infrastructure Development Bank is designed to simultaneously rehabilitate our crumbling roads and bridges and put America back to work," Ellison concluded. “At a time when our nation's infrastructure is badly in need of repair, the creation of this bank will help us turn potholes into jobs and private ingenuity into public benefit,” said Congressman Anthony Weiner.

#### US decline dooms the world economy

Buisness Week 2001 (“Worldwide, Hope for Recovery Dims”, September 24, lexis)

A U.S. downturn will have repercussions all around the world. With Japan imploding economically, Asia in trouble, and Europe struggling**,** a recession in the U.S. would remove the last remaining source of demand from the global economy. ''It's like throwing cold water on any prospects for a recovery,'' says Chang Il Hyung, senior vice-president of South Korea's Samsung Electronics Co., the world's largest memory chipmaker. With people around the globe watching the carnage in New York, consumer confidence and business investment could be hit everywhere. ''Since the global economy is interwoven through trade and investment, all of us will be worse off,'' says Sung Won Sohn, chief economist at Wells Fargo & Co.

#### That heightens the risk of global conflict—multiple scenarios

Burrows and Harris - Counselor in the National Intelligence Council, Member at the National Intelligence Council - 2009 (Mathew J. Burrows, *Global Trends 2025: A Transformed World*—an unclassified report by the NIC published every four years that projects trends over a 15-year period, has served in the Central Intelligence Agency since 1986, holds a Ph.D. in European History from Cambridge University, and Jennifer Harris, Member of the Long Range Analysis Unit at the National Intelligence Council, holds an M.Phil. in International Relations from Oxford University and a J.D. from Yale University, 2009 (“Revisiting the Future: Geopolitical Effects of the Financial Crisis,” *The Washington Quarterly*, Volume 32, Issue 2, April, Available Online at http://www.twq.com/09april/docs/09apr\_Burrows.pdf, Accessed 08-22-2011, p. 35-37)

Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample [end page 35] opportunity for unintended consequences, there is a growing sense of insecurity.

Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier.

In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups—inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks—and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn.

The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. [end page 36]

Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

#### **NIB Stimulates Economy for the Long Term**

Ambassador ROHATYN, Investment Banker, ‘11 (FELIX G. ROHATYN, American investment banker known for his role in preventing the bankruptcy of New York City in the 1970s, who also served as United States Ambassador to France. He was a long term advisor to the U.S. Democratic Party, 7/12/11 “Time for a U.S. infrastructure bank,” <http://www.politico.com/news/stories/0711/58786.html>, ESW)

President Barack [Obama talked](http://www.politico.com/news/stories/0711/58688.html) at his news conference Monday about creating a national infrastructure bank that could help rebuild and repair America’s roads, bridges and ports and also address our serious unemployment problem. He cited the bank as [is] one crucial way to stimulate the economy. I would urge the president to move forward on this so we can begin to restore America’s infrastructure and [and] strengthen[s] our economy for the long term.. Even as Congress debates fiscal strategies, our country’s competitors and partners around the globe make massive investments in public infrastructure. Meanwhile, our nation’s roads and bridges, schools and hospitals, airports and railways, ports and dams, waterlines and air-control systems are rapidly and dangerously deteriorating. We should view infrastructure financing as an [investment rather than an expense](http://voices.washingtonpost.com/ezra-klein/2010/10/infrastructure_the_best_deal_i.html) and should establish a national, capital [budget for infrastructure](http://www.nytimes.com/2011/03/12/opinion/12herbert.html?_r=1). This idea is not new. Five years ago, former Sen. Warren Rudman and I co-chaired a commission on public infrastructure at the Center for Strategic and International Studies — a bipartisan group of congressional and business leaders, governors and bankers that unanimously recommended an infrastructure bank and called for a capital budget. Yet these proposals were — and perhaps still are — unable to gain political traction

#### 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.

## Thus the Plan

#### P/T: The United States Federal Government should create a National Infrastructure Bank for the purpose of increasing investments in reliable transportation infrastructure projects.

## Contention three: Solvency

##### **Investment through the creation of a national infrastructure bank is key – ensures funding for a multitude of projects**

**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.”

#### **NIB Provides Huge Returns Immediately**

Ambassador ROHATYN, Investment Banker, ‘11 (FELIX G. ROHATYN, American investment banker known for his role in preventing the bankruptcy of New York City in the 1970s, who also served as United States Ambassador to France. He was a long term advisor to the U.S. Democratic Party, 7/12/11 “Time for a U.S. infrastructure bank,” <http://www.politico.com/news/stories/0711/58786.html>, ESW)

Funded with a capital base of $50 billion to $60 billion, the infrastructure bank would have the power to insure bonds of state and local governments, provide targeted and precise subsidies and issue its own 30-to-50-year bonds to finance itself with conservative 3:1 gearing. Such a bank could easily leverage $250 billion of new capital in its first few years and as much as $1 trillion over a decade. Run by an independent board nominated by the president and confirmed by the Senate, the bank would finance projects of regional and national significance, directing funds to their most important uses. It would also provide a valuable guidance-system for the $73 billion that the federal government spends annually on infrastructure and avoid wasteful “earmark” appropriations. The money would come from funds now dedicated to existing federal programs. Legislation already has [been proposed](http://www.nytimes.com/2011/03/16/us/politics/16infrastructure.html) that would create such an infrastructure bank. Rep. Rosa DeLauro (D-Conn.) has introduced a House bill and Sens. John Kerry (D-Mass.) and Kay Bailey Hutchison (R-Texas) have introduced similar legislation in the Senate. The Senate bill, with $10 billion of initial funding, is a modest proposal — but passing it would give us a strong start. It is difficult to understand why an infrastructure bank is not already in place — with [so many in Congress](http://www.politico.com/politico44/perm/0311/banking_on_bank_b47de358-f285-4cf2-ad8b-25ed5da4493b.html) calling for more efficient federal spending and public investment that can pay for itself. Part of the problem may be the belief among some legislators that government action is always a bad thing. Yet throughout U.S. history, competent public investments have been an essential complement to private investments — from the Louisiana Purchase, to land-grant colleges, to the Interstate Highway System, to the Internet. From a federal budgeting standpoint, creating an infrastructure bank would be the [wisest thing to do](http://www.washingtonpost.com/opinions/rebuild-american-infrastructure-companies-offshore-profits-can-help/2011/06/15/AGlYAqXH_story.html). We can [leverage private capital](http://www.tnr.com/blog/william-galston/76731/high-unemployment-william-galston-paul-krugman), both at home and overseas, to modernize our transportation systems, deal safely and effectively with wastewater and hazardous materials, renew ports and inland waterways. With a national bank for infrastructure, we could begin to do all these things and more

#### **Status quo infrastructure funding is flawed – only a national infrastructure bank solves**

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.

#### A national bank devoted just to transportation will revitalize U.S. infrastructure --- it will be easy on the budget and politically palatable

Lovaa, 11 --- Federal Transportation Policy Director for NRDC (6/28/2011, Deron, “An Infrastructure Bank for Transportation,”

<http://switchboard.nrdc.org/blogs/dlovaas/an_infrastructure_bank_for_tra.html>, JMP)

 Another creative funding idea that’s getting some attention lately is a national infrastructure bank, an independent entity that would use government funding to attract major private investment in public infrastructure projects. NYU professor Michael Likosky recently convened a meeting between Treasury officials, bankers, pension funds and hedge fund managers to discuss how such a bank might work. It’s the first time this diverse group has ever shared their opinions with the government on this idea – and apparently some of them are bullish on it. **Infrastructure banks in other parts of the world have proven to be largely successful in leveraging public money**. The European Investment Bank (EIB), owned and funded by the European Union, finances investments worth $470 billion using only about $50 billion in government funds. That’s a ratio of more than 9:1 in private versus public funding. The bank, which has funded huge projects like the Port of Barcelona and the TGV rail system that connects France and Spain, consistently turns a profit and has had only negligible delinquencies over the past five decades, according to economists Robert Skidelsky and Felix Martin, writing in the New York Review of Books. Likosky, an expert on public-private partnerships and author of Obama’s Bank: Financing a Durable New Deal, has a fairly expansive vision of how a national infrastructure bank would operate – he’s talking about something on the level of the EIB that could finance investments on the order of $500 billion. Even Fareed Zakaria recently wrote about the need for a national infrastructure bank. The problem is that in our current political climate, talk of using public funds to create a government bank is a total turn-off to many Republicans. No matter how great its potential benefits, a large, national infrastructure bank is exceedingly unlikely to pass muster with this Congress. However, **the concept of an infrastructure bank in and of itself shouldn’t scare anyone off, since** **the size of the bank can be scaled down and still have tremendous benefits. A scaled-down infrastructure bank, devoted solely to transportation, could be more palatable to the reduced fiscal appetites of today’s Congress.** President Obama recently proposed exactly this in his new 2011 budget. His National Infrastructure Innovation and Finance Fund (notice the absence of the word “bank”) would be housed under the Department of Transportation, and oversee $4 billion in funds over the next two years. This is significantly smaller than the infrastructure bank he proposed last year, which was intended to be funded at $5 billion per year for five years. Yet **even at this smaller scale, the bank can still be effective at leveraging public money to attract private investors for critical infrastructure projects.** **An infrastructure bank for transportation would make merit-based loans for infrastructure improvements, using public funds to attract investment from the private sector. A merit-based system would make more efficient use of funds than the current, earmark-heavy funding that dominates the federal transportation program.** **Through the bank, federal, state and local governments could work together with the private sector to fix crumbling roads and bridges, and create a 21st century transportation system.** Likosky envisions the role of the government in public-private partnerships as that of a “player-coach,” not dictating the rules from the sidelines (and thus being a thorn in the side of potential private investors) but being involved in the game itself. The biggest challenges, which they’ve seemed to manage pretty well over in Europe, are ensuring that the public gets a reasonable return for their investment in the end, and that non-monetary objectives rooted in the public good, such as increased accessibility and employment, or greenhouse gas reductions, are specified and required. America’s infrastructure ranking has dropped from 6th to 23rd in the past decade, and continues to drop, according to the World Economic Forum. **We need to invest in our roads, rails and bridges if we want to remain economically competitive. And with the federal budget under such pressure, it’s becoming increasingly apparent that we need a lot of private capital to do it. A scaled-down infrastructure bank might not be able to generate the trillions of dollars we need to upgrade our entire transportation network, but it will make good use of our limited public funds to vastly improve the status quo.**

## \*\*\*2AC

### A2: Bureaucracy = No Solvency

#### A National Infrastructure Bank is better at solving than state banks – reduces red tape

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.

### States CP Can’t Solve

#### Federal Funding Needed – States and “Mega-Regions” Can’t Solve

McConaghy & Kessler, 11 (Ryan McConaghy and Jim Kessler, Director of the Third Way Economic Program, and Vice President for Policy at Third Way, January 2011, “Hearing on Infrastructure Banks,”http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf, ESW)

Cost overruns on infrastructure projects are increasingly prevalent and exact real costs. One survey of projects around the world found that costs were underestimated for almost 90% of projects, and that cost escalation on transportation projects in North America was almost 25%. 22 Boston’s Central Artery/Tunnel Project (a.k.a. the “Big Dig”) came in 275% over budget, adding $11 billion to the cost of the project. The construction of the Denver International Airport cost 200% more than anticipated. The San Francisco-Oakland Bay Bridge retrofit project witnessed overruns of $2.5 billion—more than 100% of the original project cost— before construction even got underway. 23 And of course, there are the “bridge to nowhere” earmarks that solve a political need, but not an economic one. The current system for funding projects is subject to inefficiency and bureaucratic complication. Funding for infrastructure improvements is divided unevenly among federal, state, local, and private actors based on sector. 24 Even in instances where the federal government provides funding, it has often ceded or delegated project selection and oversight responsibilities to state, local, and other recipients, weakening linkages to federal program goals and efforts to ensure accountability. 25 Federal efforts are also hampered by organization and funding allocations based strictly on specific types of transportation, as opposed to a system-wide approach, which create inefficiencies that hinder collaboration and effective investment. 26 Complicating matters even further are the emergence of multi-state “mega regions,” which have common needs that require multijurisdictional planning and decision making ability. 27 Infrastructure funding has also become significantly politicized. Congressional earmarking in multi-year transportation bills has skyrocketed from 10 projects in the STAA of 1982 to over 6,300 projects in the most recent bill (SAFETEA-LU). 28 Even under a working system, the infrastructure improvements necessary to foster growth will require substantial investment. The American Society of Civil Engineers estimates that it would require $2.2 trillion over the next five years to bring our overall infrastructure up to par. 29 However, sources of funding for infrastructure improvements are under significant strain and may not be sufficient. 30 The Highway Trust Fund has already experienced serious solvency challenges, and inadequate revenues could lead to a $400 billion funding shortfall from 2010 to 2015. 31 The finances of state and local governments, which are responsible for almost three-quarters of public infrastructure spending, 32 have been severely impaired. At least 46 states have budget shortfalls in the current fiscal year, and it is likely that state financial woes will continue in the near future. 33 In a recent survey by the National Association of Counties, 47% of respondents indicated more severe budget shortfalls than anticipated, 82% said that shortfalls will continue into the next year, and 54% reported delaying capital investments to cope. 34

#### Federal NIB Necessary

Ambassador ROHATYN, Investment Banker, ‘10 (FELIX G. ROHATYN, American investment banker known for his role in preventing the bankruptcy of New York City in the 1970s, who also served as United States Ambassador to France. He was a long term advisor to the U.S. Democratic Party, 9/15/10 “The Case for an Infrastructure Bank,” http://online.wsj.com/article/SB10001424052748703376504575491643198373362.html, ESW)

President Obama has proposed a program to renew and expand America's infrastructure. Central to the president's plan is the creation of a permanent, national infrastructure bank that could leverage private capital for projects of regional and national significance. Hopefully members of Congress will make jobs and the economy their priority and support its establishment. A national infrastructure bank could begin to reverse federal policies that treat infrastructure as a way to give states and localities resources for projects that meet local political objectives rather than national economic ones. The bank would evaluate prospective infrastructure projects on consistent terms. It would be able to negotiate with state or local sponsors of a project what their cost shares should be. The bank also could help groups of states come together for regional projects such as high-speed rail and better freight management. Such consolidation would improve project selection. The bank also could ensure that states and localities consider all other options—from wetlands preservation to implementing tolls—before structural options are funded. It would create an avenue for private investors to put risk capital into new projects and bless their involvement with the bank's own participation. In short, it would treat infrastructure like a long-term investment, not an expense. The American Society of Civil Engineers periodically estimates the cost of bringing our infrastructure to an acceptable level—it now exceeds $2 trillion. This is a staggering sum, but the infrastructure bank could make strides to meet it by issuing its own bonds of up to 50 years maturity and, with a conservative gearing, could initially raise $200 billion to $300 billion and become self-financing over time. The legislation that embodies the concept of an infrastructure bank already exists in a bill that Rep. Rosa DeLauro (D., Conn.) has introduced in the House and that Sen. Chris Dodd (D., Conn.) and former Republican Sen. Chuck Hagel from Nebraska have introduced in the Senate. In addition, Pennsylvania Gov. Ed Rendell has encouraged the rebuilding of America through an infrastructure bank. As he points out, a functioning national infrastructure is not optional—it is necessary to our economic future, global competitiveness and ability to create millions of jobs over the long term.

#### 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.

### Federal Action Key

#### 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 **bond**s, 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 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.

#### 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.

### Plan Popular

#### NIB faces bipartisan support – 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.

#### 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.

## \*\*\*Neg

## 1NC Solvency Frontline

#### **NIB doomed to fail – multiple reasons**

#### **a. Bureaucracy**

FIND, a Federal Research Group, 2011 (Federal Information and News Dispatch Inc. , Oct 12 2011, <http://proxy.library.georgetown.edu/login?url=http://search.proquest.com/docview/897899921?accountid=11091> “National Infrastructure Bank Would create More Red Tape & Federal Bureaucracy”, article quotes experts, RR)

Today's witnesses concurred that infrastructure proposals should focus on reducing the size of the federal bureaucracy and streamlining the project approval process. Creating a National Infrastructure Bank would duplicate existing programmatic authority, grow the government and add more federal layers to a process already too bogged down in red tape. Oklahoma Department of Transportation Secretary Gary Ridley testified that, "the concept that a new 'government corporation' and Federal Authority will somehow enhance the ability to finance infrastructure seems untimely and entirely unnecessary. Especially when considering that many of the proclaimed new ideas encompassed by the Authority already appear to closely parallel the provisions of other existing federal financing programs. "In addition to recognizing the apparent federal duplications of the proposed National Infrastructure Bank, most States already have or can easily obtain the expertise necessary to facilitate infrastructure banks and other innovative transportation financing methodologies. States can choose to work with the existing federal bureaucracy or seek the assistance of private financial institutions, knowledgeable investors and even other experienced states. "Quite simply, the bureaucracy is already in place to finance public infrastructure projects and an additional federal layer in the form of a new 'government corporation' will add no value. "It is much more likely that efficiencies will be gained through regulatory reforms and red tape reductions, rather than through the creation of new government corporations and additional bureaucracy," said Ridley. Ron Utt, Senior Research Fellow with the Heritage Foundation, questioned the logic of creating a National Infrastructure Bank. "If current levels of credit availability for existing federal transportation credit programs are deemed to be insufficient by some, why not propose that these existing channels be improved and/or expedited? "If spending is thought to be deficient, why not simply provide more grants through the existing mechanism rather than going through the costly and complicated process of setting up and operating a new federal transportation entity, which President Obama's budget estimates would cost upwards of $270 million to create and staff? "In this era of fiscal austerity and yawning budget deficits, wouldn't there be better uses for this money than a redundant bureaucracy?"

#### b. Fiscally Irresponsible

Utt, Herbert and Joyce Senior Research Fellow at the Heritage Foundation Institute for Economic Policy, 2011 (Ronald Utt, August 30 2011, < <http://www.heritage.org/research/reports/2011/08/using-infrastructure-banks-to-spur-economic-recovery>> "Obama's Peculiar Obsession With Infrastructure Banks Will Not Aid Economic Revival", RR)

In reviewing these infrastructure plans it is apparent that, as a proposal to jump-start the economy, these banks possess all the liabilities of (but are even more ineffective than) the failed American Revitalization and Investment Act of 2009 (ARRA), which committed $800 billion to stimulus spending, including $48.1 billion for transportation infrastructure. As the President has recently acknowledged, and The Heritage Foundation predicted,[3] the funded projects have been very slow to get underway and have had a limited impact on economic activity. In a recent meeting with his Jobs Council, Obama noted that “Shovel-ready was not as…uh…shovel-ready as we expected.” The media reported that the “Council [Council on Jobs and Competitiveness ], led by GE’s Jeffrey Immelt, erupted in laughter.”[4] That the President and his business community advisers found this waste of $800 billion and the subsequent loss of hundreds of thousands of jobs a source of humor is emblematic of the Administration’s failed approach to the economy. Banks Make Loans, Not Grants Take for example the President’s national infrastructure bank proposal, which was included in his February 2011 highway reauthorization proposal. His bank would be part of the Department of Transportation and would be funded by an appropriation of $5 billion per year in each of the next six years. Obama’s “bank” would be permitted to provide loans, loan guarantees, and grants to eligible transportation infrastructure projects.[5] As Heritage and others have noted, the common meaning of a “bank” describes a financial intermediary that borrows money at one interest rate and lends it to credit-worthy borrowers at a somewhat higher interest rate to cover the costs incurred in the act of financial intermediation. In this regard, the Obama proposal is not a bank, and it relies entirely on congressional appropriations—thus, on deficit finance and taxpayer bailouts. Grants are not paid back, prompting “one former member of the National Infrastructure Financing Commission to observe that ‘institutions that give away money without requiring repayment are properly called ‘foundations’ not ‘banks.’”[6] Senator James Inhofe (R–OK), the ranking member of the Senate Environment and Public Works Committee, further noted that: Banks don’t give out grants; they give out loans.

#### c. Lack of Selective Ability **Mallet, Congressional Research Service, et al 2011** (William Mallet, Steven Maguire Kevin R. Kosar, December 14 2011, < <http://www.fas.org/sgp/crs/misc/R42115.pdf>> "National Infrastructure Bank: Overview and Current Legislation", Mallet is a specialist in Transportation Policy, Maguire is a Specialist in Public Finance, Kosar is an Analyst in American National Government. RR)

A frequent criticism of current public infrastructure project selection is that it is often based on factors such as geographic equity and political favoritism instead of the demonstrable merits of the projects themselves. 51 In many cases, funding goes to projects that are presumed to be the most important, without a rigorous study of the costs and benefits. Proponents of an infrastructure bank assert that it would select projects based on economic analyses of all costs and benefits. 52 Furthermore, a consistent comparative analysis across all infrastructure sectors could yield an unbiased list of the best projects. Selecting projects through an infrastructure bank has possible disadvantages as well as advantages. First, it would direct financing to projects that are the most viable financially rather than those with greatest social benefits. Projects that are likely to generate a financial return through charging users, such as urban water systems, wastewater treatment, and toll roads, would be favored if financial viability is the key element for project selection. Conversely, projects that offer extensive spillover benefits for which it is difficult to fully charge users, such as public transit projects and levees, would be disfavored. 53 Second, selection of the projects with the highest returns might conflict with the traditional desire of Congress to assure funding for various purposes. Rigorous cost-benefit analysis might show that the most attractive projects involve certain types of infrastructure, while projects involving other types of infrastructure have less favorable cost-benefit characteristics. This could leave the infrastructure bank unable to fund some types of projects despite local support. Third, financing projects through an infrastructure bank may serve to exclude small urban and rural areas because large, expensive projects tend to be located in major urban centers. Because of this, an infrastructure bank might be set up to have different rules for supporting projects in rural areas, and possibly also to require a certain amount of funding directed to projects in rural areas. For example, S. 652 proposes a threshold of $25 million for projects in rural areas instead of $100 million in urban areas. Even so, the $25 million threshold could exclude many rural projects.

## 2NC Solvency

### 2NC Bureaucracy Ext.

#### NIB is extremely bureaucratic and inefficient—ARRA proves

Utt, Herbert and Joyce Senior Research Fellow at the Heritage Foundation Institute for Economic Policy, 2011 (Ronald Utt, August 30 2011, < <http://www.heritage.org/research/reports/2011/08/using-infrastructure-banks-to-spur-economic-recovery>> "Obama's Peculiar Obsession With Infrastructure Banks Will Not Aid Economic Revival", RR)

Indicative of just how bureaucracy-intensive these “banks” would be, the Obama plan proposes that $270 million be allocated to conduct studies, administer his new bank, and pay the 100 new employees hired to run it. By way of contrast, the transportation component of the ARRA worked through existing and knowledgeable bureaucracies at the state, local, and federal levels. Yet despite the staff expertise and familiarity with the process, as of July 2011—two and a half years after the enactment of ARRA—38 percent of the transportation funds authorized have yet to be spent and are still sitting in the U.S. Treasury, thereby partly explaining ARRA’s lack of impact. Infrastructure “Banks” No Source of Economic Growth The President’s ongoing obsession with an infrastructure bank as a source of salvation from the economic crisis at hand is—to be polite about it—a dangerous distraction and a waste of his time. It is also a proposal that has consistently been rejected by bipartisan majorities in the House and Senate transportation and appropriations committees, and for good reason. Based on the ARRA’s dismal and remarkably untimely performance, Obama’s infrastructure bank would likely yield only modest amounts of infrastructure spending by the end of 2017 while having no measurable impact on job growth or economic activity—a prospect woefully at odds with the economic challenges confronting the nation.

### 2NC Selective Ability Ext.

#### The NIB is likely not finance projects in small urban and rural areas—depriving those who live there of decent infrastructure

**Mallet, Ph.D. in City and Regional Planning and is an specialist in Transportation Policy at the CRS, et al** 12/14/**11** (William J. Mallet, Steven Maguire a specialist in Public Finance, Kevin R. Kosar is an analyst in American Government for the CRS, December 14 2011, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation”, http://www.fas.org/sgp/crs/misc/R42115.pdf, NP)

Third, financing projects through an infrastructure bank may serve to exclude small urban and rural areas because large, expensive projects tend to be located in major urban centers. Because of this, an infrastructure bank might be set up to have different rules for supporting projects in rural areas, and possibly also to require a certain amount of funding directed to projects in rural areas. For example, S. 652 proposes a threshold of $25 million for projects in rural areas instead of $100 million in urban areas. Even so, the $25 million threshold could exclude many rural projects.

**The Bank would only do the most economical projects—guts solvency**

**Mallet a Ph.D. in City and Regional Planning and is an specialist in Transportation Policy at the CRS, et al** 12/14/**11** (William J. Mallet, Steven Maguire a specialist in Public Finance, Kevin R. Kosar is an analyst in American Government for the CRS, December 14 2011, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation”, http://www.fas.org/sgp/crs/misc/R42115.pdf, NP)

Selecting projects through an infrastructure bank has possible disadvantages as well as advantages. First, it would direct financing to projects that are the most viable financially rather than those with greatest social benefits. Projects that are likely to generate a financial return through charging users, such as urban water systems, wastewater treatment, and toll roads, would be favored if financial viability is the key element for project selection. Conversely, projects that offer extensive spillover benefits for which it is difficult to fully charge users, such as public transit projects and levees, would be disfavored.53 Second, selection of the projects with the highest returns might conflict with the traditional desire of Congress to assure funding for various purposes. Rigorous cost-benefit analysis might show that the most attractive projects involve certain types of infrastructure, while projects involving other types of infrastructure have less favorable cost-benefit characteristics. This could leave the infrastructure bank unable to fund some types of projects despite local support. Third, financing projects through an infrastructure bank may serve to exclude small urban and rural areas because large, expensive projects tend to be located in major urban centers. Because of this, an infrastructure bank might be set up to have different rules for supporting projects in rural areas, and possibly also to require a certain amount of funding directed to projects in rural areas. For example, S. 652 proposes a threshold of $25 million for projects in rural areas instead of $100 million in urban areas. Even so, the $25 million threshold could exclude many rural projects.

### 2NC Fiscal Irresponsibility

**Empirically Denied: National Infrastructure Bank is doomed to fail just like the ARRA—past stimulus failures**

**Utt,** **Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, 11** (Ronald D. Utt, September 15 2011, The Washington Times, “What's the Big Idea: Infrastructure 'bank' doomed to fail”, LexisNexis Academic, NP)

Why is an infrastructure bank doomed to fail? For starters, it's not really a bank in the common meaning of the term. The infrastructure bank proposed in the president's 2011 highway reauthorization request, for example, would provide loans, loan guarantees and grants to eligible transportation infrastructure projects. Its funds would come from annual appropriations of $5 billion in each of the next six years. Normally, a bank acts as a financial intermediary, borrowing money at one interest rate and lending it to creditworthy borrowers at a somewhat higher rate to cover the costs incurred in the act of financial intermediation. That would not be the case here. **Grants are not paid back.** As a former member of the National Infrastructure Financing Commission observed, "Institutions that give away money without requiring repayment are properly called foundations, not banks." Infrastructure bank bills introduced by Sen. John Kerry, Massachusetts Democrat, and Rep. Rosa L. DeLauro, Connecticut Democrat, illustrate the time-consuming nature of creating such a bank. Both bills are concerned - appropriately - with their banks' bureaucracy, fussing over such things as detailed job descriptions for the new executive team; how board members would be appointed; duties of the board; duties of staff; space to be rented; creating an orderly project solicitation process; an internal process to evaluate, negotiate and award grants and loans; and so on. This all suggests that it will take at least a year or two before the bank will be able to cut its first grant or loan check. Indeed, the president's transportation "bank" proposal indicates just how bureaucracy-intensive such institutions would be. It calls for $270 million to conduct studies, administer the bank and pay the 100 new employees required to run it. In contrast, the transportation component of the ARRA worked through existing and knowledgeable bureaucracies at the state, local and federal levels. Yet, despite the staff expertise and familiarity with the process, as of July - 2 1/2 years after the enactment of ARRA - 38 percent of the transportation funds authorized were still **unspent**, thereby partly explaining ARRA's **lack of impact**. The president's fixation on an infrastructure bank as a means of salvation from the economic crisis at hand is - to be polite about it - a dangerous distraction and a waste of time. It also is a proposal that has been rejected consistently by bipartisan majorities in the House and Senate transportation and appropriations committees. Those rejections have occurred for good reason. Based on the ARRA's dismal and remarkably untimely performance, an infrastructure bank likely would yield only modest amounts of infrastructure spending by the end of 2017 while having no measurable impact on job growth or economic activity. And whatever it did manage to spend would have to be borrowed, only adding to the deficit. That's no way to meet the economic challenges confronting the nation.

**The National Infrastructure Bank is doomed to fail just like the ARRA—inefficient in spending**

**Utt,** **Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, 11** (Ronald D. Utt, September 15 2011, The Washington Times, “What's the Big Idea: Infrastructure 'bank' doomed to fail”, LexisNexis Academic, NP)

Why is an infrastructure bank doomed to fail? For starters, it's not really a bank in the common meaning of the term. The infrastructure bank proposed in the president's 2011 highway reauthorization request, for example, would provide loans, loan guarantees and grants to eligible transportation infrastructure projects. Its funds would come from annual appropriations of $5 billion in each of the next six years. Normally, a bank acts as a financial intermediary, borrowing money at one interest rate and lending it to creditworthy borrowers at a somewhat higher rate to cover the costs incurred in the act of financial intermediation. That would not be the case here. **Grants are not paid back.** As a former member of the National Infrastructure Financing Commission observed, "Institutions that give away money without requiring repayment are properly called foundations, not banks."

### A2: Benefits are Short-term

#### There are no short-term benefits for the National Infrastructure Bank—it will take time to set up the organization

Mallet et al, Ph.D. in City and Regional Planning, 2011(William J. Mallet, Steven Maguire, Kevin R. Kosar, December 14 2011, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation”, <http://www.fas.org/sgp/crs/misc/R42115.pdf>, for the congressional research center, NP)

Although a national infrastructure bank might help accelerate projects over the long term, it is unlikely to be able to provide financial assistance immediately upon enactment. In several infrastructure bank proposals (e.g., S. 652 and S. 936), officials must be nominated by the President and approved by the Senate. The bank will also need time to hire staff, write regulations, send out requests for financing proposals, and complete the necessary tasks that a new organization must accomplish. This period is likely to be measured in years, not months. The example of the TIFIA program may be instructive. TIFIA was enacted in June 1998. TIFIA regulations were published June 2000, and the first TIFIA loans were made the same month.45 However, according to DOT, it was not until FY2010 that demand for TIFIA assistance exceeded its budgetary authority.46

## Economy

### NIB Not Key

#### NIB can't solve the economy—empirics prove

Chin, U.S. ambassador to the Asian Development Bank and senior fellow at the Asian Institute of Technology, 2011 (Curtis Chin, Oct 18 2011, "Obama's infrastructure bank won't create real jobs; Asia shows trade growth lifts economy more than government projects", lexis nexis, RR)

With U.S. unemployment persistently and unacceptably high, President Obama and others from all political persuasions have voiced support once again for establishment of a new government-created institution that would provide loans and guarantees to finance U.S. infrastructure. They note Asia's continued economic growth and cite the region's - and particularly China's - tremendous investments in showcase infrastructure projects as reason enough to support greater government financing of infrastructure and development - and the jobs that come with such spending. Policymakers in Washington would be mistaken, however, if they see short-term job creation as rationale for creation of another federal bureaucracy in the guise of a U.S. national infrastructure bank. The latest proposal, part of Mr. Obama's recent Senate-rejected $447 billion jobs bill, envisioned a new $10 billion institution in Washington. That subproposal of the "jobs" bill may well rise again. The benefits, proponents say, will be twofold: rebuilding the United States' crumbling infrastructure and creating jobs. Just as the World Bank helped rebuild Europe after World War II and brings critical investment dollars to the poorest nations, isn't it time, they say, to do the same thing at home in the United States? Yet, like many things too good to be true, caveat emptor - buyer beware. Asia, with its multitude of infrastructure projects, offers a lesson, albeit a counterintuitive one. For all the billions of dollars in projects pushed by the World Bank and other multilateral development banks, what is clear is that such institutions are not the key players when it comes to infrastructure investment and job creation for much of Asia. Much more critical to growth have been trade, a still-evolving but strengthening infrastructure of transparency, governance and the rule of law, and allowing businesspeople the chance to, well, go about doing their business. In that context, the recently passed U.S. Free Trade Agreements with Korea, Panama and Colombia may well do more in the long run to spur economic growth in the United States and those countries than any individual bridge or other single infrastructure project. A further case in point: China borrows a few billion dollars annually from the World Bank and the Asian Development Bank. That being said, for an economy of several trillion dollars, the financial and employment impact of these banks' infrastructure lending to China are minimal, and even questionable on other policy grounds. And therein lies another lesson: A new U.S. national infrastructure bank may capture headlines but any proposal needs to be thoroughly vetted, lest taxpayers find themselves with another government-created institution that made political sense, but delivered very little in the long run beyond employment of the people who work there. Certainly, the infrastructure in the United States could use some serious updating. Recall the bridge collapse in Minnesota and the continued congestion of U.S. roads and skies. Sen. John F. Kerry, Massachusetts Democrat, Sen. Kay Bailey Hutchison, Texas Republican, and others in their own proposed legislation for a national infrastructure bank have rightly and usefully drawn attention to the need for greater investment in our country's dated infrastructure. But, as with proposed "bridges to nowhere," not all infrastructure projects or infrastructure banks are equal. Infrastructure spending is essential but not a panacea for persistent joblessness in the United States or persistent poverty in the developing world, particularly when larger, underlying economic issues are at play. So, what to do? Policymakers around the world need a more balanced approach to infrastructure, one that better embraces civil society and the private sector, including new forms of investment and ownership. We also need to think more seriously about models for better funding operations and maintenance, including public-private partnerships. In brief, this means a new attitude toward infrastructure, driven by a couple basic principles: First, we need to stop thinking of and selling infrastructure investment simply as a direct provider of short-term employment when times are bad. To do so risks not just bridges, but roads, rails and airports to nowhere. It also risks a decline in long-term support for critical infrastructure investment when promised jobs do not materialize. Second, we need to prioritize limited government resources on projects that will have more meaningful and sustainable economic results. We need to weed out what does not work and not be afraid to innovate. And third, we need to ensure the climate improves for private investment in infrastructure and its operations and maintenance. That means also ensuring that a welcoming business climate exists for the private enterprises and entrepreneurs that are the real drivers of job creation in any economy. On a basic economic level, obviously the larger-scale infrastructure development projects tend to contribute more to gross domestic product growth and employment, especially in the short-term. But when it comes to sustained growth, better focused projects of more modest scale can have a longer-term impact than bigger, costlier projects - shovel ready, or not. While putting people back to work must remain a short-term and long-term goal for policymakers in countries suffering chronic unemployment, the last thing needed is any institution, new or existing, pushing more bridges to nowhere, no matter how many short-term jobs might be created in building them. What the world needs more of are jobs for the long-term - jobs that matter and infrastructure that lasts. The two are not mutually exclusive. Curtis S. Chin served as U.S. ambassador to the Asian Development Bank from 2007 to 2010 under Presidents Barack Obama and George W. Bush.

#### Japan Proves NIB unsuccessful

Gregory, UH Economics Professor and Berlin School of Economics, 2011 (Paul Gregory, 8/1/2011, <http://www.forbes.com/sites/paulroderickgregory/2011/08/21/why-we-dont-need-an-infrastructure-bank-japan-is-why/>, "Why We Don't Need An Infrastructure Bank? Japan Is Why", more credentials at <http://www.hoover.org/fellows/10125>, RR)

A president who preaches internationalism must look to the experiences of other countries. Japan is a mega model for state infrastructure banks. Its Japanese Postal Bank (JPB), with its 25,000 branches, is the world’s largest bank. JPB attracts about one out of every three yen of household savings. It is the world’s largest holder of personal savings with household deposits of some $3.3 trillion. Japan has the JPB. It also has high speed trains. The model looks like a good fit for us. Right? It so happens that JPN is also the world’s largest political slush fund. Politicians at all levels direct its funds to voters, constituents, friends, and relatives for infrastructure, construction, and business loans. They basically use it to buy votes, curry favor, and get rich. They waste depositor money for political gain. If there are losses, we have enough reserves to cover them. The result: Japan’s economy has one of the world’s highest investment rates and one of the world’s slowest growth rates. Rates of return on invested capital are only a small fraction of that in the U.S. Over time, we get moderate to high rates of growth from a small amount of capital. Japan gets zero or slow growth from huge amounts of capital. Japanese politicians understand what is going on, but they like JPN’s business as usual. Japan’s best prime minister of recent history, Junichiro Koizumi, ran on a platform of privatizing JPN. With its huge depositor base, private investors salivated over the prospect of buying it up. Koizumi understood that private owners would use JPN for economic gain, and Japan could restart economic growth. Koizumi risked a special parliamentary election to push JPN’s privatization, and in October 2005 parliament passed a bill to privatize JPN by 2007. 2007 came and went. Koizumi retired his popularity intact. It is now 2011. JPB is still owned by the government! Koizumi’s successors blocked JPN privatization, warning of closures of post offices and job losses, but they really did not want to lose their slush fund. As the current Financial Services Minister says: “When the borrower is in trouble, we will grant them a reprieve on their loans. That is the natural thing to do,” In other words, a politician/bureaucrat decides who gets loans, who repays, and who is forgiven. This power brings in votes, bribes, and other shenanigans, but it is only “business as usual.” Of course, this would not happen in the United States with a state infrastructure bank. As John Kerry assures us: “The bank will finance economically viable projects without political influence.” Anyone who believes this would be a good candidate to buy the Brooklyn Bridge.

### A2: Impact

#### Economic collapse doesn’t cause instability

Fareed Zakaria was named editor of Newsweek International in October 2000, overseeing all Newsweek editions abroad, December 12, 2009, “The Secrets of Stability,” http://www.newsweek.com/2009/12/11/the-secrets-of-stability.html

Others predicted that these economic shocks would lead to political instability and violence in the worst-hit countries. At his confirmation hearing in February, the new U.S. director of national intelligence, Adm. Dennis Blair, cautioned the Senate that "the financial crisis and global recession are likely to produce a wave of economic crises in emerging-market nations over the next year." Hillary Clinton endorsed this grim view. And she was hardly alone. Foreign Policy ran a cover story predicting serious unrest in several emerging markets. Of one thing everyone was sure: nothing would ever be the same again. Not the financial industry, not capitalism, not globalization. One year later, how much has the world really changed? Well, Wall Street is home to two fewer investment banks (three, if you count Merrill Lynch). Some regional banks have gone bust. There was some turmoil in Moldova and (entirely unrelated to the financial crisis) in Iran. Severe problems remain, like high unemployment in the West, and we face new problems caused by responses to the crisis—soaring debt and fears of inflation. But overall, things look nothing like they did in the 1930s. The predictions of economic and political collapse have not materialized at all.

#### Heg unsustainable – multiple constraints ensure collapse and rise of alternatives

Christopher Layne, Chair in National Security at the School of Government and Public Service at Texas A&M University, 09 [“The Waning of U.S. Hegemony—Myth or Reality?: A Review Essay,” International Security, Vol. 34, No. 1, Summer 2009]

For an overview of trends that could affect international politics over the next two decades, a good starting point is the National Intelligence Council’s (NIC’s) Global Trends 2025: A Transformed World.[15](http://muse.jhu.edu.proxy.lib.umich.edu/journals/international_security/v034/34.1.layne.html#f15) Global Trends 2025 is not light reading, but it is significantly more insightful and intellectually courageous than typical government reports. Its key geopolitical conclusion is that the U.S.-dominated unipolar world will give way to multipolarity during the next two decades spurred by two causal mechanisms: the emergence of new great powers (and potentially important regional powers); and economic, financial, and domestic political constraints that may erode U.S. capabilities. China, India, and possibly Russia are emerging great powers.[16](http://muse.jhu.edu.proxy.lib.umich.edu/journals/international_security/v034/34.1.layne.html#f16) As Global Trends 2025 points out, the rise of China and India to great power status will restore each to “the positions they held two centuries ago when China produced approximately 30 percent and India 15 percent of the world’s wealth” (p. 7). Their ascent is being propelled by “the global shift in relative wealth and economic power” from North America and the Euro-Atlantic world to Asia—a shift “without precedent in modern history” (ibid.). By 2025, China figures to have the world’s second-largest economy (measured by gross domestic product [GDP]) and will be a first-rank military power (p. 30). India, buoyed by its strong economic growth rate, will “strive for a multipolar system with New Delhi as one of the poles” (ibid.). Although both states could encounter speed bumps that might slow—or even derail—their ascents to great power status, the NIC believes that the “chances are good that China and India will continue to rise” (p. 29).[17](http://muse.jhu.edu.proxy.lib.umich.edu/journals/international_security/v034/34.1.layne.html#f17)**]** Because of uncertainties about economics, energy prices, domestic governance issues, and especially demography, Russia’s great power trajectory is more problematic than China’s or India’s (pp. 31–32).[18](http://muse.jhu.edu.proxy.lib.umich.edu/journals/international_security/v034/34.1.layne.html#f18) Between 2009 and 2025, Russia’s population is forecast to drop from 141 million to below 130 million, affecting the availability of manpower for both the military and the labor pools (pp. 23–24, 30). If Russia overcomes its demographic challenge and continues its revival as a great power, however, the NIC believes it “will be a leading force in opposition to U.S. global dominance” (p. 32). Because its great power status is closely tied to its ability to control both the energy resources and pipelines of Central Asia and the Caucasus, Russia will also seek to reestablish its sphere of influence in the “near abroad” (pp. 32, 82). According to the NIC, in addition to relative decline, the United States will confront other constraints on its international role. U.S. military supremacy will no longer be as dominant as it has been since the Cold War’s end (p. 93). The United States’ soft power may diminish as its liberal model of political and economic development is challenged by authoritarian/statist alternatives (pp. 3, 8–9, 13–14). At home, economic and political constraints may undermine U.S. hegemony. Global Trends 2025 was published just before the full scope of the global financial and economic crisis became apparent. Nevertheless, the NIC did have an inkling of the meltdown’s potential long-term implications for U.S. power. In particular, Global Trends predicts that over the next two decades, the dollar’s role as the international economy’s preeminent reserve currency will erode. Although at the time this issue went to press, the dollar remained strong and will continue to be the reserve currency for some time to come, China’s spring 2009 call to replace the dollar with a new reserve currency signals that the NIC’s long-term worries may be justified.[**19**](http://muse.jhu.edu.proxy.lib.umich.edu/journals/international_security/v034/34.1.layne.html#f19) **[End Page 153]** As the NIC observes, the financial privileges conferred on the United States by the dollar’s unchallenged reserve currency status have underpinned the preeminent role of the United States in international politics since the end of World War II. Thus, “the dollar’s decline may force the United States into difficult tradeoffs between achieving ambitious foreign policy goals and the high domestic costs of supporting those objectives” (pp. 12, 94, 97). Moreover, the growing dependence of the United States on foreign capital inflows “may curtail U.S. freedom of action in unanticipated ways” (p. 97). The NIC concludes that America’s “interest and willingness to play a leadership role may be more constrained as the economic, military, and opportunity costs of being the world’s leader are reassessed by American voters” (p. 93). Ultimately, although the United States will probably be primus inter pares in a multipolar international system twenty years from now, it will have less power—and foreign policy options—than it has been accustomed to having since 1945 (ibid.).

#### No challengers to competitiveness dominance

Qian 08—reporter of Yale Global [Jiang, February 29th, Is the Sun Setting on US Dominance? – Part II, http://yaleglobal.yale.edu/display.article?id=10435

The proponents of such a "multipolar worldview" often confuse the immense potential of their favored giants with their actual influences. They often overlook the immense internal difficulties these rising giants must overcome to realize their potential. Most importantly, they do not take full account of the strategic interactions between these giants during their simultaneous rise and the strategic opportunities that such interactions present for the US. Among the rising powers, the European Union boasts by far the largest economy, with a strong currency and a comparatively large and prosperous population. However, after a long drive of expansion, Europe faces a serious cohesion problem. It still suffers from a weak security framework that's dependent on NATO and a legalistic rather than executive center in Brussels. Although the EU does chase strategic interests in its proximities such as the central Asia and North Africa, it does so, not for any overreaching vision to compete globally, but mostly for parochial economic reasons. Europe is not yet competing in any "Great Game," for the simple reason that Europe is not yet unified. Recent rejections of the EU constitution show that serious resistance remains towards further integration. After recent stabilization of its economy, a resurgent Russia is often mentioned as a future global power. However, Russia faces severe long-term internal challenges. Its population is declining and aging, its vast Siberia territories hollowing out after the end of Soviet subsidies. Extractive industries such as hydrocarbon, mining and timber account for 80 percent of Russia's exports and 30 percent of its government revenue, whereas its manufacturing industries are mostly outdated and uncompetitive.Russia therefore will have serious issues with its self-image as a major world power, finding it hard to forge an assessment of its global role commensurate with its long-term demographic and economic realities. Japan has a similar problem of updating its self-image as the most "advanced" nation in Asia for more than 100 years. Today Japan faces the harsh reality that, after its neighbors catch up, Japan will again find itself a geographically small, resource-poor island nation dependent on trade, living uneasily among large, populous continental neighbors. It has a largely pacifist, prosperous population in a neighborhood still rife with nationalism.Unlike Europe, East Asia has yet to extinguish historical grievances, border disputes and a taste for raw national powers. As Japan itself proved, economic rises, once initiated, can be rapid indeed, so its current economic strength does not guarantee its future influence. Furthermore, barring a rapid re-militarization, Japan's growth in national strengths is bound to be slower than that of its still maturing neighbors, therefore its relative strategic position in East Asia will only grow weaker. Either re-militarization or an erosion of its self-perceived leadership in the region is likely to require a profound reassessment of Japan's postwar consensus of national purposes. India sees itself as an up-and-coming power, proud to be a democracy yet simultaneously aspiring to more traditional "hard" powers. As a diverse and still poor country, it faces immense internal challenges. Its manufacturing base and infrastructure need major overhaul. Beyond these, India is limited by its geographical constraint in the South Asia and the thorn in its side that’s Pakistan. Sandwiched between Pakistan, Burma and the Himalayas, India’s ambition beyond the subcontinent could not blossom until its geographical perimeter is secured. China borders three of the ambitious giants – India, Russia and Japan. China's neighborhood is far tougher than that of either Europe or the US. Like India, China is a large, poor country rife with internal tensions. Unlike Europe or America, its current form of government does not enjoy wide ideological appeal. Compared with Russia’s or even Japan’s, its military is still modernizing. It has recently become fashionable in America and Europe to describe Chinese "expansions" in Africa and South America. But the evidence is mostly economic deals over raw materials. This is not expansionism, but mercantilism. China is indeed playing an active geopolitical game in its immediate environment: Southeast Asia, Central Asia and Korea Peninsula. But this only serves to show that China is still mired in local complexities.

## PTX – Links

#### NIB unpopular—election politics magnify the link

AFP, Agence France Presse, 2011 ( AFP, Nov 3 2011, "Republicans defeat Obama-backed infrastructure bill", AFP is a French publication that writes about foreign US policies, lexis, RR)

US Senate Republicans blocked a $60 billion plan Thursday to overhaul crumbling roads and bridges, part of US President Barack Obama's campaign-season drive to boost the faltering economy. Lawmakers voted 51-49 in favor of ending debate on the legislation, falling short of the 60 needed to do so in the face of united opposition from the chamber's 47 Republicans, joined by one centrist Democrat and an independent. The proposal included $50 billion for roads, airports, bridges, railways and other infrastructure and another $10 billion to create a "national infrastructure bank." Republicans thwarted the bill because it would have been funded with a 0.7 percent surcharge on people making more than $1 million annually -- a recurring Democratic tactic meant to embarrass the president's foes ahead of the November 2012 elections. Obama blasted Republicans as "out of touch" with struggling Americans and demanded his foes explain why they "refuse to put some of the workers hit hardest by the economic downturn back on the job rebuilding America." "It's time for Republicans in Congress to put country ahead of party and listen to the people they were elected to serve. It's time for them to do their job and focus on Americans' jobs," he said in a statement. Obama, whose reelection bid will largely turn on what voters make of his stewardship of the sour US economy, offered a $447-billion jobs package in September only to see the divided Congress reject it. Democrats have sought to move forward with parts of the president's plan, but to date just one has cleared the House of Representatives: Repealing a never-enforced rule requiring government agencies to withhold three percent of payments to contractors in order to guard against tax cheats. Republican Senate Minority Leader Mitch McConnell, who has said his party has no greater priority than defeating Obama next year, accused Democrats of playing politics. "The truth is, Democrats are more interested in building a campaign message than in rebuilding roads and bridges. And frankly, the American people deserve a lot better than that," he said. Senators also rejected a rival Republican proposal that would have been funded with tens of billions of dollars in unspent funds and would have rolled back regulations, notably tied to environmental protection, that the party views as stifling economic growth.

#### NIB unpopular—democratic opposition

Bolton, The Hill Senate Reporter, 2011 (Alex Bolton, Oct 28 2011, "Infrastructure legislation on agenda despite Boxer's doubts", lexis nexis, RR)

Senate Democrats will try to pass President Obama’s $60 billion infrastructure bill next week, despite the past opposition of a powerful Democratic chairwoman to a major component of the legislation. The bill includes $10 billion for a national infrastructure bank, even though Senate Environment and Public Works Committee Chairwoman Barbara Boxer (D-Calif.) said last year she would “never” support such a proposal. Boxer’s committee has jurisdiction over transportation and infrastructure issues. She is working with Sen. James Inhofe (Okla.), the panel’s ranking Republican, on a two-year, $109 billion surface transportation authorization bill. Boxer spokeswoman Mary Kerr said her boss has recently expressed support for an infrastructure bank. She pointed to a July statement in which Boxer voiced support but cautioned that the bank should not substitute for core federal transportation programs. “Yes, we want [an] infrastructure bank; we love it; it is great. That is not the core program. But we should build support for it, but it is not the core program,” Boxer said at a committee hearing, according to a transcript provided by the panel. Boxer is one of two Democrats who in the past have criticized the policy components of the bill, the second installment of Obama’s jobs plan. Sen. Michael Bennet (D-Colo.) opposed a similar infrastructure-heavy stimulus proposal last year when he was in the midst of one of the nation’s toughest Senate races. Bennet says he won’t block bringing the bill to the floor, but he’s not making any commitment to support its passage. Democratic leaders have had trouble keeping their caucus unified behind Obama’s jobs proposals. Sens. Ben Nelson (D-Neb.), Mark Pryor (D-Ark.) and Joe Lieberman (Conn.), an independent who caucuses with Democrats, last week voted against a $35 billion funding package for teachers and first responders. Boxer urged a senior administration official last year to improve the Transportation Infrastructure Finance and Innovation Act (TIFIA) instead of creating a new federal bureaucracy by setting up an infrastructure bank. “I’m just telling you now, this is really important. You may not have the support for an infrastructure bank in other committees,” Boxer told Roy Kienitz, Transportation undersecretary for policy. “I don’t even know about in this committee,” Boxer said. “But in other committees you may not have it and so you need to be open to using your other tools, such as TIFIA, and making it function more like an infrastructure bank.” Boxer expressed concern that an infrastructure bank could muddle transportation funds with general Treasury funds. “My experience is when the funds go back to the general Treasury, then they don’t specifically get used for transportation,” she said. “That’s why I like the highway trust fund.” Kienitz said the administration envisioned the congressional Appropriations committees would make regular allocations to fund the bank. Boxer did not attend a press call last week when Senate Majority Leader Harry Reid (D-Nev.), Sen. Amy Klobuchar (D-Minn.) and Transportation Secretary Ray LaHood announced the infrastructure package. Senate Republican aides said Boxer’s support for the bill is lukewarm because it competes with her bipartisan proposal to fund transportation programs. Reid told reporters last week that the jobs bill slated for floor action would not leech political support from Boxer’s legislation. “We have an unlimited need in this country, literally unlimited need in this country for infrastructure improvement and development,” Reid said. “And that bill is for a two-year period of time,” he said of Boxer’s legislation, contrasting it to the upcoming jobs bill. “This is a shot in the arm for the economy right now.” Rep. John Mica (R-Fla.), chairman of the House Transportation and Infrastructure Committee, has opposed a national infrastructure bank as an expensive and time-consuming expansion of bureaucracy. The American Road and Transportation Builders Association supports the infrastructure bank but believes it will make only a modest contribution to the nation’s transportation needs. Dave Bauer, vice president of government relations at the group, said there’s no guarantee that infrastructure bank funds would be used for transportation projects, as opposed to being spent on school, waterway or Internet broadband projects. “From a transportation standpoint, the infrastructure bank can certainly help, but there’s no guarantee the funds or a portion of the funds will be used for transportation, and it is in no way a substitute for the core federal surface transportation programs,” he said. Bauer noted that public-private projects funded by the bank would need a way to recoup costs to pay off private investors. He said transportation projects funded by the bank would likely include tolls to provide future revenue. Bennet will also have to reconcile his past opposition to a central component of the jobs package. Last year, during his reelection campaign, Bennet pledged to oppose a $50 billion infrastructure package Obama recommended to spur economic growth. “I will not support additional spending in a second stimulus package,” Bennet said at the time, according to the Denver Post. Other Democrats, including Missouri Senate candidate Robin Carnahan and former Sen. Evan Bayh (Ind.), criticized the proposal at the time. An aide to Bennet said it would be wrong to draw any correlation between last year’s proposal and the infrastructure installment of Obama’s new jobs plan. The aide said Bennet opposed last year’s plan because there were still unspent funds provided by the American Recovery and Reinvestment Act. The aide said Bennet would vote to begin debating the $60 billion jobs bill, but declined to say whether his boss would support final passage.

#### NIB unpopular—Mica

Ichniowski, Washington Bureau Chief and B.A. History, 2011 ( Tom Ichniowski, 10/12/2011, "Mica Shoots Down National Infrastructure Bank Idea,",< http://www.smartcontractor.com/In-The-News/Mica-Shoots-Down-National-Infrastructure-Bank-Idea.html#ixzz1yeXTBPHE >, RR)

House Transportation and Infrastructure Committee Chairman John Mica (R-Fla.) has called President Obama's proposed national infrastructure bank "dead on arrival in the House of Representatives." Mica's comments came near the start of an Oct. 12 hearing of his committee's highway and transit subcommittee on the proposed public-works financing entity. Mica opposes the national bank because, he contends, it would be another bureaucratic organization and would take too long to become operational to have a quick impact on jobs. To be sure, the Florida lawmaker has been looking for way to stretch existing federal dollars as he drafts a six-year surface transportation authorization bill, which has yet to be introduced. Instead of a federal infrastructure bank, Mica wants to give a boost to state infrastructure banks, which exist in 33 states, he says. He also wants to expand the 13-year old Transportation Infrastructure Finance and Innovation Act (TIFIA) program, which provides federal loans and loan guarantees to major highway, transit and other projects. Obama proposed a "National Infrastructure Bank" in his fiscal 2012 budget request, in February. As then envisioned, the bank would be launched with $30 billion over six years and be housed at the Dept. of Transportation. In early September, the president included an infrastructure bank in his proposed American Jobs Act, a legislative package of spending increases and tax breaks. This time the bank's up-front funding was to be $10 billion. But his jobs bill suffered a setback on Oct. 11, when the Senate fell short of the 60 votes needed to overcome a filibuster--effectively blocking the package. There is speculation, however, that some of the jobs measure's tax provisions may face a better fate in Congress. Read More:

## PTX – Links Ext.

#### NIB unpopular—Mica blocks

Laing, Staff Writer for The Hill, covering transportation, 2011 (Keith Laing, 09/08/11, "Mica opposes Obama’s call for national infrastructure bank", <http://thehill.com/blogs/transportation-report/highways-bridges-and-roads/180481-gop-chairman-opposes-obamas-call-for-national-infrastructure-bank>, RR)

The Republican chairman of the House Transportation and Infrastructure Committee said Thursday evening that he is opposed to the call for a national infrastructure bank President Obama made in his speech to a joint session of Congress. Rep. John Mica (Fla.) said he thought Congress should encourage individual states to create their own infrastructure banks, arguing as he has in the past that it would give them more flexibility to design transportation projects that fit their own needs. “While the President reconfirmed that our highways are clogged and our skies are congested, his well delivered address provided only one specific recommendation for building our nation’s infrastructure,” Mica said in a news release. “Unfortunately, a National Infrastructure Bank run by Washington bureaucrats requiring Washington approval and Washington red tape is moving in the wrong direction. A better plan to improve infrastructure is to empower our states, 33 of which already have state infrastructure banks.” Obama called Thursday for Congress to approve a proposal for a federal infrastructure bank that has been pushed for by Sens. John Kerry (D-Mass.) and Kay Bailey Hutchison (R-Texas).

NIB unpopular in Congress—dead on arrival

PR, Transportation Magazine, 2011 ( Progressive Railroad, 10/13/2011, "Mica reiterates opposition to national infrastructure bank" [http://www.progressiverailroading.com/federal\_legislation\_regulation/news/Mica-reiterates-opposition-to-national-infrastructure-bank--28418#](http://www.progressiverailroading.com/federal_legislation_regulation/news/Mica-reiterates-opposition-to-national-infrastructure-bank--28418), PR is quoting Rep Mica, the Committee for Transportation and Infrastructure Chairman, RR)

Yesterday, U.S. Rep. John Mica (R-Fla.), who chairs the House Transportation and Infrastructure Committee, said at a committee hearing that President Obama’s proposal for a “national infrastructure bank” to help finance infrastructure maintenance and improvements is “dead on arrival in Congress.” “We do not need more federal bureaucracy,” said Mica in a prepared statement. “The federal government also has existing financing programs that serve the same purpose as a national infrastructure bank, such as TIFIA, RRIF and others, that we can improve and strengthen.” Thirty-three state infrastructure banks already exist, “and we can ensure financing and build upon this foundation” without creating new levels of federal bureaucracy, he said. Also at yesterday’s meeting, U.S. Rep. John Duncan (R-Tenn.), who chairs the House Highways and Transit Subcommittee, said he opposed a national infrastructure bank. “Current [federal] law allows a state to use their federal-aid funding to capitalize a state infrastructure bank and provide loans and loan guarantees to appropriate transportation projects that the state deems most important,” he said in a prepared statement. However, the leader of a national bipartisan infrastructure coalition believes the creation of a national infrastructure bank would be the most effective way to leverage billions of private-sector dollars for infrastructure projects of national significance, including those that span state boundaries. Marcia Hale, president of Building America’s Future, called on Congress to establish the national financing mechanism as “an independent entity with strict guidelines” to ensure a transparent, streamlined process based on merit. “The European Investment Bank, a similar institution in operation since 1957, has enabled European countries to build high-speed rail and modernize their ports and motorways,” Hale said in a prepared statement. Building America’s Future recently released “Falling Apart and Falling Behind,” a report that details how U.S. transportation infrastructure systems are deteriorating and falling behind the infrastructure investments being made by other nations. For example, the report notes that U.S. infrastructure has fallen from first place in the World Economic Forum’s 2005 economic competitiveness ranking to 15th place.

#### The National Infrastructure Bank is unpopular with “bipartisan majorities” in the House and Senate

**Utt,** **Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, 11** (Ronald D. Utt, September 15 2011, The Washington Times, “What's the Big Idea: Infrastructure 'bank' doomed to fail”, LexisNexis Academic, NP)

The president's fixation on an infrastructure bank as a means of salvation from the economic crisis at hand is - to be polite about it - a dangerous distraction and a waste of time. It also is a proposal that has been rejected consistently by **bipartisan majorities** in the House and Senate transportation and appropriations committees. Those rejections have occurred for good reason. **Based on the ARRA's dismal** and remarkably untimely performance, an infrastructure bank likely would yield only modest amounts of infrastructure spending by the end of 2017 while having no measurable impact on job growth or economic activity. And whatever it did manage to spend would have to be borrowed, only adding to the deficit. That's no way to meet the economic challenges confronting the nation.

## States CP

### States Solvency

#### States solve better

Lockridge, Editor in-Chief of HT, 2011 (Deborah Lockridge, 9/12/2011, "What will become of Obama's infrastructure bank proposal?", <http://www.truckinginfo.com/all-thats-trucking/news-detail.asp?news_id=74673&news_category_id=132>, HT = Heavy Duty Trucking magazine, she's been writing about transportation infrastructure for 19 years and the card quotes multiple senators, RR)

Is an infrastructure bank a "Fannie and Freddie for roads and bridges," or a silver bullet to fix the nation's crumbling roads and bridges and create jobs? Well, obviously the answer is somewhere in between, but look for rhetoric at both ends of the spectrum in the wake of President Obama's "American Jobs Act" proposal unveiled last week, which includes a $10 billion national infrastructure bank. Thursday night, President Obama outlined his job-creation proposal in an early-evening address to a joint session of Congress. An "infrastructure bank" that would stimulate construction spending was a key factor in his plan, which also featured $50 billion in immediate investments for roads, rails and bridges. Also in the proposal were tax cuts for both employees and employers, a tax credit for business that hire people out of work, and money to prevent layoffs of local teachers and police. The White House put the price tag of Obama's plan at $447 billion, with about $253 billion in tax cuts and $194 billion in federal spending. Yet he didn't go into a lot of details about how it was going to be paid for, other than calling for the newly formed supercommittee crafting a deficit-reduction package to add it to its list. Obama said he plans to send over a detailed proposal to the super committee a week from today. The White House also wouldn't say how many jobs they expect the package to create. Mark Zandi, chief economist for Moody's Analytics and one of the economists the White House asked to evaluate the proposal, said it would add 1.9 million jobs, reduce the unemployment rate by 1 percentage point, and add 2 percentage points to real GDP growth. Of course, that's if it were passed, and that's a big "if." Infrastructure Bank 'Wrong Direction' The Obama administration hopes a national infrastructure bank, at a cost of $10 billion, could attract several times that in private capital. Some Republicans like the idea of an infrastructure bank. Others are suspicious of how the funds would be spent. Transportation and Infrastructure Committee Chairman John L. Mica (R-FL) said a national infrastructure bank is "moving in the wrong direction." "While the president reconfirmed that our highways are clogged and our skies are congested, his well-delivered address provided only one specific recommendation for building our nation's infrastructure," Mica said in a statement. "Unfortunately, a National Infrastructure Bank run by Washington bureaucrats requiring Washington approval and Washington red tape is moving in the wrong direction. A better plan to improve infrastructure is to empower our states, 33 of which already have state infrastructure banks." House Majority Leader Eric Cantor (R-Va.) said while he believes in infrastructure spending, he's wary of an infrastructure bank. "I am one who agrees with the notion that an infrastructure bank is almost like creating a Fanny and Freddie for roads and bridges." (Fannie Mae and Freddie Mac, of course, are the government-sponsored enterprises widely regarded to be part of the reason for the housing bubble whose bursting helped trigger the Great Recession.) Another concern is that an infrastructure bank would not provide much immediate stimulus for the economy. Janet Kavinoky, executive director of transportation and infrastructure for the U.S. Chamber of Commerce, predicts it could take three years. Needed Infrastructure Boost Mica's Democratic counterpart on the House transportation committee, West Virginia's Nick Rahall, called for Republicans on the panel to be receptive to Obama's proposals. "The nation's roads and bridges and water systems are needs that even Americans of vastly different political leanings agree deserve greater Federal investment - not less," Rahall said in a statement. "After all, the jobs created by such investment are not Republican jobs or Democratic jobs - they are American jobs." "Later this month, our nation's surface transportation programs will expire," Rahall said. "We simply cannot afford to allow petty partisan bickering to prevent renewing these programs; that could jeopardize nearly 1 million private-sector jobs over the next year."

**States solve—they limit federal mistakes and are more successful in raising funding**

**Edwards, Director of Tax Policy studies at the Cato Institute, 11** (Chris Edwards, Cato Institute, October 21 2011, “Infrastructure Projects to Fix the Economy? Don't Bank on It.”, The Washington Times, http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it, NP)

When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. The solution is to **move as much infrastructure funding as we can to the state, local and private levels.** That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It's true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren't automatically repeated across the country. The states should be the laboratories for infrastructure. We should further encourage their experiments by **bringing in private-sector financing**. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed — the densely populated Northeast. As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation's massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports. The recent infrastructure debate has focused on job creation, and whether projects are "shovel ready." The more important question is who is holding the shovel. When it's the federal government, we've found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let's give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They're ready.

#### States solve better—no bureaucracy, better loan system

**TIC**, Transportation and Infrastructure Committee, **2011**(Transportation and Infrastructure Committee,October 12, 2011,”NATIONAL INFRASTRUCTURE BANK WOULD CREATE MORE RED TAPE & FEDERAL BUREAUCRACY”,http://transportation.house.gov/news/PRArticle.aspx?NewsID=1421, HM)

chairman Duncan’s Statement “I, for one, do not support setting up a new bureaucracy in Washington where political appointees would decide which transportation projects are the most worthy to receive a Federal loan,” said U.S. Rep. John J. Duncan, Jr. (R-TN), Chairman of the Highways and Transit Subcommittee. “That is why Congress already established the State Infrastructure Bank program. Current law allows a state to use their Federal-aid funding to capitalize a State Infrastructure Bank and provide loans and loan guarantees to appropriate transportation projects that the state deems most important. “The Transportation Infrastructure Finance and Innovation Act program, or TIFIA, was established in 1998 to provide loans and loan guarantees to surface transportation projects. In fact, the TIFIA program is so popular it received 14 times the amount of project funding requests in FY11 than the program has available to distribute. “Why not give these established programs more funding in order for them to reach their full potential? “This proposal is simply just another distraction as Congress pushes for a long-term surface transportation reauthorization bill. The Administration should be focused on helping Congress pass this much overdue legislation and give the states some long-term funding certainty that a National Infrastructure Bank would most certainly not accomplish.”

States solve best—fast implementation, job creation, better loans

Giglio, Professor of Strategic Management at NE University's College of Business, 2011 (Joseph M Giglio, Dec 05 2011, <http://www.patriotledger.com/topstories/x1178219699/COMMENTARY-Infrastructure-bank-provides-invaluable-resources?zc\_p=0>, "Infrastructure bank provides invaluable resources", RR)

Under the 2005 Federal Highway Authorization bill, known as SAFETEA-LU, all states were given the authority to establish state and even regional infrastructure banks. This followed a period during the 1990s when at different times anywhere from 10 to 39 states were allowed to experiment with these banks under a series of federal pilot programs. A state infrastructure bank (SIB) offers several major benefits. First, it allows a state to leverage existing scarce resources. States can build more projects with fewer dollars and accelerate construction, especially for projects whose economic benefits can be identified and captured. This approach ameliorates the impact of inflation on construction costs and allows benefits like job creation, private sector income and tax revenue to be realized sooner than they would be using traditional infrastructure investment. Second, by offering an array of financing tools such as low-interest loans, refinancing and construction financing, an SIB can increase flexibility by tailoring financing packages to meet specific project needs. Closely related, infrastructure banks can facilitate projects that are financially tenuous by providing lines of credit or insurance. Equally important, the availability of a menu of financing tools coupled with the ability to have other debt paid before the infrastructure bank loan is paid back can attract private capital and local government funding, further enhancing a state’s ability to husband scarce infrastructure funding resources. A third benefit to creating an SIB is the opportunity for states to develop a self-renewable, insulated source of future capital. Simply put, an SIB recycles resources by re-loaning funds as they are repaid. The repaid funds effectively become state resources. In addition to increased leverage and additional flexibility, this allows states to develop and control their own source of capital. Finally, for states that can work past their deep and abiding distrust of bankers, a SIB can gain greater leverage and make even more funds available for infrastructure investment by issuing debt against its own equity capital. This accelerates the recycling of loan repayments, increases the magnitude of available infrastructure resources and provides for a larger financial canvas with which to work. The same concept President Obama is proposing on the federal level can be used to provide capital funds to support the improvement of a state and region’s infrastructure network. Given the commonwealth’s pressing needs, we should look seriously at creating a state infrastructure bank to help fill the infrastructure financing gap.

#### State banks solve best—prevent expansion of the national deficit

**Freemark**, Yonah Freemark writes on cities and transportation at The Transport Politic, **2012** (Yonah Freemark,JAN 02, 2012,”THE BIG FIX How to Pay for America's Infrastructure”,http://www.theatlanticcities.com/politics/2012/01/solution-americas-infrastructure-woes/845/, HM)

The idea is to get more transportation projects under construction without significantly expanding the national deficit. And the idea is not particularly new: Infrastructure banks have been on the radar since 1995, when state banks were initially authorized to receive federal funds. Now, more than thirty states have them in operation. But most operate on a small scale, and are unprepared to fund large-scale projects. They are also strongly tilted toward highway infrastructure, not multimodal needs.Yet recent proposals have been much more ambitious. President Obama has made the case strongly throughout his first term that a national bank run by the U.S. Department of Transportation would be most effective, since it would be staffed by experts and backed by the federal government. A proposal announced by the White House earlier this year would put $10 billion in the coffers of such an agency.

#### States solve infrastructure

Mica, Chairman for Transportation and Infrastructure Committee, 2011 (John Mioa, July 21 2011, "Mica: States Will Have More Flexibility Without a National Infrastructure Bank" <http://www.rollcall.com/features/Transportation-2011_Policy-Briefing/policy_briefings/John-Mica-National-Infrastructure-Bank-207562-1.html> , RR)

After years of deficit spending, the United States finds itself in dire economic straits. One need look no further than the current debate over the nation’s budget and debt limit. When the economy was stronger, it was easier for the government to spend money it did not have on programs it could not afford. But as the economy continues to struggle, unemployment remains high, and Americans across the country tighten their belts more every day. Congress must act responsibly to get our fiscal house in order. A framework released by Transportation and Infrastructure Committee Republicans in July to reauthorize federal surface transportation programs is a fiscally responsible proposal to increase the value and effect of our limited infrastructure resources while holding to spending levels that are supported by the amount of transportation user fees actually collected. This proposal is the only initiative offered that protects the Highway Trust Fund and ensures its future solvency. This trust fund is maintained by user fees — gas taxes paid by motorists at the pump — dedicated specifically for transportation improvements. The trust fund provides guaranteed long-term funding to states for critical infrastructure planning and projects. However, in recent years the government has been overspending from the trust fund. Last year, we spent about $50 billion from the trust fund but collected only $35 billion in revenue. Consistent overspending has necessitated the transfer of $35 billion from the general fund into the trust fund over the past three years. The Republican proposal restores accountability to federal transportation spending and puts the “trust” back in the trust fund by aligning spending with revenues. Other proposals would either continue the current practice of deficit spending for transportation, which would bankrupt the Highway Trust Fund in less than two years; rely on a gas tax increase that will never pass through an increasingly conservative Congress; or create a national infrastructure bank to fund projects. Our initiative protects the trust fund. Ensuring the viability of this reliable source of funding will allow states to plan major multiyear projects. Significant reforms and improvements for transportation programs will increase the investment value of available infrastructure resources. By leveraging limited funds more effectively, the level of infrastructure investment is increased. But a national infrastructure bank is not the best way to achieve this leverage. The Federal Highway Administration estimates that for every federal dollar invested in state infrastructure banks, $9.45 in loans for transportation projects can be issued. To encourage states to better utilize SIBs, the Republican proposal increases the percentage of federal highway funding that a state can dedicate to a SIB from 10 percent to 15 percent, and states will receive a specific amount of funding that can be used only to fund SIBs. Many states currently have infrastructure banks. The proposal builds upon this existing SIB structure rather than increasing the size of the bloated federal bureaucracy, as some advocate, by creating a national infrastructure bank. States will have more flexibility to make project decisions. The proposal also expands the successful Transportation Infrastructure Finance and Innovation Act program. By dedicating $6 billion to TIFIA, $60 billion in low-interest loans to fund at least $120 billion in transportation projects will be generated. Additional TIFIA funding will help meet demand for credit assistance for projects, enabling increased leveraging of Highway Trust Fund dollars with state, local and private-sector investment. The new fiscally responsible initiative streamlines the federal bureaucracy in other ways as well. There are more than 100 federal surface transportation programs, many of which are duplicative or do not serve a national interest. An unprecedented consolidation and elimination of about 70 of these programs under this proposal will decrease the size of the federal bureaucracy, freeing up funds that can be invested in infrastructure instead of siphoned off to maintain unnecessary programs. States are provided more authority and flexibility to address their most critical infrastructure needs. However, new performance measures and transparency requirements will hold states accountable for their spending decisions. As this responsible Republican proposal moves forward, we welcome suggestions and ideas for a final bill that protects the Highway Trust Fund, reforms programs, downsizes the bureaucracy, cuts red tape and more effectively leverages our limited resources.

### AT: Federal Government is Key

**Empirics prove the Federal Government has failed in the infrastructure business by exaggerating studies and repeating mistakes—states and private sector solve best**

**Edwards, Director of Tax Policy studies at the Cato Institute, 11** (Chris Edwards, Cato Institute, October 21 2011, “Infrastructure Projects to Fix the Economy? Don't Bank on It.”, The Washington Times, http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it, NP)

Increased infrastructure spending has bipartisan support in Washington these days. President Obama wants a new federal infrastructure bank, and members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and **bureaucratic bungling**, with money often going to wasteful and environmentally damaging projects. When the federal government 'thinks big,' it often makes big mistakes. For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the **federal government shouldn't be in the infrastructure business**. Rather, **state governments and the private sector are best** equipped to provide it. The Corps of Engineers has been building levees, canals and other civilian water infrastructure for more than 200 years — and it has made missteps the entire time. In the post-Civil War era, for example, there were widespread complaints about the Corps' wastefulness and mismanagement. A 1971 book by Arthur Morgan, a distinguished engineer and former chairman of the Tennessee Valley Authority, concluded: "There have been over the past 100 years consistent and disastrous failures by the Corps in public works areas ... resulting in enormous and unnecessary costs to ecology [and] the taxpayer." Some of the highest-profile failures include the Great Mississippi Flood of 1927. That disaster dramatically proved the shortcomings of the Corps' approach to flood control, which it had stubbornly defended despite outside criticism. **Hurricane Katrina in 2005 was like a dreadful repeat**. The flooding was in large part a man-made disaster stemming from poor engineering by the Corps and misdirected funding by Congress. Meanwhile, the Bureau of Reclamation has been building economically dubious and environmentally harmful dams since 1902. Right from the start, "every Senator ... wanted a project in his state; every Congressman wanted one in his district; they didn't care whether they made economic sense or not," concluded Marc Reisner in his classic history of the agency, Cadillac Desert. The dam-building pork barrel went on for decades, until the agency ran out of rivers into which it could pour concrete. Looking at the Corps and Reclamation, the first lesson about federal infrastructure projects is that you can't trust the cost-benefit analyses. Both agencies have a **history of fudging their studies** to make proposed projects look better, **understating the costs and overstating the benefits**. And we've known it, too. In the 1950s, Sen. Paul Douglas (D-Ill.), lambasted the distorted analyses of the Corps and Reclamation. According to Reisner, Reclamation's chief analyst admitted that in the 1960s he had to "jerk around" the numbers to make one major project look sound and that others were "pure trash" from an economics perspective. In the 1970s, Jimmy Carter ripped into the "computational manipulation" of the Corps. And in 2006, the Government Accountability Office found that the Corps' analyses were "fraught with errors, mistakes, and miscalculations, and used invalid assumptions and outdated data." Even if federal agencies calculate the numbers properly, members of **Congress often push ahead with "trash" projects anyway**. Then-senator Christopher Bond of Missouri vowed to make sure that the Corps' projects in his state were funded, **no matter what the economic studies concluded**, according to extensive Washington Post reporting on the Corps in 2000. And the onetime head of the Senate committee overseeing the Corps, George Voinovich of Ohio, blurted out at a hearing: "**We don't care what the Corps cost-benefit is**. We're going to build it anyhow because **Congress says it's going to be built**." As Morgan noted in his 1971 book, these big projects have often damaged both taxpayers and ecology. The Corps, Reisner argues, has "ruined more wetlands than anyone in history" with its infrastructure. Meanwhile, Reclamation killed wetlands and salmon fisheries as it built dams to provide high-cost irrigation water to farmers in the West — so they could grow crops that often compete with more efficiently grown crops in the East. **Taxpayers are double losers** from all this infrastructure. They paid to build it, and now they are paying to clean up the environmental damage. In Florida, for example, the Corps' projects, along with federal sugar subsidies, have damaged the Everglades. So the government is helping to fund a multibillion-dollar restoration plan. In the West, federal irrigation has increased salinity levels in rivers, necessitating desalination efforts such as a $245 millionplant in Yuma, Ariz. And in a large area of California's San Joaquin Valley, federal irrigation has created such toxic runoff that the government is considering spending up to $2 billion to fix the damage, according to some estimates. When the federal government "thinks big," it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, **it replicates the mistakes across the nation.** Today, for instance, Reclamation's huge underpricing of irrigation water is contributing to a water crisis across much of the West. Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities.

### AT: Perm

#### Permutation still links to the solvency turns

Puentes, Senior fellow at the Brookings Institution, 20**11** (Robert Puentes, February 2011, <http://www.bafuture.com/sites/default/files/State%20Transpo%20Reform%20Brookings%202.11.pdf>, "State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy", RR)

Governors and legislators should also recognize that the fiscal crisis creates the opportunity to talk about new sources of transportation revenues – including sources that were previously considered politically infeasible. States should consider adopting market mechanisms like congestion pricing to maximize metropolitan road networks, as well as the expansion of user fees. And even voter-approved tax increases (which are evidence of willingness to pay for services) should be part of the discussion. Residents in metropolitan Phoenix, for example, recently approved a half-cent sales tax for regional transportation that is expected to generate $11 billion. Los Angeles county voters approved a half-cent increase that is projected to raise $40 billion for transportation improvements. Notably, that vote came in November 2008, right it the middle of the economic downturn. 23 Governors should encourage this kind of self help. Create new public/private institutions. To finance the kind of major investments necessary to support the Next Economy, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies, states should establish a state infrastructure bank (SIB) or enhance it if one is already in place. Beginning in 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for states. Since then, 33 states have established SIBs to finance transportation projects. Most of this support comes in the form of belowmarket revolving loans and loan guarantees. States are able to capitalize their accounts with federal transportation dollars but are then subject to federal regulations over how the funds are spent. Others, including Kansas, Ohio, Georgia, and Florida, capitalize their accounts with a variety of state funds and are not bound by the federal oversight which they feel helps accelerate project delivery. Other states—such as Virginia, Texas, and New York—are also examining ways to recapitalize their SIBs with state funds. 24 But rather than bringing a tough, merit-based approach to funding, many SIBs are simply used to pay for the projects selected from the state’s wish list of transportation improvements, without filtering projects through a competitive application process. A better approach would be for states to use their infrastructure banks more strategically, focusing on those transportation projects that will facilitate the flow of exports or connect workers to jobs. The projects should be evaluated according to strict return on investment criteria, not selected with an eye towards spreading funding evenly across the state. (Such an approach is analogous for how the federal government should establish a national infrastructure bank.) States should also think beyond just transportation and create true infrastructure and economic development banks to finance not just roads and rails, but also energy and water infrastructure, perhaps even school and manufacturing development. California’s Infrastructure and Economic Development Bank (“I-Bank”) provides a compelling model. After its initial capitalization of $181 million in 1999, the I-Bank has funded itself on interest earnings, loan repayments, and other fees, and has supported over $400 million in loans. 25 Then, either as part of the augmented SIB or separate, states should help broker the often complex infrastructure partnerships between the public and private sectors. A poll by the financial advisory firm Lazard shows strong willingness for states to consider private investments rather than increasing taxes, cutting budgets, or taking on more debt. 26 However, the private sector is now seeking more legislative certainty prior to bidding on projects and has little appetite for negotiating transactions that are subject to legislative or other major political approvals. While half of the states have enacted enabling statutes for public/private partnerships (PPPs), the wide differences between them makes it 6 BROOKINGS-ROCKEFELLER | PROJECT ON STATE AND METROPOLITAN INNOVATION | February 2011 time consuming and costly for private partners wishing to engage in PPPs in multiple states to handle the different procurement and management processes. 27 States should therefore move to enact comprehensive PPP legislation that is accountable, transparent, and permanent. They should also push the federal government to play a helpful role with its state and metropolitan partners by creating standards and providing technical advice to be considered in PPPs. The GAO recently noted that the federal government has done much to promote the benefits of PPPs but it needs to do more to assist states and metro areas in this way.

## T

#### Investment” is direct spending on infrastructure and grants to support private sector asset creation

Scotland 5 (Government of Scotland, “Infrastructure Investment Plan: Investing in the Future of Scotland”, February, http://www.scotland.gov.uk/Publications/2005/02/20756/53558)

Appendix A: Technical Definitions of Infrastructure Investment

The public expenditure system uses different definitions of capital for budgeting purposes than for accounting purposes - both of which exclude elements of infrastructure investment in the wider sense used elsewhere in this publication.

For accounting purposes, capital spending is those resources used to create a fixed asset which goes on a Government Department's balance sheet. Assets are classified as fixed if they are owned by an organisation and have an ongoing benefit (generally over more than one year). If spending is not classified as being on fixed assets then it is treated as revenue expenditure.

For budgeting purposes, what scores within Capital Delegated Expenditure Limits (capital DEL) is everything that scores as capital for accounting purposes, as well as capital grants to and supported borrowing by local authorities and spending by Non-Departmental Public Bodies that will be included as capital in their accounts. For public corporations such as Scottish Water, capital DEL is the net lending to the relevant public corporation by the department and not the public corporation's own self-financed capital spending.

Net Investment - The Scottish Executive's definition of net investment for purposes such as the net investment rule incorporates spending within capital DEL as well as grants made to support capital spending (asset creation or enhancement) by private sector organisations such as Higher and Further Education Institutions. It does not include the capital element of PPP deals.

#### Violation --- the plan doesn’t mandate spending directly on transportation, it merely claims to result in a net expenditure.

#### Voting issue ---

#### 1. Limits --- the scope of change that could possibly result in topical action is endless --- they could change tax policy or cut spending to other sectors --- makes research and preparation impossible

#### 2. Ground --- a direct increase is necessary for CP competition and all disad links --- they could dodge core ground by changing potentially funded programs after the block --- undermines fairness