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## Case Debate

### \*\*Solvency \*\*

### 1nc frontline solvency

#### 1. No solvency—an infrastructure bank would prioritize projects that save money, not those that are best for solving advantages

**Mallet, Specialist in Transportation Policy, Maguire, Specialist in Public Finance, and Kosar, Analyst in American National Government, 2011**

William, Steven and Kevin, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation,” December 14, http://www.fas.org/sgp/crs/misc/R42115.pdf, last accessed 5.20.12

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.

#### 2. Long timeframe—no solvency for short-term impacts

**Mallet, Specialist in Transportation Policy, Maguire, Specialist in Public Finance, and Kosar, Analyst in American National Government, 2011**

William, Steven and Kevin, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation,” December 14, http://www.fas.org/sgp/crs/misc/R42115.pdf, last accessed 5.20.12

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

#### 3. more evidence that time delays mean no solvency for job creation

**Utt, Morgan Senior Research Fellow in Economic Policy, Heritage Foundation, 2011**

Ronald D., Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank, last accessed 5.25.12

Would an Infrastructure Bank Contribute to Jobs and Stimulate the Economy?

For some advocates—especially the President—these banks are seen as mechanisms to propel the economy forward out of the lingering recession into an era of greater prosperity and more jobs. Sadly, all evidence indicates that this just isn’t so. As far back as 1983, the General Accounting Office (now the Government Accountability Office) reviewed an earlier infrastructure-based stimulus program and observed that although the program was enacted during the worst of the recession, “implementation of the act was not effective and timely in relieving the high unemployment caused by the recession.” Specifically, the GAO found that:

Funds were spent slowly and relatively few jobs were created when most needed in the economy. Also, from its review of projects and available data, the GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided, and (2) project officials’ efforts to provide em­ployment opportunities to the unemployed ranged from no effort being made to work­ing closely with state employment agencies to locate unemployed persons.[[5]](http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank%22%20%5Cl%20%22_ftn5)

Infrastructure-based stimulus programs have been a disappointment, in large part because of time delays in getting programs underway, projects identified and approved, and money spent. More recently, supporters of the American Recovery and Reinvestment Act (ARRA) claimed that it would focus on shovel-ready projects, but USDOT recently reported to this committee that as of July 2011—two and a half years after the enactment of the ARRA—just 61 percent of the authorized transportation funds had been spent. Perhaps contributing to this is the fact that the Federal Railroad Administration required 12 months to set up a mechanism to receive, review, and approve rail infrastructure projects authorized by the ARRA.

In both of these cases, the stimulus funds were being spent through existing federal, state, and local channels by departments, managers, and employees with many years of experience in the project approval business. In large part, these delays are not due to any particular institutional failing but simply to the time it takes to establish guidelines and rules for project submission, for outside parties to complete the request, and for USDOT to review the many requests submitted and pick the most promising, perhaps with modifications, and fulfill the contractual details of awarding the contract. Once the award is made to state and local entities, they in turn must draw up the RFP (and perhaps produce detailed engineering plans as appropriate), put the contract out for bid, allow sufficient time for contractors to prepare bids, review submitted bids, and finally accept the winning contract. It is at this point that money can be spent on the project, and the time that elapses from the beginning to the end of the beginning can easily exceed a year or more.

In the case of an infrastructure bank, such delays will be much longer—perhaps even double that described above. In the case of the above example, the assumption is that the newly authorized stimulus money would flow through an institutional “infrastructure” of well-established channels staffed by experienced people. In the case of the proposed infrastructure banks, no such administrative structure exists, and one will have to be created from scratch once the enabling legislation is enacted.

In the case of some of the proposals, this creation process could take a while. President Obama’s most recent plan, for example, first requires the selection, recommendation, and Senate confirmation of a seven-person bipartisan board appointed by the President. The President will also appoint, and the Senate confirm, a Chief Executive Officer who in turn will select the bank’s senior officers—Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, General Counsel, Chief Operation Officer, and Chief Lending Officer—subject to board approval.

The Chief Lending Officer will be responsible “for all functions relating to the development of project pipelines, the financial structuring of projects, the selection of infrastructure projects to be reviewed by the board, and related functions.” So once all of this administrative effort is completed and the bank is ready to go, then the process of fulfillment, as described in the paragraph just prior to the preceding paragraph, would then be in effect.

As is obvious, dependence upon this prospective bank will further delay the time in which the project money would be spent, but in the process, it would also incur substantial administrative expenses that might better be used for actual infrastructure repair and investment.

#### 4. NIB won’t create jobs—multiple factors

Chin, U.S. Ambassador to Asian Development Bank, 2011

(Curtis, The Washington Times, October 18, Lexis Nexis; KKC)

<<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.>>

### Extension Long time frame to solvency

#### And, more evidence—infrastructure bank’s inefficiency means no short-term solvency

Reinhardt, editor and publisher of Public Works Financing newsletter, former senior editor at McGraw-Hill’s Engineering News-Record magazine, 2011

William, Transportation Development Foundation, “The role of private investment in meeting U.S. transportation infrastructure needs,” May, http://www.artba.org/mediafiles/transportationp3whitepaper.pdf, last accessed 5.20.12

Timing is the most important issue. The economic crisis has left governments needing innovative strategies for their capital plans right now. Incentives need to be put in place to bring new investors into the market. While the proposed iBank is intended to address some of these needs, it won’t begin operations for a few years, if at all. For the P3 market to grow, more efficient funding options are needed now.

#### And, our cards are specific to the BUILD Act

**Utt, Morgan Senior Research Fellow in Economic Policy, Heritage Foundation, 2011**

Ronald D., The Washington Times, “Infrastructure bank doomed to fail,” September 14, http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/, last accessed 5.25.12

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.

### Answers to Solvency—general

#### NIB too large of a project to work on now

Szakonyi, Associate Editor of the Journal of Commerce, May 28, 2012

(Mark, Journal of Commerce, “Local Governments Seek Private Funding For Infrastructure Repairs; Cities and states are truing to fill an infrastructure funding gap left by Congress but challenges abound.” LexisNexis, Accessed: June 27, 2012) KKC

<<The prospects of the creation of a national infrastructure bank, pitched by Obama, appear poor. Although the president pitched spending $10 billion to create a bank, it's not clear whether the institution would give out grants, make loans or both. Frankel said it would be more prudent to maximize the use of TIFIA and RRIF before launching a much grander funding mechanism. But that increased funding capacity has less of an impact if Congress restricts the ability of states to attract private capital.>>

#### Need more infrastructure investment than bank solves

**Defazio, Chairman House Transportation and Infrastructure Subcommittee on Highways and Transit, 2010**

(Peter, FDCH Congressional Testimony, 5/13/2012, Infrastructure Banks, EBSCOhost, Accessed: 6/28/12, PAD.)

<<INFRASTRUCTURE BANK AS PART OF THE SOLUTION

In closing, while several infrastructure bank proposals have been circulated, including one from the Administration, an infrastructure bank is only part of the solution. As mentioned above, the American Society of Civil Engineers estimates we must invest $2.2 trillion in our infrastructure over the next five years to bring our infrastructure to a state of good repair.

The current infrastructure bank proposals don`t come close to filling that massive need and thus are only part of the funding solution. Additionally, while an infrastructure bank can work well for projects like toll roads and wastewater treatment facilities that have available revenue streams with which to repay a loan, it is not a solution for other types of projects like transit projects, which don`t turn a profit. Finally, any infrastructure bank that will fund surface transportation projects must be created as part of our long-term surface transportation authorization.

While the Administration might want to create an Infrastructure Fund now, it makes no sense to do so outside of a comprehensive authorization of our surface transportation programs. Should the Administration change its mind about waiting to complete an authorization bill until next year, I stand ready to work with them right now to pass the STAA.>>

### Answers to Solvency—economic growth

### Answers to solvency: won’t repay loans

**No guarantee projects generate revenue to repay loans**

**Lipinski, U.S. Representative, 2010**

**(Daniel, May 13th “**Statement of The Honorable Daniel Lipinski Representative U.S. House of Representatives”

**Committee on House Ways and Means Subcommittee on Select Revenue Measures; EBSCOhost, Acesse** **PAD)**

<<<Before I begin, I want to emphasize that innovative proposals such as this should be viewed as a potential piece of a comprehensive solution for providing adequate levels of funding for **infrastructure** projects; if this were the only step we took, we would still fall far short of the investments our nation needs. And while an **infrastructure** bank may play a role in moving certain projects forward, many major, critical projects may never be able to generate the revenue needed to repay a loan. This is a point that must be considered in structuring the financing mechanisms of an **infrastructure** bank and in considering the extent to which this bank could fulfill our nation`s **infrastructure** needs.>>

### \*\*\*Advantage Answers\*\*\*

### 1nc frontline Economy Advantage

#### 1. turn and no solvency-- infrastructure bank ineffective job generator and may worsen economy

**Markay, Heritage Foundation, 2011**

(Lachlan, July11, 2011 <http://blog.heritage.org/2011/07/11/obama-vs-the-evidence-infrastructure-spending-is-no-job-creator/> Heritage Foundation, accessed: 6-28-12) BJC

In short, **a variety of studies using very different methodologies suggest that infrastructure spending is not an unemployment solution, and may even make the** **situation worse.** So it should have come as little surprise, nearly a year after the president passed his stimulus package, that “**a surge in spending on roads and bridges has had no effect on local unemployment and only barely helped the beleaguered construction industry,” as the Associated Press reported**. But President Obama continues to cling to the notion that unemployment can be solved by simply spending more federal dollars on construction projects. As long as he continues pursuing policies shown time and again to be ineffective, unemployment will likely remain a problem.

#### 2. not shovel ready—can’t solve for the short term economy

**Defazio, Chairman House Transportation and Infrastructure Subcommittee on Highways and Transit, 2010.**

(Peter, FDCH Congressional Testimony, EBSCOhost, Accessed:6/27/12 PAD.)

<<However, I want to be clear that an infrastructure bank can only supplement our existing infrastructure investment, as our needs are far too great and diverse for one bank to fully fund our massive backlog of decaying infrastructure.

Furthermore, a bank only makes sense for projects that have a ready revenue stream with which to repay a loan, like toll roads and wastewater treatment facilities. In these tough economic times we must look at new and innovative means to improve our nation`s deteriorating transportation system and an infrastructure bank is one small part of the solution.>>

#### 3. No impact—economic indicators are misleading—economic growth is strong, only our evidence is predictive

**Perry, Senior Fellow, Economic Studies, 5-15-2012**

George L., Brookings, “Bad Headlines but a good economy,” May 15, http://www.brookings.edu/research/opinions/2012/05/15-good-economy-perry, last accessed 5.25.12

If you had thought, as I did, that the U.S. economic expansion was getting healthier, you would have lost a bet on first quarter GDP growth. The preliminary estimate, which we got in late April, showed the economy grew at only a 2.2 percent annual rate, which was a slowdown from the previous quarter and well below the consensus estimate among economists. The GDP news raised the question of whether the expansion is running out of steam.

A week later, the jobs report for April added to that concern. Payroll employment rose only 115,000, after averaging gains of more than 200,000 a month over the previous half year. And the employment estimate from the household survey, which had been rising even more strongly than the payroll data, was even weaker in April. The unemployment rate did not rise, but only because more of those without work were not actively looking for jobs.

So how worried should we be about the health of the expansion? Fortunately, both the GDP and employment reports had better news in the details than in the headline numbers. A drop of 15,000 in government employment contributed to the weak April jobs report. And a decline in government purchases held back first quarter GDP. Spending on national defense fell by 8.1 percent and purchases by state and local governments fell by 1.2 percent (all changes are annual rates). These declines in government spending were an unwanted headwind that subtracted 0.6 percentage points from first quarter GDP growth. But to judge the underlying health of the expansion, the state of private sector demands provides better clues.

Private demand rose by 2.8 percent in the first quarter, and the gains were strongest in some sectors that typically lead cyclical upswings but have only recently come to life this time. Consumer spending on durable goods rose at a 15 percent rate, with auto sales running 8 percent above year earlier levels. Residential construction, the sector that crashed the hardest in the recession and that has been very slow to recover, rose at a 19 percent rate in the quarter.

Private demands were held back by a 12 percent decline in business investment in structures in the first quarter. But this does not portend a general weakness in business investment going forward. The decline came from drillers shutting down rigs in the gas fields in order to move them to fields with oil and gas liquids whose prices are higher than gas prices. Without this temporary decline in drilling activity, private sector demands would have been up 3.2 percent in the first quarter.

Other recent data further support the view that the economy will be growing, not stalling, in the quarters ahead. Income gains have been disappointingly small in recent months, but spending has outpaced disposable income and consumer credit is rising. Both suggest spending optimism by consumers. Permits for new home construction, which presage new homebuilding, are up sharply. And gasoline prices, which had been widely described as heading for $5 a gallon, have instead recently declined.

The risk that higher oil prices would derail the expansion is now slim. Oil inventories are high, the Saudis have expanded production, the risk of disruptions to Middle East supplies has receded, and U.S. production keeps rising. The risk that eurozone troubles could seriously disrupt the U.S. economy is nearer to being tested. But we seem well insulated against financial spillovers. And, if it comes, a shift to less austerity would be better for Europe and its trading partners than the present situation.

Whether, over the next six months, the economy is good enough to be an asset to President Obama or bad enough to be a help to candidate Romney is still unclear. But economic prospects are better than recent headlines would lead you to believe.

#### 4. No solvency—previous stimulus failures prove the infrastructure bank would be no different

Utt, Morgan Senior Research Fellow in Economic Policy, Heritage Foundation, 2011

Ronald D., The Washington Times, “Infrastructure bank doomed to fail,” September 14, http://www.washingtontimes.com/news/2011/sep/14/utt-infrastructure-bank-doomed-to-fail/, last accessed 5.25.12

President [Obama](http://www.washingtontimes.com/topics/barack-obama/) remains enamored of an “infrastructure bank,” an idea flogged, in one shape or another, for several years now.

All of the proposals floated to date involve creating a new federal bureaucracy that would provide loans and grants for construction or repair projects sought by state or local governments. In some proposals, those funds would be provided via the congressional appropriations process. In others, the bank simply would borrow the money.

But no matter what the source of the cash, this hard fact remains: An infrastructure bank would do little to spur the economic recovery — and nothing to create new jobs.

Such a bank has all the liabilities of the American Revitalization and Investment Act of 2009 (ARRA). You’ll recall that this $800 billion “stimulus” included $48.1 billion for transportation infrastructure. Yet, as the president acknowledged recently and the [Heritage Foundation](http://www.washingtontimes.com/topics/heritage-foundation/)predicted, the funded projects have been very slow to get under way and have had little impact on economic activity.

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 — 2½ 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.

#### 5. Impacts empirically denied—four years of recession haven’t led to their impacts, no reason why now is key

#### 6. No impact-- Neofunctionalism prevents another Great depression

**Wade Dokken, co-founder of WealthVest Marketing, December 13, 2010**

(“Ten Major Differnces between the Great Depression and Today’s Recession,” accessed 4/29/11 http://www.wealthvest.com/blog/wade-dokken/4191/)

The first significant difference between the Great Depression and our Great Recession is that there is a significantly larger amount of neo-functionalism today than there was during the Great Depression. Simply put, there has been a growth of technical economic institutions that have required the growth of political institutions as a result. This need to compensate economic markets with governance is known as the “spill-over” effect.

Brue Bartlett of Forbes elaborated on October 2009,

Policymakers were united in their desire to make sure this didn’t happen if humanly possible. Many postwar institutions such as the World Bank, General Agreement on Tariffs and Trade and International Monetary Fund were created to fix various problems thought to be responsible for the Great Depression. Congress even passed a law, the Employment Act of 1946, which requires the president to do everything in his power to prevent another depression.

These institutions have played a vital role in alleviating the severity of bust cycles. The dollar has always been one of the more stable currencies in modern times, but the European Union and the creation of a common, standard currency for the EU has positively increased the stability of the major currencies. This has prevented the massive hyperinflation experienced in the German and Hungarian currencies that occurred during the global Great Depression. Increased political coordination through international institutions has also increased response time and readiness to handle international economic crises.

#### 7. No solvency—business confidence not stimulus for jobs key to economic recovery

LA Times June 11 2012

([http://articles.latimes.com/2012/jun/11/opinion/la-ed-economy-fiscal-cliff-20120611 accessed 6/13/12](http://articles.latimes.com/2012/jun/11/opinion/la-ed-economy-fiscal-cliff-20120611%20accessed%206/13/12) tm)

Bernanke's remarks came amid a [global economic slowdown,](http://lat.ms/KEgUzB) with Europe, Asia and China in varying degrees of decline. In the U.S., employment and economic growth have been sluggishsince last year's surge, repeating the [up-and-down pattern](http://lat.ms/KDTytU) of the first two years of President Obama's administration. Yet corporate profits have been rising for two years, and companies are sitting on cash hoards worth more than [$1.5 trillion.](http://lat.ms/KDUr5T) In other words, corporate America has the wherewithal to hire and expand, but not the willingness to put the money at risk.

### Economy Advantage Extensions—No Solvency [Generic Infrastructure]

#### And, more evidence—consensus and empirics prove no job creation from infrastructure

**Markay, Investigative Reporter for Heritage’s Center for Media and Public Policy, 2011**

Lachlan, Heritage, “Obama v. the evidence: Infrastructure spending is no job creator,” July 11, http://blog.heritage.org/2011/07/11/obama-vs-the-evidence-infrastructure-spending-is-no-job-creator/, last accessed 5.25.12

But if the president has learned anything from the apparent failure of his policies to spur job growth, he sure didn’t show it. A central element of his proposed unemployment solution is still the creation of an “infrastructure bank that could put construction workers to work right now rebuilding our roads and our bridges and our vital infrastructure right now.”

All of this despite the preponderance of evidence showing that federal infrastructure spending is not the boon for the economy that Obama claims. In fact, the Congressional Budget Office, the Congressional Research Service, and the Government Accountability Office have all concluded that such spending has at best a marginal impact on employment, and may even yield a net loss in jobs.

In a series of studies in 2000, the Department of Transportation used economic modeling to conclude that each billion dollars in infrastructure spending would create 47,576 job-years. That study was used to tout infrastructure spending in the stimulus package, and to justify such spending thereafter.

But USDOT’s study considered federal spending in the abstract, and thus failed to account for the hidden costs of extracting money from one part of the economy and spending it elsewhere. The Heritage Foundation’s Ronald Utt [explained the flawed logic](http://www.foundry.org/2010/01/11/ap-confirms-government-infrastructure-spending-does-not-create-jobs/)thusly:

In the real world, the additional federal borrowing or taxing needed to provide this additional $1 billion means that $1 billion less is spent or invested elsewhere and that the jobs and products previously employed by that $1 billion thus disappear. Regardless of how the federal government raised the additional $1 billion, it would shift resources from one part of the economy to another, in this case to road building. The only way that $1 billion of new highway spending can create 47,576 new jobs is if the $1 billion appears out of nowhere as if it were manna from heaven…

Because of these inherent limitations, [input/output] models such as the one used by USDOT should be used with great caution, and their limitations and artificial assumptions should be clearly acknowledged. When these conditions are considered, the job-creation potential of any spending scheme will be found to be a small fraction of what such models initially report.

Even some I/O studies have found the benefits of infrastructure spending to be negligible. The aforementioned CRS report, for instance, used I/O models to measure the impact of such spending, and concluded (see link above for details):

To the extent that financing new highways by reducing expenditures on other programs or by deficit finance and its im­pact on private consumption and investment, the net impact on the economy of highway construction in terms of both output and employment could be nullified or even negative.

Unlike CRS and USDOT, the Government Accountability Office actually studied the track record of an infrastructure project – the Emergency Jobs Act of 1983 – and found similarly unimpressive results. “Funds were spent slowly and relatively few jobs were created when most needed in the economy,” GAO found. The jobs that were created by infrastructure spending “represented less than 1 per­cent of about 5.8 million jobs created by the economy since the act was passed.”

The Congressional Budget Office took a different approach, and conducted a review of 10 years of academic data on the relationship between federal spending and job creation. On infrastructure spending, the CBO had this to say:

The available information suggests three conclusions: some investments in public infrastructure can be justified by their bene­fits to the economy, but their supply is lim­ited; some (perhaps substantial) portion of federal spending on infrastructure displaces state and local spending; and on balance, available studies do not support the claim that increases in federal infrastructure spending would increase economic growth.

In short, a variety of studies using very different methodologies suggest that infrastructure spending is not an unemployment solution, and may even make the situation worse. So it should have come as little surprise, nearly a year after the president passed his stimulus package, that “a surge in spending on roads and bridges has had no effect on local unemployment and only barely helped the beleaguered construction industry,” as the Associated Press [reported](http://news.yahoo.com/s/ap/20100111/ap_on_bi_ge/us_stimulus_unemployment).

### Economy Advantage Extensions—No Solvency for Growth [Generic Infrastructure]

#### Infrastructure investment doesn’t lead to growth—multiple studies

Markay, Heritage Foundation, 2011

(Lachlan, July11, 2011 <http://blog.heritage.org/2011/07/11/obama-vs-the-evidence-infrastructure-spending-is-no-job-creator/> Heritage Foundation, accessed: 6-28-12) BJC

**<<**Even some **I/O studies have found the benefits of infrastructure spending to be negligible**. The aforementioned **CRS report**, for instance, used I/O models to measure the impact of such spending, and **concluded** (see link above for details): To the extent **that financing new highways by reducing expenditures on other programs or by deficit finance and its impact on private consumption and investment, the net impact on the economy of highway construction in terms of both output and employment could be nullified or even negative.>>** Unlike CRS and USDOT, the Government Accountability Office actually studied the track record of an infrastructure project – the Emergency Jobs Act of 1983 – and found similarly unimpressive results. “Funds were spent slowly and relatively few jobs were created when most needed in the economy,” GAO found. The jobs that were created by infrastructure spending “represented less than 1 percent of about 5.8 million jobs created by the economy since the act was passed.” **The Congressional Budget Office** took a different approach, and conducted a **review of 10 years of academic data on the relationship between federal spending and job creation**. On infrastructure spending, the CBO **had this to say**: The available information suggests three conclusions: some investments in public infrastructure can be justified by their benefits to the economy, but their supply is lim-ited; some (perhaps substantial) portion of federal spending on infrastructure displaces state and local spending; and on balance, **available studies do not support the claim that increases in federal infrastructure spending would increase economic growth.>>**

#### NIB will not work Long time frame for solvency—can’t solve the economy in short term

**Schweitzer, Chief Operating Officer, TARP at U.S. Department of the Treasury General Counsel at Export-Import Bank of the U.S., Alderman,** principals in Cozen O'Connor Public Strategies. And Bayh, a former U.S. senator from Indiana **2011**

(Howard, Mark and Evan, The Washington Post, September 30, June 25, 2012)

<<In the American Jobs Act, President Obama reiterated his call for a national infrastructure bank, building on bipartisan legislation introduced in March by Sens. John Kerry (D-Mass.), Kay Bailey Hutchison (R-Tex.) and Mark Warner (D-Va.). The media are awash with calls to pass legislation creating a government bank to support private-sector investment in projects that would revitalize our domestic infrastructure, which most experts agree is in disrepair. At the same time, Washington is desperately searching for tools to stimulate a struggling economy.

Yet even if the president's proposal were enacted tomorrow, it would be years before such a new bank would be fully operational. While Congress and the administration debate the appropriate means of financing infrastructure, there is a way to begin financing projects and creating jobs today.>>

### Economy Advantage Extensions—No Solvency Job [Infrastructure Bank specific]

#### infrastructure spending doesn’t solve jobs—multiple studies prove

Markay, Heritage Foundation, 2011

(Lachlan, July11, 2011 <http://blog.heritage.org/2011/07/11/obama-vs-the-evidence-infrastructure-spending-is-no-job-creator/> Heritage Foundation, accessed: 6-28-12) BJC

**<<**All of this despite the preponderance of evidence showing that federal infrastructure spending is not the boon for the economy that Obama claims. In fact, the Congressional Budget Office, the Congressional Research Service, and the Government Accountability Office have all concluded that such spending has at best a marginal impact on employment, and may even yield a net loss in jobsIn a series of studies in 2000, the Department of Transportation used economic modeling to conclude that each billion dollars in infrastructure spending would create 47,576 job-years. That study was used to tout infrastructure spending in the stimulus package, and to justify such spending thereafter. But USDOT’s study considered federal spending in the abstract, and thus failed to account for the hidden costs of extracting money from one part of the economy and spending it elsewhere. The Heritage Foundation’s Ronald Utt explained the flawed logic thusly: In the real world, the additional federal borrowing or taxing needed to provide this additional $1 billion means that $1 billion less is spent or invested elsewhere and that the jobs and products previously employed by that $1 billion thus disappear. Regardless of how the federal government raised the additional $1 billion, it would shift resources from one part of the economy to another, in this case to road building. The only way that $1 billion of new highway spending can create 47,576 new jobs is if the $1 billion appears out of nowhere as if it were manna from heaven… Because of these inherent limitations, [input/output] models such as the one used by USDOT should be used with great caution, and their limitations and artificial assumptions should be clearly acknowledged. When these conditions are considered, the job-creation potential of any spending scheme will be found to be a small fraction of what such models initially report.>>

#### NIB won’t solve jobs

**Chin, U.S. Ambassador to Asian Development Bank, 2011**

(Curtis, The Washington Times, Lexis Nexis, October 18, Accessed: June 27, 2012; KKC)

<<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.

#### NIB can’t create jobs in the short term.

Johnson, correspondent at National Journal, 2011

(Fawn, National Journal, “Obama Stalling Out on Infrastructure,” EBSCOhost, October 8, Accessed: June 26, 2012) KKC

<<The administration's latest talking points on **infrastructure** emphasize "immediate investment in construction" and describe the types of jobs that will be created--"rebuilding roads" and "repairing bus and transit systems." Obama is also looking for support for an independent "**infrastructure** **bank**" that would lend money to states and cities for large, expensive projects that would be selected based on the structural need and the projected economic boost.

The **infrastructure** **bank** might be good policy, but it probably wouldn't do much to create jobs in the short term. It can take years for states and cities to plan projects that address major structural deficiencies or mitigate traffic choke points. If funding is up in the air, states are reluctant to start the planning process, because engineering and designing a project, not to mention doing the permitting and environmental impact analysis, take a big investment. The planning phase consumes as much as 15 percent of a project's total cost. Without the certainty that the other 85 percent of the budget will be there to turn those plans into reality, states can't really have ready-to-go projects on the shelf.>>

### 1nc Frontline Competitiveness Advantage

#### 1. Alt cause—high corporate tax burden kills U.S. competitiveness

Kim, Fellow, Heritage Foundation, specialist in free trade, 2010

Anthony B., Heritage, “U.S. Losing Global Competitiveness with High Corporate Tax Burden,” February 2, http://blog.heritage.org/2010/02/02/u-s-losing-global-competitiveness-with-high-corporate-tax-burden/, last accessed 5.25.12

High corporate tax rates are undermining U.S. international competitiveness. The global economy continues to demand that companies be flexible and swift in order to remain competitive. High tax rates deprive companies of both the means and the incentive to take advantage of new market opportunities or technological changes that can improve productivity.

Most advanced countries in the world have responded to new global economic realities by slashing corporate tax rates. The U.S. stands almost alone in having resisted such cuts, and its corporate tax rates are now among the highest in the world. Future U.S. prosperity depends on the willingness of our political leaders to resist populist anti-corporate dogma and make the necessary adjustments to keep the U.S. economy competitive.

#### 2. Alt cause—can’t solve for productivity—structural issues outweigh

**Hersh, Fellow at Center for American Progress, and Weller, Fellow at Center for American Progress, 2011**

Adam S. and Christian E., Center for American Progress, “Growing Concerns about Future U.S. Competitiveness,” May, http://www.americanprogress.org/issues/2011/05/pdf/productivity\_snapshot.pdf, last accessed 5.25.12

Productivity growth—the rate at which firms raise the quantity and quality of the stuff they make during a given amount of work in, say, an hour along with other given inputs—determines how much our standard of living will increase over time. Productivity growth is also a crucial determinant of U.S. competitiveness in the global marketplace. Higher productivity means U.S. companies are able to sell more globally— producing more and better products than their competitors with their given inputs, workers, factories, office buildings, computers, and so on.

Productivity growth also is closely tied to the pace of business investment in things like commercial construction, such as factories and office buildings; in equipment, such as assembly lines and computers; and in software and other innovations. All of these types of investments lead to productivity growth, and productivity growth leads to increases in our standard of living in the long run.

As the U.S. economy climbs out of the Great Recession, several economic trends raise concerns about the future outlook for U.S. productivity growth. First, productivity growth is already below the average rate of growth that has historically been recorded 39 months after a business cycle started. It is much harder to accelerate productivity growth than to maintain a significant growth rate, so the current below-average performance poses a challenge for businesses and policymakers alike.

Second, business investment, especially in factories and other commercial real estate, continues at a slow pace, unlike other business cycles when business investment surges after the end of the recession drove strong economic and labor market recoveries. The rate of business investment in this business cycle, from December 2007 to March 2011, barely keeps pace with the depreciation of existing capital. Businesses are spending most of their investment dollars just to replace obsolete equipment and rebuild outdated factories and office buildings. The capital base of U.S. industries is hence barely growing, which makes it harder to increase productivity growth in the future.

And the data clearly indicate that businesses have sufficient funds to finance more investment but would rather use those funds for other purposes. Nonfinancial corporations are sitting on large piles of cash, with many using all of their profits and more to support the price of their shares through dividend payouts and share repurchases.

Third, the poor performance of business investment raises questions about the effectiveness of banks and other financial institutions to channel financial resources from savers into economically productive uses, as opposed to speculation and executive compensation. The financial system as a whole is not providing incentives for real investment, and the venture capital industry is directing fewer resources to early-stage startup companies.

The consequences of these developments are plain to see. The U.S. high-tech trade deficit is widening once again, which suggests that the U.S. high-tech manufacturers are losing ground in the global marketplace despite the increasing international competitiveness of the dollar that helps make U.S. exports cheaper than would otherwise be the case. And although our economy continues generating new intellectual properties, U.S. entities are falling behind the pace of patent grants.

#### 3. Even if they win they increase hegemony in the short-term, other countries are gaining the ability to block U.S. power, making it politically impossible to advance U.S. hegemony

Gvosdev, is the former editor of the National Interest, and a frequent foreign policy commentator in both the print and broadcast media. He is currently on the faculty of the U.S. Naval War College*,* 2010

(Nikolas K. World Politics Review“Finding a New Model of American July 13, 2010Leadership,”http://www.worldpoliticsreview.com/articles/6023/finding-a-new-model-of-american-global-leadership) SM

As a result, the United States must play an exceedingly challenging hand in the current environment. The first card in that hand is that it is becoming easier for other countries to block U.S. power or to raise the costs for Washington to act, to the point that, although action might still be feasible on paper, it becomes politically impossible. The net result of these developments, [as Judah Grunstein argues](http://www.worldpoliticsreview.com/trend-lines/5938/anti-access-and-power-projection) will be to create "political constraints [that] will more likely channel American foreign and defense policy into a more modest period of restraint." As [Ramesh Thakur observed](http://www.usip.org/events/preventing-violent-conflict-principles-policies-and-practice)a recent conference held at the U.S. Institute of Peace, rising powers like China and India will not be content in a world where they are rule-abiders, rather than agenda-setters. The U.S. is fast losing its ability to impose its vision should other powers actively choose to resist. But even when there is no deliberate pushback, merely a lack of support and compliance, Washington is finding it harder to advance its agenda.

#### 4. No internal link Domestic innovation and competitiveness aren’t key to heg and competitors’ growth is unsustainable.

Reihan **Salam**, Schwartz Fellow at the New American Foundation, “ROBERT PAPE IS OVERHEATED,” 1/21/**2009**, http://www.theamericanscene.com/2009/01/21/robert-pape-is-overheated

Pape spends a lot of time demonstrating that U.S. economic output represents a declining share of global output, which is hardly a surprise. Yet as Pape surely understands, the more relevant question is how much and how readily can economic output be translated into military power? The European Union, for example, has many state-like features, yet it doesn’t have the advantages of a traditional state when it comes to raising an army. The Indian economy is taxed in a highly uneven manner, and much of the economy is black — the same is true across the developing world. As for China, both the shape of the economy, as Yasheng Huang suggests, and its long frontiers, as Andrew Nathan has long argued, pose serious barriers to translating potential power into effective power. (Wohlforth and Brooks give Stephen Walt’s balance-of-threat its due.) So while this hardly obviates the broader point that relative American economic power is eroding — that was the whole idea of America’s postwar grand strategy — it is worth keeping in mind. This is part of the reason why sclerotic, statist economies can punch above their weight militarily, at least for a time — they are “better” at marshaling resources. Over the long run, the Singapores will beat the Soviets. But in the long run, we’re all dead. And given that this literature is rooted in the bogey of long-term coalition warfare, you can see why the unipolarity argument holds water. At the risk of sounding overly harsh, Pape’s understanding of “innovativeness” — based on the number of patents filed, it seems — is crude to say the least. I recommend Amar Bhidé‘s brilliant critique of Richard Freeman, which I’ll be talking about a lot. Pape cites Zakaria, who was relying on slightly shopworn ideas that Bhidé demolishes in The Venturesome Economy. **The “global diffusion of technology”** is real, and if anything it **magnifies U.S. economic power**. “Ah, but we’re talking about the prospect of coalition warfare!” The global diffusion of technology is indeed sharply raising the costs of military conquest, as the United States discovered in Iraq. The declining utility of military power means that a unipolar distribution of military power is more likely to persist. And yes, it also means that unipolar military.

### Competitiveness Advantage Extensions: alternative causes

Lack of stem education causes loss of leadership

Engler, the president of Business Roundtable and a former governor of Michigan, 12

(John, “STEM Education Is the Key to the U.S.'s Economic Future”,6/15/12,http://www.usnews.com/opinion/articles/2012/06/15/stem-education-is-the-key-to-the-uss-economic-future, 7/4/12, VKSP)

For America, improving achievement in science, technology, engineering, and math will go a long way to ensuring that our country can compete globally, create jobs, and achieve the levels of economic growth that will buttress Americans' standard of living and social safety net. High-quality STEM education represents an opportunity that students, workers, educators, and business must seize if we are to keep the country strong.

## Disadvantages

### \*\*Politics DA links\*\*

### Politics Links—Plan Popular [Generic]

#### Plan popular—Kerry-Hutchinson bill garners bipartisan support

**Wall Street Journal, 2011**

Josh Mitchell, “Plan for Highway Bank Faces Uphill Battle,” August 15, http://online.wsj.com/article/SB10001424053111904823804576500692477795126.html, last accessed 5.22.12

A bill unveiled this year, by Sens. John Kerry (D., Mass), Kay Bailey Hutchison (R., Texas) and Lindsey Graham (R., S.C.), and backed by the Chamber, would take a slightly different approach that could be more palatable to conservatives.

First, the price tag would be lower, with the bank getting $10 billion in initial "seed money." Aides to Mr. Kerry said last week that they were looking to lower that amount further and trying to find savings from other programs to fund the bank.

The bank would be controlled by a chief executive and a board appointed by the president and confirmed by the Senate. And it would issue only loans and loan guarantees, not grants, which critics have called a handout.

The proposal also requires that projects have a dedicated revenue stream—tolls—to ensure the money is paid back. And by limiting funding assistance to 50% of a project's costs, proponents say, the risk to taxpayers would be limited.

Mr. Kerry said the bank, under his bill, would finance economically viable projects without political influence.

"We can't keep pace with our rapidly crumbling infrastructure, and at the same time hardworking Americans are out of work. An infrastructure bank is the key to addressing both problems," Mr. Kerry said in a statement.

### Politics Links—Plan Popular [Public]

#### And, public likes the plan—overwhelmingly support infrastructure investment

**U.S. Department of the Treasury, along with the Council of Economic Advisers, 2012**

“A New Economic Analysis of Infrastructure Investment,” March 23, http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx, last accessed 5.21.12

One study found that four out of every five Americans agree with the statement that: “In order for the United States to remain the world’s top economic superpower, we need to modernize our transportation infrastructure and keep it up to date.” Another study found that almost 19 out of 20 Americans are concerned about America’s infrastructure and 84 percent support greater investment to address infrastructure problems.

### Politics Links: Plan popular general public

#### Voters love infrastructure investment—including any of the investment bank options

**Anand, MSNBC writer, 2011**

(Anika, , <http://www.msnbc.msn.com/id/43606379/ns/business-eye_on_the_economy/t/bank-plan-would-help-build-bridges-boost-jobs/#.T-DDGitYuB1> , MSNBC, 7-6-11 accessed: 6-28-12)BJC

<<Voters, facing ever-growing commutes on crumbling roads and bridges, clearly want rancor over the issue to end. [A Rockefeller Foundation poll](http://www.rockefellerfoundation.org/news/press-releases/rockefeller-foundation-infrastructure) in February found 71 percent of those surveyed wanted legislatures to come to a consensus on transportation — more than any other issue. And 60 percent said they would support an unspecified national infrastructure bank. The debate surrounding the national infrastructure bank boils down to the age-old battle between government control versus private investment. Given the bailouts of government-chartered Freddie and Fannie and the bailouts of the privately-funded Wall Street, lawmakers will have to decide whether voters trust the government or the private sector, or if these two can actually work together to rebuild America's infrastructure.>>

### Politics Links: Plan popular Congress

#### Politics links—Congress supports ibank

**Rohatyn, CEO of Lazard, ‘11**

(Felix, http://www.politico.com/news/stories/0711/58786\_Page2.html7/12/11 accessed: July 1, 2012, BJC)

<It is difficult to understand why an infrastructure bank is not already in place — wit[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 h. 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.>

### Politics Links: plan bipart

#### Bipart—nature of private investment element popular with Dems and GOP

**New York Times, 2011**

(The New York Times, “Bank Sought By Senators To Finance Infrastructure,” March 16, 2011

Lexis Nexis, Accessed: June 26, 2012) KKC

<<Amid growing concerns that the nation's infrastructure is deteriorating, a group of Democrats, Republicans, and labor and business leaders called Tuesday for the creation of a **national infrastructure bank** to help finance the construction of things like roads, bridges, water systems and power grids. The proposal -- sponsored by Senator John Kerry, Democrat of Massachusetts, and Senator Kay Bailey Hutchison, Republican of Texas -- would establish an independent bank to provide loans and loan guarantees for projects of regional or national significance. The idea is to attract more infrastructure investment from the private sector: by creating an infrastructure bank with $10 billion now, they say, they could spur up to $640 billion worth of infrastructure spending over the next decade.>>

#### NIB sustainable and gets bipartisan support—unions

**Compton, 2011**

(Matt “Five Facts About a National Infrastructure Bank,” November 3, http://www.whitehouse.gov/blog/2011/11/03/five-facts-about-national-infrastructure-bank Accessed: June 27, 2012) KKC

<<Today, the Senate is set to take up one idea that the President touted -- the creation of a national **infrastructure** **bank**. Here's how it would work: Congress would appropriate an initial $10 billion in startup money to capitalize the **bank**. The new **bank** would identify transportation, energy, and water **infrastructure** projects that lack funding, offer a clear benefit for taxpayers, and are worth at least $100 million or $25 million for rural projects. Loans made by the **bank** would then be matched by private sector **investments** or money from local governments -- so that the **infrastructure** **bank** provides half or less than half the total funding. Each project would generate its own revenues to help ensure repayment of the loan. Decisions would be made by a seven-person board of governors -- of whom, no more than four could be from the same political party -- and a CEO chosen by the President. One bonus fact: The legislation that would create the **bank** has serious bipartisan backing -- and the support of both the U.S. Chamber of Commerce and the AFL-CIO.>>

### Politics Links: plan popular Dems

#### Democrats support NIB

**Edmonson, Associate Editor of Journal of Commerce, July 13, 2009**

(R.G., Journal of Commerce, “Banking on Infrastructure,” EBSCOhost, Accessed: 6/26/12) KKC

<<The Obama administration and Rep, James L. Oberstar, D-Minn., have clashed over the timing of a new surface transportation bill, but an infrastructure bank is a prominent part of the vision of the future of transportation finance on both sides of the issue.Oberstar, chairman of the House Transportation and Infrastructure Committee, is pushing the Surface Transportation Authorization Act of 2009. The bill includes an infrastructure bank to provide grants, loans, loan guarantees, lines of credit, private activity bonds, tax-credit bonds and other financial tools to states for highway, rail, transit projects and projects of national significance.>>

### Politics Links: Plan popular Business lobby

#### Plan popular with business and unions

**Anand, MSNBC writer, 2011**

(Anika, , <http://www.msnbc.msn.com/id/43606379/ns/business-eye_on_the_economy/t/bank-plan-would-help-build-bridges-boost-jobs/#.T-DDGitYuB1> , MSNBC, 7-6-11 accessed: 6-28-12)BJC

The idea of such a bank has been around since the 1990s but has never gained significant attention until now. In March a bipartisan bill was introduced in the Senate that gained the support of the US Chamber of Commerce, America’s leading[business](http://www.msnbc.msn.com/id/43606379/ns/business-eye_on_the_economy/t/bank-plan-would-help-build-bridges-boost-jobs/) lobby, and the AFL-CIO, the country’s largest labor federation — two groups on opposite sides of most debates.

### Politics link—Plan popular Labor unions

#### Labor Unions are funding infrastructure and want the National Infrastructure Bank

Greenhouse, reporter for The New York Times, 2011

(Steven, The New York Times, “A Union Plan for Financing Construction,” <http://www.nytimes.com/2011/06/29/business/29labor.html>, June 29, Accessed: July 4, 2012) KKC

<<The A.F.L.-C.I.O. said it would announce on Wednesday that it intends to work with pension fund managers to ensure that at least $10 billion in union pension money is made available in the next five years to finance infrastructure projects.

Richard L. Trumka, president of the labor federation, will present the plan at a meeting of the Clinton Global Initiative in Chicago as part of organized labor’s effort to get the federal government, banks and money managers to do more to issue bonds or create other mechanisms to finance infrastructure projects.

A.F.L.-C.I.O. officials said they planned to work with Deutsche Bank and other financial institutions in the hope of coming up with hundreds of millions of dollars to retrofit large commercial buildings. Many building owners are hesitating to do such retrofits because they are highly leveraged and do not have the cash to make the investments. The A.F.L.-C.I.O. hopes its $10 billion will provide an incentive for banks and hedge funds to develop financing vehicles to make such projects happen.

“America’s construction workers need work and want to work,” Mr. Trumka will say, according to his prepared remarks, noting that unemployment is 16 percent in the industry. “Never in modern times has so much construction work needed to be done.”

### Politics Links—Plan Unpopular [GOP]

Plan costs political capital—Republicans oppose—distinction about leveraging private investment is irrelevant

Marshall, President of the think tank Progressive Policy Institute, and Thomasson, Economic and Domestic Policy Director for the Progressive Policy Institute, 2011

Will and Scott, Progressive Policy Institute, “Sperling on ‘Deferred Maintenance,’” October 7, http://progressivepolicy.org/sperling-on-%E2%80%9Cdeferred-maintenance%E2%80%9D, last accessed 5.22.12

President Obama’s $447 billion jobs plan includes some constructive – literally – provisions for upgrading America’s economic infrastructure. These shouldn’t be controversial: Who could be against putting people to work rebuilding the rickety foundations of U.S. productivity and competitiveness?

Well, Republicans, that’s who. They have dismissed the president’s call for $50 billion in new infrastructure spending as nothing more than another jolt of fiscal “stimulus” masquerading as investment.

It’s hard to imagine a more myopic example of the right’s determination to impose premature austerity on our frail economy. From Lincoln to Teddy Roosevelt to Eisenhower, the Republicans were once a party dedicated to internal nation building. Today’s GOP is gripped by a raging anti-government fever which fails to draw elementary distinctions between consumption and investment, viewing all public spending as equally wasteful.

### Politics Links—Plan Unpopular [GOP]

#### Plan would cost political capital—GOP sees bank as wasteful stimulus spending

**Wall Street Journal, 2011**

Josh Mitchell, “Plan for Highway Bank Faces Uphill Battle,” August 15, http://online.wsj.com/article/SB10001424053111904823804576500692477795126.html, last accessed 5.22.12

President Barack Obama is pressing Congress to create a new "infrastructure bank" to finance highway and rail construction, create jobs and jump-start the stalled economy, but the proposal faces hurdles on Capitol Hill.

White House officials have described the bank as a new government entity that would make loans to support public-works projects of regional and national significance with private funding. That includes interstate highways, rail lines linking Midwest farmers to West Coast ports, and equipment for planes to link up to a new satellite-based air-traffic-control network.

By luring more private capital to infrastructure projects with low-interest loans, the bank is designed to provide a long-term solution to more immediate problems.

The law authorizing the gasoline tax that provides the bulk of federal transportation money expires Sept. 30, and the tax, currently at 18.4 cents a gallon, isn't generating enough funds to keep pace with the nation's infrastructure needs anyway.

But the White House, House Republicans and some Senate Democrats differ on the best way to encourage more private investment in public infrastructure. Those disagreements are likely to be swept into a broader debate over how to shrink the federal deficit that could stretch to the November 2012 elections.

Some lawmakers fear that once they return from their August recess, a political fight over spending could delay reauthorization of the law for weeks or even months. The government would lose up to $100 million a day in gas-tax revenue, payments to states would be halted and construction jobs would likely be lost if the law lapses, business groups warn.

The U.S. Chamber of Commerce and others say they support the idea of an infrastructure bank but worry that the administration is giving short shrift to the more urgent problem.

"They have not focused on the need to pass a highway and transit bill," said Janet Kavinoky, the Chamber's chief lobbyist on transportation policy, noting that several years could pass before large-scale projects supported by the bank would get under construction. "We are very frustrated that they continue to hold out the bank as a substitute for doing a highway and transit bill."

A White House official said the administration has been in touch regularly with members of Congress to push for both a highway bill and a national infrastructure bank. The official said "no one is taking this for granted," referring to passage of the highway bill, and added that when the president talks about an infrastructure bank, he is referring to his long-term vision of how to reform transportation policies. In a time of dwindling public resources, said Jason Furman of the White House economic council, "you want to stretch the dollars you do have farther."

Under the White House plan, the infrastructure bank would augment current highway and transit programs. The bank would receive $30 billion over six years and would issue grants, loans and other financial tools.

The president's budget proposal in February suggested the bank reside in the Transportation Department and be controlled by an executive director and board of officials from various federal agencies. Projects would need to meet "rigorous" criteria to ensure they benefit the maximum number of people, preventing more "bridges to nowhere."

Some Republicans say that such a bank would simply add a new bureaucracy in Washington and shift decision-making from Congress to the executive branch.

"How this project would be funded, what it would fund and how those funds would be repaid are critical questions the Obama administration has not answered yet," said Kevin Smith, a spokesman for House Speaker John Boehner (R., Ohio). "If this is more of the same 'stimulus' spending, we won't support it."

### Politics: funding mechanism unpopular public

#### Skepticism about funding mechanisms make actual investment under current funding structures unpopular

**Hart Research Associates and Public Opinion Strategies, 2011**

**(“**The Rockefeller Foundation Infrastructure Survey: Findings from a national survey of registered voters, conducted byHart Research Associates and Public Opinion Strategies” Feb 14 2011 [http://www.rockefellerfoundation.org/uploads/files/80e28432-0790-4d42-91ec-afb6d11febee.pdf accessed tm 5/22/12](http://www.rockefellerfoundation.org/uploads/files/80e28432-0790-4d42-91ec-afb6d11febee.pdf%20accessed%20tm%205/22/12))

A large majority of voters see room for improvement in how the government spends money on infrastructure and they endorse a host of reforms in this area. 64% of voters say that how the government currently spends money on building and maintaining our transportation infrastructure is inefficient and unwise, including one in four (26%) who says it is very inefficient. Just 32% say the government currently spends efficiently and wisely. Republicans (72% unwise) and independents (67% unwise) are particularly adamant that this is the case, though 56% of Democrats say that current spending is unwise as well. Given this attitude, it is unsurprising that the public supports a number of measures that would change the way in which transportation dollars are spent.

### Politics—federal policy for new programs unpopular

**Public support local say in transportation and opposes new programs rather then fixing existing ones**

**Hart Research Associates and Public Opinion Strategies, 2011**

**(“**The Rockefeller Foundation Infrastructure Survey: Findings from a national survey of registered voters, conducted byHart Research Associates and Public Opinion Strategies” Feb 14 2011 [http://www.rockefellerfoundation.org/uploads/files/80e28432-0790-4d42-91ec-afb6d11febee.pdf accessed tm 5/22/12](http://www.rockefellerfoundation.org/uploads/files/80e28432-0790-4d42-91ec-afb6d11febee.pdf%20accessed%20tm%205/22/12))

Indeed, two-thirds or more of respondents favor nine of the 10 reforms tested in the survey, with the highest levels of support for holding government accountable for collecting data and certifying that all projects are delivered on time and fit into an overall national plan (90% favor), and allowing local regions to have a greater say in how transportation dollars are used in their area (90% favor), and having a “fix it first” policy that focuses on maintaining existing transportation systems before building new ones (86% favor).

### Politics: Plan unpopular Tea Party/ fiscal Conservatives

#### GOP opposes NIB—venture socialism fund

**DeMint, Senator Committee Member of Commerce, Science, and Transportation, September 28, 2011**

(Jim, The Washington Times, “Venture socialism; Obama agenda is about shoveling cash to cronies,” Lexis Nexis, Accessed: June 26, 2012)KKC

<<The Obama economy is littered with billion-dollar busts. Yet Mr. Obama is advocating massive tax increases that would, in part, pay for more of his "investments." If his new jobs bill were made law, it would create a new, permanent National Infrastructure Bank to fund even more green energy projects - a permanent venture socialism fund.

The investment bank is a proposal that has received bipartisan support in the past, and Republicans who oppose it are accused of not being "pro-business" enough. But the critics, a powerful cabal of labor and commerce special interests, said the same thing when conservatives opposed the housing, bank and auto bailouts, too. Republicans shouldn't be the party of big business, and Democrats shouldn't be the party of big labor. We should all be working together to advocate for the free market, which allows the best, most innovative businesses to succeed instead of distorting the market by subsidizing failing companies.

Thus, there is a much-needed lesson to be learned from Solyndra for Republicans and Democrats alike. Playing investor on the taxpayers' dime won't rebuild the economy, it will destroy it.>>

### Politics: Senator Shelby links

#### Senator Shelby opposes NIB—akin to bailouts

**Landers, Contributing Editor, Board on the ASCE, 2010**

(Jay, Civil Engineering, EBSCOhost, November, June 25, 2012)KKC

<<However, the concept of an infrastructure bank was met with some skepticism by at least one member of the commit- tee. 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.

### \*\*Fiscal discipline DA \*\*

### Fiscal Discipline DA links—General

**Federal infrastructure funding bad for economy**

* **Edwards, director of tax policy studies at Cato Institute, 2011**
* (Chris, Cato Institute, “Obama’s Job Speech Full of Bad Ideas,”<http://www.cato-at-liberty.org/obamas-job-speech-full-of-bad-ideas/>,September 9, Accessed: June 26, 2012) KKC

<<More federal infrastructure. When the federal government spends on infrastructure, it often misallocates the funds. The list of federal infrastructure boondoggles and [cost overruns](http://www.downsizinggovernment.org/government-cost-overruns) is endless — in public [housing](http://www.nationalreview.com/articles/276731/got-jobs-nro-symposium?page=3), dam-building, Corps of Engineers projects, bridges to nowhere, high-speed rail, etc. Instead, what we need is higher-quality infrastructure spending [financed and built by the private sector](http://www.downsizinggovernment.org/transportation). We need private airports, private air-traffic control, and private toll highways. A federal infrastructure bank. Such a financial scheme would reduce transparency in federal spending, which would go directly against a key Obama promise of increased budget transparency.>>

**Solving infrastructure expensive**

**Defazio, Chairman House Transportation and Infrastructure Subcommittee on Highways and Transit, 2010**

**(Peter, FDCH Congressional Testimony, 5/13/2012, Infrastructure Banks, EBSCOhost, Accessed: 6/28/12, PAD.)**

<The SAFETEA-LU National Surface Transportation Policy and Revenue Study Commission report in January 2008 estimated we as a nation should be investing a minimum of $225 billion from all sources annually over the next 50 years to upgrade all modes of surface transportation (highways, bridges, public transit, freight rail, and intercity passenger rail) to a state of good repair. Additionally, the American Society of Civil Engineers estimates the nation`s infrastructure requires an investment of $2.2 trillion over the next five years to bring our infrastructure to a state of good repair. Meanwhile, the current annual capital investment from all sources in all modes of surface transportation is just $85 billion.

And while China spends 9% of its GDP on infrastructure, the U.S. spends just 0.93% of its GDP on infrastructure investments.>

## States CP and Fism

### States CP 1nc Shell

#### Text:

#### The fifty states of the United States and all relevant territories should create independent state infrastructure banks. We’ll clarify

#### Contention One is Competition—the counterplan competes through disads to federal government action

#### Contention Two is Solvency

#### States can create successful infrastructure banks without federal oversight

**Puentes, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Brookings Institution, 2011**

Robert, Brookings, “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy,” February, http://www.brookings.edu/~/media/research/files/papers/2011/2/22%20infrastructure%20puentes/0222\_infrastructure\_puentes.pdf, last accessed 5.22.12

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.

### States CP Solvency Extensions—Flexibility/Financing

#### And, state infrastructure banks are more flexible—able to provide a variety of financing options

**Giglio, Ph.D., professor of strategic management at Northeastern University’s College of Business Administration, 2011**

Joseph, Patriot Ledger, “Infrastructure bank provides invaluable resources,” December 5, http://www.patriotledger.com/topstories/x1178219699/COMMENTARY-Infrastructure-bank-provides-invaluable-resources?zc\_p=0, last accessed 5.25.12

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.

### States CP solvency: States can implement ibanks

#### states cp solvency—states set up ibanks

**Thomasson,Economic and Domestic Policy Director Progressive Policy Institute, 2011**

**(Scott, FDCH Congressional Testimony, National Infrastructure Banks, EBSCOhost, Accessed: 6/26/12 PAD.)**

<<The Next Step in the Evolution of a National Investment Strategy

Both the federal government and state authorities have already taken important steps toward achieving some of the goals of a national **infrastructure** bank.Innovative financing programs like TMA, the Railroad Rehabilitation and Investment Financing Program ("RRIF"), and the Department of Energy's 1703 and 1705 loan guarantee programs have brought powerful changes to the way we approach **infrastructure** projects, by shifting a portion of the government's role from spending (grants and direct funding) to investment (credit assistance, loans, and loan guarantees). And thanks to incentives created by Congress in past transportation legislation, states have created their own **infrastructure** **banks** to take advantage of new approaches to project finance and planning.

As this Committee has recognized, these existing approaches are helpful responses to the enormous investment challenges we face, and they have moved us in the right direction to bring us closer to the modern financing practices used around the world for **infrastructure** projects. But even when looked at together, these programs have been unable to achieve the full potential we have to mobilize public and private investment in this country. The TIFIA program is oversubscribed with more project applications than it can process and finance, and it is limited by a small staff structure that would likely prove inadequate to handle the large program expansion recently proposed by this Committee. RRIF has failed to deploy most of the loan authority it already has. The DOE loan guarantee program has faced many challenges, most recently highlighted by the Solyndra bankruptcy. And state **infrastructure** **banks** have had a mixed track record, due in part to insufficient capitalizations and leveraging power.>>

### States solves jobs through infrastructure

#### SIB adds jobs and improves infrastructure

States News Service, 2012

(States News Service, “Morrissette Applauds Agreement to Empower States to Oversee Federal Transportation Spending,” Lexis Nexis, June 28, Accessed: July 3, 2012) KKC

<<Morrissette (D-Oklahoma City) was the author of House Bill 2469, which creates a state **infrastructure** **bank** allowing for federal TIFIA funding to flow from the nations capitol and into the pockets of our states labor workforce. The state **infrastructure** **bank** will receive and distribute through its own board, loans and grants to aid Oklahoma communities in realizing specific improvements to roads, bridges, sidewalks, commercial endeavors such as upgrades to rail and other mass transit enterprise.

The bank will distribute, through its own board, loans and grants from TIFIA to aid Oklahoma communities in realizing specific improvements to roads, bridges, sidewalks, commercial endeavors such as upgrades to rail and other mass transit proposals. In addition to the direct benefits these projects will provide, additional employment opportunities for Oklahomas laborers will be a boon to every aspect of the economy.>>

### States CP solvency: better than the fed

**States better mechanism than fed infrastructure bank**

**Mica, Florida State Representative, 2011**

**(John, Bloomberg TV Interview EBSCOhost, 11/1/2011**

**Accessed: 6/28/12, PAD)**

<<LIU: Do the states have the money in their **infrastructure** **banks**?

MICA: No, they don't.

LIU: Okay.

MICA: And we had testified, the Oklahoma Secretary of Transportation. He said we have an **infrastructure** bank, but what we don't have is the money. So why not empower those that already have the programs and the mechanism to get people working out right away? So I disagree with that part of what the President proposes.>>>

LIU: Okay. So your - because this **infrastructure** bank was supposed to be funded with about $10 billion or so. You're saying that's $10 billion could go possibly directly to some of these states then.

MICA: Right to the states.

LIU: And that would create how many jobs then in your view?

MICA: Well, again, for every billion dollars in **infrastructure** spending it's 25,000 to 35,000 jobs.

LIU: Okay.>>

**SIB can leverage, accelerate construction, avoid other regulation and restriction**

**Wilson, Editorial Director of Roads & Bridges, 2011**

(Bill, Roads & Bridges, March, Accessed: June 27, 2012) KKC

<<However, when used the right way, state-run infrastructure banks carry three key advantages, as pointed out by Gifford:

* The capacity to leverage—The initial capitalization of an SIB can be leveraged through selling revenue bonds with the loan repayments as the revenue stream for debt service. This action does not wear down the bond-issuing capacity of the state;
* The ability to accelerate construc­tion—An SIB allows construction sooner rather than later, eliminating the threat of rising material prices; and
* The ability to avoid other regulations and restrictions—Federally financed projects come with red tape, which can only increase a project's cost.>>

**SIB better than NIB**

**Wilson, Editorial Director of Roads & Bridges, 2011**

(Bill, Roads & Bridges, March, Accessed: June 27, 2012) KKC

<<Many in Washington have looked to the creation of a national infrastructure bank (NIB) as part of the solution to funding future highway bills.

President Barack Obama has talked about a $60 billion NIB, and current House Transportation & Infrastructure Committee Chairman John Mica (R-Fla.) appears to be excited about the possibilities.

However, questions remain about where the initial investment will come from and how loans will be paid back. Gifford thinks tolling the interstate system is out of the question because many believe that network is already paid for. However, using an NIB to fund new capacity, like high-occupancy toll lanes, could give the vision some life.

"I could imagine an NIB being structured in a way that would allow it to pick economically viable projects that would have a high probability of repayment and the creation of a revolv­ing fund that could support an ongo­ing investment hurdle," said Gifford. "But I can also imagine the hurdles to doing that are very significant because of the concerns of the national debt and the political influence of the selec­tion of projects.">>

**32 states have a SIB because it is necessary and timely**

**Yusuf, Old Dominion University, Liu, University of Kentucky, 2008**

(Juita-Elana, Gao, Public Budgeting and Finance, “State Infrastructure Banks and Intergovernemental Subsidies” Winter, EBSCOhost, Accessed: June 27, 2012) KKC

<<State Infrastructure Banks (SIBs), state-run revolving loan funds that offer financial assistance for transportation projects mainly through low interest loans, have developed rapidly since the initial pilot program was set up in 1996. As of September 2006, 32 states (and Puerto Rico) had active loan programs through their SIBs, having issued 520 loans, for a total loan amount of over $6 billion. An additional six states have established SIBs but have not yet put them into operation.

Given such popularity and the reauthorization for SIBs in the 2005 federal trans­portation legislation, research on the operation and effectiveness of SIBs is both nec­essary and timely. To date, no study, to the best of the authors’ knowledge, has compared the borrowing costs through SIBs and through alternative financing methods.

In response, the present research has a dual purpose. First, it introduces and reviews SIBs as an innovative financing mechanism for allowing federal and state governments to assist local governments in securing funding for transportation projects. As such, SIBs

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provide an alternative source of financing for local governments other than conventional municipal debt financing. Second, it estimates the cost savings realized by local gov­ernments from receiving SIB loans. The cost savings—the interest rate spread between SIB loans and municipal bonds—represent an intergovernmental subsidy provided by state and federal governments.>>

### States CP Solvency—marginalized groups

#### States able to target marginalized communities missed by fed funding—Kansas proves

Edmonson, Associate Editor of Journal of Commerce, July 13, 2009

(R.G., Journal of Commerce, “Banking on Infrastructure,” EBSCOhost, Accessed: 6/26/12) KKC

<<Bruce Burditt, the Kansas DOT's chief of financial investment management, said the revolving fund underwrites loans for communities too small to be rated by a national rating service. The first borrower was a county that wanted to resurface its road system.

In fact, the revolving fund provides for projects that wouldn't be eligible for federal funding to begin with.

The state has issued nearly $89 million in bonds, Burditt said. To ease the pain for local governments, the state charges approximately 3.8 percent interest, some two points below the rate the state pays on its bonds. The fund has about reached its limits, and state Transportation Secretary Deb Miller is considering a new infusion of capital.

Burditt said the state's fund has been successful because it allows flexibility in the amount that communities borrow, and that communities tailor their own repayment schedule — as long as payment is no longer than the lifespan of the project. To protect lenders against defaults, the state will pay lenders the community's share of motor fuel tax receipts.>>

### States CP Solvency—more efficient

**State Infrastructure Bank made projects finish faster**

**Levingston, jobs and economy reporter at Hamilton Journal News, 2011**

(Chelsey, Hamilton Journal News, “Butler County first in U.S. to receive loan from infrastructure bank,” EBSCOhost, October 11, Accessed: June 27, 2012) KKC

<<Ohio's **State** **Infrastructure** **Bank** was the first **state** **bank** of its kind in the nation to begin operating, according to Ohio Department of Transportation. Its first loan was to Butler County, according to Steve Faulkner, spokesman for the Department of Transportation.

The county received three loans for a total $35 million in 1996 and 1997 to help pay for construction on Ohio 129, construction of the Union Centre Boulevard interchange, the widening of Ohio 747 and improvements to Interstate 75, according to Faulkner.

The entire project cost of Ohio 129 work was more than $100 million, according to Butler County Transportation Improvement District.

"That loan continued the progress on the highway while the rest of the money was coming through," said Greg Wilkens, Butler County engineer. Wilkens was executive director of the transportation improvement district after the loans were paid off.

"It helped expedite the time frame of the project," Wilkens said.

Otherwise, the engineering and land acquisition would have been stopped until bonds were sold to help pay for the project, he said.>>

**SIB more flexible**

**Wilson, Editorial Director of Roads & Bridges, 2011**

(Bill, Roads & Bridges, March, Accessed: June 27, 2012) KKC

<<"The state program gives us more flexibility than the federal program," said Drzewiecki. "We have expanded our SIB programs to sea ports, airports, rail, transit, buses and of course roads—that would be a clear indication of success."

Toll revenues and a local option tax levied through the counties have supported Florida's own SIB, and the Florida DOT also has done some internal loans to district offices, which in turn have pledged their allocated state and federal dollars. The future health of the SIB certainly is packed with energy. The ending FY balance is expected to climb over the next 10 years to just over $714 million in 2021.>>

### States cp solvency—private investment

**When the State Infrastructure Banks partner with private corporations projects go faster and are cheaper.**

**Ngai, Commodities reporter, 2012**

(Catherine, Metal Bulletin, “Five Year US Transportation bill finding support at markup,” LexisNexis, February 4, Accessed: June 25, 2012) KKC

<<The bill, which was released to the public late Tuesday afternoon, urges building on existing **State Infrastructure Banks** instead of creating a national counterpart. It also encourages state officials to partner with private corporations for more funding (AMM, Feb. 2).

"We've seen very few equipment purchases for construction, all of them leased, because all our projects are shovel-ready jobs and not for the long-term," said U.S. Rep. Peter A. Defazio (D., Ore.). "We've seen the FAA bill go through 24 extensions and we do not want to see that happen (for this bill).">>

#### It is better for states to handle transportation infrastructure; they are free to structure their P3

Mattci, partner at Debevoise & Plimpton, McGuigan, Debevoise & Plimpton, 2011

(Ivan, Michael, Project Finance, “The current catalysts for US PPP development”, October, LexisNexis, Accessed: June 27, 2012) KKC

<<On the other hand, primary responsibility for the development of specific transportation infrastructure projects in the US generally rests at the state level, and each state is largely free to determine whether and how to structure its own PPP programme. Impelled partly of economic necessity, but also due to the gradual accumulation of knowhow and expertise gained in successful precedent transactions in many states, the US PPP market is now developing at an accelerating pace. It is therefore an opportune time, if the necessary political will can be mustered, for the adoption of appropriate federal and state programs to help catalyse and leverage this growing market.>>

#### State infrastructure banks good history of working

Vock, staff writer for Stateline, 2011

(Daniel, Stateline, “Infrastructure banks explained: A common state tool gets mixed marks,” December 7, EBSCOhost, Accessed: June 27, 2012) KKC

<<Congress first authorized federally funded **state** **infrastructure** banks in 1996. Twelve years later, according to a tally by the American Association of **State** Highway and Transportation Officials (AASHTO), states had lent out more than $5.5 billion. One **state**, South Carolina, accounted for nearly three-fifths of that total. There have been no major defaults on loans issued by the **infrastructure** banks.>>

#### States won’t default on loan

**Wilson, Editorial Director of Roads & Bridges, 2011**

(Bill, Roads & Bridges, March, Accessed: June 27, 2012) KKC

<<However, even bankruptcy-tarnished states like New Jersey could set up its own SIB. Because the bonds issued by the SIB may not be guaranteed by the state, it would not be counted against a state debt limitation.

"But that would mean that the state would step up and pay the bonds should the project default," said Gifford. "Bond markets would recognize that risk and charge a high interest accordingly."

SIBs aren't recession proof, either. During 2008-09, traffic dedined substan­tially across the U.S. and toll revenues took a hit. Then came the political pressure to put a lock on tax rates. With the two main financial engines stalling out, officials behind SIBs started getting a little anxious with outstanding debt float­ing around. According to Gifford, some had reserve funds built into projects, but that money counted against the loan.

Still, it has been rare to see a project default on a loan, and most states have been able to keep their heads above water.

"What we wanted to make this program is great in great times and great even in bad financial economic times," Gary Drzewiedd, manager, finance and revenue, for the Florida DOT told ROADS & BRIDGES. "Normally, SIBs are only a small portion of the financial solution, so the majority of the financial solution also ran into hard economic times. It was relatively easy to keep the SIB going because the applications and need were down.">>

**SIB ensures lower borrowing rates**

**Yusuf, Old Dominion University, Liu, University of Kentucky, 2008**

(Juita-Elana, Gao, Public Budgeting and Finance, “State Infrastructure Banks and Intergovernemental Subsidies” Winter, EBSCOhost, Accessed: June 27, 2012) KKC

<<Using data consisting of loans made by the Ohio SIB and municipal bonds issued by entities in Ohio, the study’s analysis suggests that SIBs do in fact provide a mechanism through which states can subsidize local transportation investments. Specifically the estimates show that, by obtaining SIB financing, localities realized average borrowing cost savings of between 34 and 184 basis points. Between 83 and 98 percent of the projects receiving SIB loans benefited from lower borrowing costs than if they had obtained debt financing through the municipal bond market.>>

### SIB help economy

#### State infrastructure banks help economic growth

**Yusuf, Old Dominion University, Liu, University of Kentucky, 2008**

(Juita-Elana, Gao, Public Budgeting and Finance, “State Infrastructure Banks and Intergovernemental Subsidies” Winter, EBSCOhost, Accessed: June 27, 2012) KKC

<<The primary role of SIBs in local transportation financing is to lower the overall cost of capital for specific transportation projects and thus reduce the overall cost of the pro­ject.5 This can be achieved in three ways. First, SIBs can offer low interest or interest-free loans, which could be used to partially or fully replace taxable or even tax-exempt debt.

Second, SIBs can offer credit enhancements that allow transportation projects to attain higher ratings for their debt issues. Finally, SIBs can assist smaller jurisdictions and infrequent borrowers in obtaining debt financing by pooling bond issues, thus spreading the risk and reducing the overall cost of capital.

In most cases, the savings that can be attributed to SIBs are derived from reductions in borrowing interest costs. This is particularly true given the current state of SIB practice, which has tended to focus on providing low interest loans rather than other types of credit assistance. Accordingly, this study only examines the impact on borrowing costs of SIB loans.

The expectation of savings from reductions in interest costs are borne out of previous studies which analyzed the impact of environmental SRFs and state bond banks. So­lano,6 for example, determined that state bond banks netted an average interest savings of 79 basis points. Similarly, a study by the Council of Infrastructure Financing Authorities7 found that interest rates for SRF loans averaged 300 basis points below the 20-year General Obligation (GO) Bond Index.>>

#### States have ability to fix the project that meet their needs

**Yusuf, Old Dominion University, Liu, University of Kentucky, 2008**

(Juita-Elana, Gao, Public Budgeting and Finance, “State Infrastructure Banks and Intergovernemental Subsidies” Winter, EBSCOhost, Accessed: June 27, 2012) KKC

<<Under their cooperative agreements with the federal government, states have fairly wide discretion in operating their SIB programs. The authorizing federal legislation establishes basic requirements and an overall operating framework for SIBs, but states have the flexibility to tailor their SIBs to meet their specific transportation needs. The states establish the application criteria, loan terms including interest rates, and management

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structure of their SIB loan programs. However, federal requirements dictate that interest rates be set at or below prevailing rates offered by the U.S. capital markets. Beyond this requirement, the states are free to adopt any methodology to establish a benchmark U.S. capital market interest rate and subsequently the SIB interest rate.>>

#### SIB- works for 32 states

**Yusuf, Old Dominion University, et all 2011**

(Juita-Elena, Sagepub, “Public Works Management Policy,” May 20, EBSCOhost, Accessed: June 26, 2012) KKC

<<One way that states (and the federal government) have helped local governments in regard to capital financing has been through the creation of State Infrastructure Banks (SIBs). SIBs are federally authorized, state-run revolving loan funds that offer finan­cial assistance for mostly local transportation projects mainly through low interest loans (Yusuf, O’Connell, Hackbart, & Liu, 2010). Thirty-two states have established SIBs, many of which are designed to support local transportation investment through below-market loans. SIBs, therefore, provide a debt financing alternative for local governments that need to borrow to pay for needed highway infrastructure but are constrained by state-imposed debt limits.

SIBs offer two sources of borrowing cost savings to local governments: (a) avoid­ance of transaction costs associated with issuing municipal bonds and (b) lower interest rates. For example, one study found that localities in Ohio receiving SIB loans real­ized borrowing cost savings between 34 and 184 basis points (Yusuf & Liu, 2008).>>

**SIB solution to many econ problems**

**Yusuf, Old Dominion University, et all 2011**

(Juita-Elena, Sagepub, “Public Works Management Policy,” May 20, EBSCOhost, Accessed: June 26, 2012) KKC <<These cost savings represent subsidies from states to localities as states work to help their localities address highway infrastructure challenges. SIBs also offer a possible solution to the current crisis, in that they provide a mechanism through which the federal government may support local governments. Ryu (2006, 2007) examined the lever­aging effect of federal resources used to capitalize SIBs and fund SIB loans. He found that one dollar of federal funds deposited into the SIBs had a leveraging effect on state highway funds of as much as US$7.55. Therefore, every federal dollar committed to the SIB program could potentially generate more than US$8 of loan resources to be made available for local highway projects.SIBs can also reduce financing disparities between urban and rural areas. In most states, localities in rural areas benefit disproportionately from state aid. State highway funds are usually spent on interstate highways, and state roads and highways, which typically run through unincorporated areas, townships, and rural counties. While states also pay for state system arterials in and around urban areas, the states do not generally provide support for locally owned roads in urban areas. This generally leaves local governments in urban areas responsible for maintaining their own roads while those in rural areas benefit from greater state attention and state investment (Hill et al., 2003).>>

### Federalism Links—infrastructure bank

#### A federal infrastructure bank kills normal state authority over infrastructure

**Mallet, Specialist in Transportation Policy, Maguire, Specialist in Public Finance, and Kosar, Analyst in American National Government, 2011**

William, Steven and Kevin, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation,” December 14, http://www.fas.org/sgp/crs/misc/R42115.pdf, last accessed 5.20.12

A fourth possible disadvantage is that a national infrastructure bank may shift some decision making from the state and local level to the federal level. Although the initiation of projects will come from state and local decision-makers, a national infrastructure bank will make the final determination about financing. Some argue that this will reduce state and local flexibility and give too much authority to centralized decision-makers divorced from local conditions.54

### States CP Solvency: States attract Public Private Partnerships

#### State public private partnerships solve the problems of states funding

[**Goldsmith**](http://www.nyc.gov/portal/site/nycgov/menuitem.047d873163b300bc6c4451f401c789a0/index.jsp?pageID=nyc_photo_slide&catID=1194&doc_name=http%3A%2F%2Fwww.nyc.gov%2Fhtml%2Fom%2Fhtml%2Fbios%2Fbio_om_dm_ops.html)**, New York City Deputy Mayor for Operations 2011**

 (Stephen “Infrastructure Investment and U.S. Competitiveness”

Council on Foreign Relations, April 5, 2011, <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, accessed 6/27 BJC)

**Investment in America's physical infrastructure is directly tied to economic development. Businesses and the workforces they attract consider infrastructure when deciding where to locate. Too often, however, pressed by day-to-day concerns, state and local governments fail to adequately plan and invest in infrastructure. Tight budgets make it easy for officials to rationalize the deferral of investment until a time when surpluses return.**

**Unfortunately, this pattern has been repeated for decades, and the accumulation of deferred maintenance and deferred investment in future infrastructure has led to an unsatisfactory status quo. To ensure America's future competitiveness in the global marketplace, we must rethink our approach to the construction and financing of infrastructure.** And in this policy area, many of the **most promising ideas for unlocking public value involve public-private partnerships.**

**Public-private partnerships can produce access to capital that will accelerate the building of critical infrastructure in sectors ranging from transportation** to wastewater treatment.>>

**And, an infrastructure bank would cause runaway spending on wasteful infrastructure projects—wastes stimulus that could be used for more productive projects**

**Washington Times, 2011**

“Editorial: Obama’s infrastructure boondoggle,” March 16, http://www.washingtontimes.com/news/2011/mar/16/obamas-infrastructure-boondoggle/, last accessed 5.22.12

The last thing America needs right now is another government agency. Apparently, [Sen. John Kerry](http://www.washingtontimes.com/topics/john-kerry/), Massachusetts Democrat, doesn’t agree. On Tuesday, he announced his intention to establish the [American Infrastructure Financing Authority](http://www.washingtontimes.com/topics/american-infrastructure-financing-authority/) ([AIFA](http://www.washingtontimes.com/topics/american-infrastructure-financing-authority/)). President [Obama](http://www.washingtontimes.com/topics/barack-obama/) has championed the idea as an “innovative” solution to our transportation and energy problems. This bad idea was actually lifted directly out of the New Deal playbook.

[Mr. Kerry](http://www.washingtontimes.com/topics/john-kerry/)’s plan would spend $10 billion in taxpayer funds to create an infrastructure bank that offers loans and loan guarantees for transportation, energy and water projects deemed to be of public benefit. The idea is to leverage the taxpayer cash into $640 billion worth of investment in infrastructure. That extra $630 billion doesn’t come from thin air; ultimately, it would be extracted from the taxpayers’ pockets. “We will still need public funding, or if we use private dollars, they will still have to be paid back with tolls or something else,” said [Sen. Mark Warner](http://www.washingtontimes.com/topics/mark-warner/), Virginia Democrat, at a Tuesday press conference in support of the bill.

Individuals would pay those tolls and extra charges to construct projects deemed unsuitable by private investment banks. Traditionally, financial firms that answer to shareholders only approve the deals that are most likely to succeed. [Mr. Kerry](http://www.washingtontimes.com/topics/john-kerry/)’s agency would be set up to give the necessary edge for marginal and uneconomic boondoggles. This reduces the amount of capital available to more promising endeavors. On the other hand, politically correct monetary sinkholes like high-speed rail, windmills and solar panels would thrive.

In theory, this bank would eventually pay for itself through fees charged for its loan services, but it will never operate like a real company. The agency’s board of directors is appointed by the president with the majority reflecting the beliefs of the party occupying the White House. It will be staffed by civil servants beholden to big government for their paychecks. Those on the public dole have never been particularly adept at protecting the interests of the people who pay those plush salaries.

[Mr. Kerry](http://www.washingtontimes.com/topics/john-kerry/) asserted that because the deals would be funded from tolls and other charges, “The chances of this failing are really miniscule.” Yet the risk is substantial as toll roads have a long history of failure. The very first High-Occupancy Toll project, the 91 Express Lanes in Orange County, Calif., required a $135 million bailout in 2002. Greenville, S.C.’s Southern Connector went bust in June. Closer to home, Richmond’s Pocahontas Parkway required a state bailout. In Australia, three multibillion-dollar tolling schemes went bankrupt in the past three years.

This is relevant because the agency’s “leverage” comes from risking the full faith and credit of the U.S. government against the integrity of these projects. This is an arrangement developed by President Franklin D. Roosevelt, who created the government-sponsored enterprises that became Fannie Mae and Freddie Mac. We know how well that turned out, with taxpayers facing a bill of up to $250 billion to clean up the mess.

### Private funding CP Solvency

#### Private companies could fund national infrastructure—less risk than government funding

#### NIB harmful because it discourages private investment

**Roth, Civil Engineer and Transport Economist, The Independent Institute, 2011**

(Gabriel, Congressional Documents and Publications, “House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing,” Lexis Nexis, October 12, Accessed: July 3, 2012) KKC

<<The objectives of the "Infrastructure Bank" (or the "American Infrastructure Financing Authority" (AIFA)) as proposed by President Obama, are attractive, but I am not convinced that its financing has to be governmental. Why could not private banks put up $ 10 billion to achieve the same objectives? Because private banks would try to finance only financially viable projects?

Government financing -- which would be subsidized by taxpayers -- could well discourage private financing. The offer of cheap finance could lead to slower spending on infrastructure, because potential borrowers would line up for the bank's loans and put off their own decisions while waiting for the bank's action. Borrowers are likely to be public institutions that would face criticism from their political supervisors if they do not seek loans at lower rates from the government's infrastructure bank.>>

### US Export-Import Bank CP solvency

**Ex-Im Bank provides same function as the plan--without the politics links**

**Schweitzer, Chief Operating Officer, TARP at U.S. Department of the Treasury General Counsel at Export-Import Bank of the U.S., Alderman,** principals in Cozen O'Connor Public Strategies. And Bayh, a former U.S. senator from Indiana **2011**

(Howard, Mark and Evan The Washington Post, September 30, June 25, 2012)

<<Many of those pushing for an infrastructure bank say that public-private partnerships are part of the solution. This basic concept combines private capital with some form of public support to finance large projects. That is the Export-Import Bank's bread and butter. Put another way, the United States already has a bank that knows how to balance investor return with lender (i.e., taxpayer) protection - often a major stumbling block to public-private deals.

The Export-Import Bank also has in place the internal decision-making, credit and operational functions to execute a new, non-political mandate regarding domestic infrastructure finance. The bank is governed by a bipartisan board of directors, all presidential appointees confirmed by the Senate. It is overseen by a presidentially appointed inspector general and by the Senate Banking Committee, the House Financial Services Committee and appropriators in both houses of Congress.

Not only would adding domestic infrastructure projects to the bank's mandate avoid the inevitable delay that would occur should Congress pass legislation creating a national infrastructure bank, but the federal government's most recent attempt to create a government lender to finance large projects - the Energy Department loan guarantee program - has fallen far below expectations.

If the federal government is to play a role in addressing the country's serious infrastructure needs, policymakers should decide whether they want to make a difference now. They can broaden the Export-Import Bank mission and put the bank to work in prudently but aggressively financing domestic infrastructure projects while Congress and the administration consider whether to create a new federal agency, or they can allow our infrastructure to further deteriorate while that debate takes place. The president should ask Congress simply to resolve to encourage Ex-Im to act now. This green light is all that's needed to begin rebuilding America and creating jobs.

### Private Capital Tradeoff Link

#### Private capital tradeoff link---increasing available nib loans creates a tradeoff for private investment

**Staley, Robert W. Galvin Fellow and Director of Urban and Land Use Policy for Reason Foundation, 2010**

(Sam, Speech for Committee on House Ways and Means Subcommittee on Select Revenue Measures, 5/13/10, EBSCOhost, Accessed: 6/27/12, PAD.)

<<First, an **infrastructure** bank is not a substitute for other forms of public funding. On the contrary, the debt issued by the bank is a liability for the agency, not an asset. At best, an **infrastructure** bank can supplement federal funding for **infrastructure** by leveraging projects through borrowing, but loans or government guaranteed bonds do not supplant federal funding. The potential benefit is in realigning financing costs with more realistic timetables for paying off the loans (or bonds). Debt must be paid back, either through future tax revenues or through user fees, so the funds are not ``free`` in an administrative or economic sense.

Second, public debt is also not issued in a vacuum. It must compete for private dollars in a global market place. If a NIB lends $1 billion for a new road, those funds are diverted from the private sector, either fi-om the general public or private investment funds. Issuing too much debt, which often occurs at lower interest rates because of the implicit government guarantee, or funding projects with few benefits, will crowd out private investment in other parts of the economy that may be more productive. Debt is not a free fiscal lunch.>>>

## Counterplans

### Tollway CP for infrasturcure

**Tollway CP solves best for infrastructure**

[**Little**](http://www.usc.edu/schools/sppd/keston/institute/)**, Director, Keston Institute for Public Finance and Infrastructure Policy, 2011**

 (Richard “Infrastructure Investment and U.S. Competitiveness”

Council on Foreign Relations, April 5, 2011, <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, accessed 6/27 BJC)

<<**The massive network of seaports, waterways, railroads, and highways we built** in the nineteenth and twentieth centuries were designed to unlock the nation's natural resources, agriculture, and manufacturing strength and bring these products to market. **Today, despite a dynamically changing economy, these sectors along with trade and transportation still account for more than a quarter of U.S. GDP or $3.5 trillion, but many transport linkages have become bottlenecks due to long-delayed repair and replacement. The entire U.S. economy, as well as consumers, would benefit from a more efficient and resilient supply chain**. **Unfortunately, for far too long, Americans have been lulled by their political leadership into a false sense of entitlement**. Faced with the prospect of raising taxes or charging fees to cover the cost of maintaining these systems, they have chosen to do neither. As a result, our highways and bridges decline at alarming rates. Most of the other systems vital to our interests suffer the same fate. **Fixing this is well within our control, the challenge will be to muster the will to do so. Without a move to revenue-based models, necessary renewal of critical infrastructure will be long delayed, if provided at all. The first step in addressing this problem will be to ensure that adequate revenue streams are in place**. Whether this revenue comes from the fuel tax, tolls, or other mechanisms is less important than having the funds to work with. **Without a move to revenue-based models, necessary renewal of critical infrastructure will be long delayed, if provided at all. We can show that we value these systems by agreeing to pay for their upkeep or own both the responsibility for economic decline and its consequences.>>**